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The astonishing rise of renewable energy

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A few months ago on a drive through Extremadura, one of the team came across a plain that was covered in mirrors focussing sunlight onto a network of pipes running along the centre of each mirror. The technology essentially uses sunlight to turn salt into a molten liquid that heats water to generate steam that powers a traditional turbine. Salt is useful because it stores heat efficiently and can retain heat long enough to power generators when the sun goes in. It's also cheap and abundant.

It turned out that this was Orellana Solar Thermal Plant comprising 74km of 166,000 parabolic mirrors spread over 142 hectares (200 football pitches) generating some 50MW of carbon free electricity (sufficient to power 33,000 homes). As of 2014, Spanish CSR capacity measured 2,300MW. (source: Government of Spain)

It is this abundance that is interesting because somewhat surprisingly, for those of us old enough to remember the oil crisis and the dubious pleasure of doing homework by candlelight, the world economy appears to be moving into a period of superabundant, cheap, carbon free energy.

Not so long ago, there were genuine fears surrounding "peak oil" and the capacity of the world to obtain sufficient energy to support living standards and maintain growth at an acceptable price. But, the rate of renewables adoption has been astonishing – in three years from now, just about 30% of UK energy will be supplied by renewable technology.

Clearly, this has implications for growth generally and certain industrial sectors specifically.

OPEC is struggling to maintain an oil price over $50 per barrel. Oil is not so central to growth as it was; there is a growing supply of substitutes. The threat to the economy from oil price inflation, or indeed, the threat of "running out" simply seems to belong to a previous age.

That's important because for decades after the 1970's energy crisis there has always been the thought that a similar episode could once again derail growth. That idea just doesn't seem at all plausible any more.

Cheap energy was frequently cited as one cause of the "NICE" decade as coined by Mervyn King, the "non-inflationary, continuously expanding" decade of the 1990's. The puzzle today is that cheap energy hasn't translated into faster growth. If anything, it has translated into lower investment.

Perhaps, it's reassuring to know that the vast server farms that house our lives these days are not going to run out of power anytime soon. More importantly, whatever the constraints on global growth may be, a lack of cheap, clean energy is not among them.

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