RENEWABLES

Cheap Iranian oil not likely to harm renewables

While the Iranian nuclear deal promises to open up Iran's oil and gas reserves to the world, renewable energy may not be too affected by the oncoming flood. Could this mark a coming of age for renewables?

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A landmark nuclear deal has lifted the international embargo on Iranian oil - meaning Iran is planning to again exploit its oil reserves for the global market.

But world leaders signing an accord on what to do with Iran's nuclear program does not mean everyone's going to be guzzling ever-cheaper oil a day later.

The influx of Iranian oil could be a setback for the development of renewable energy sources, and may lead to a short-term worldwide divestment from renewable sources.

But experts say that since in general, renewable energy taking up an ever-larger larger share of the energy market, it could hold its own against the gas market.

This development could mark a coming of age for renewable energy: Even though a source of gas and oil is poised to return to the energy market, governments continue their focus on solar and wind energy.

No oil right away

Right now, oil is cheap - incredibly cheap: down to $49 (45 euros) per barrel in July 2015. A year ago, the price was $115 per barrel. The United Nations Environment Program recently called the collapse of oil prices "the most daunting [environmental] challenge" as 2015 began.

Although low oil prices are likely to dampen investor confidence in some sectors, oil and renewables are not competing for investment, the UNEP wrote in a recent study. "Wind and solar sectors should be able to carry on flourishing," the study read.

It could take half a year before Iran starts exporting its oil again

Due to outdated infrastructure and oil fields that haven't been tapped since before the UN imposed its sanctions in 2006, Iran is still months away from getting its product back on the market.

"Markets are anticipating vast quantities of Iranian oil to be plowing into markets in the next three days - but it will be at least six months before any significant amount of oil is exported," professor Paul Stevens of Chatham House in the UK told Deutsche Welle.

Iran sits on 30 to 40 million barrels of oil, Stevens said. The country could theoretically produce 400,000 barrels of oil per day over the next three months. This would cause the markets to collapse even further, Stevens said: "The market is already oversaturated." Meaning, Iran would have to make efforts to attract buyers for its oil.

Oil and gas: a deep connection

Gian Andrea Pagnoni, one of the authors of the book "The Renaissance of Renewable Energy," explained how cheaper oil acts as a brake on the development of all other sources.

"Every source is currently intimately linked to oil - including other fossil fuels," Pagnoni told DW. And while the price of oil is not linked directly to the development of renewables, the price of gas is.

Cheap gas removes the incentive to invest in renewables, said Stephen Roche, the book's co-author. Countries that are still heavily reliant on gas could potentially become lazy when it comes to weaning themselves off the stuff.

But Jason Bordoff, an international affairs professor at Columbia University, told DW that this effect is likely to be very modest: "Significant expansion of renewables is going to be driven by policy far more than by whether or not Iran exports more crude."

There is ever more focus on considering the full costs of fossil fuels - including environmental and health costs

Renewable energy's staying power

The world invested just over $270 billion in renewable power and fuels in 2014 - up 17 percent from 2013, the UNEP found.

Despite dropping oil prices in the past year, the market for renewables has actually become more competitive, the UNEP found.

The good news for renewables is that the cost of establishing wind or solar power went down in 2015, allowing them to handle the competition, the UN said.

Iran and China

However, the biggest investor in producing and exporting renewables, in particular solar photovolic panels, is also one of the world's biggest consumers of Iranian oil: China.

China invested $83 billion in renewables in 2014. That's up 39 percent from 2013. They also consumed far more Iranian oil than anyone else in the world, even during the sanctions era: more than 500,000 barrels a day.

The actual import numbers are likely greater, "because so much of this goes on in secrecy," said Usha Haley, professor of business and economics at West Virginia University. "China is looking to control resources," she added.

China's way of working, Haley pointed out, is to anoint a mature technology, and then mass produces and mass consume it. No innovation there, just production and export.

In that sense, China's view of Iran and Iranian oil is not about to get dimmer anytime soon.

Germany has been one of the world's most avid investors in renewable energy

Political will drives renewables

But neither is China about to back down from ramping up solar in its energy mix. And as more government pile on incentives and subsidies for renewable energy development, the sector will continue to expand, said Roche.

Even if Iran's oil is not the most imminent threat to de-greening energy around the world, governments can still choose whether or not to invest.

Pagnoni pointed to Germany and Denmark as exemplary countries with the political will to do just that - and they are now producing a high percentage of their energy from clean and safe renewables.

"It comes down to political will," Pagnoni concluded.

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