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Global electricity demand in 2020 is projected to fall by around 2%. This is the biggest annual decline since the mid-20th century and far larger than what followed the global financial crisis, which resulted in a drop in electricity demand of 0.6% in 2009. The contraction this year is a result of the Covid-19 pandemic and its impact on economic activity - the assumed 4.4% decline in global GDP in 2020 is significantly larger than the 0.1% reduction in 2009 - and the measures taken to prevent the further spread of the virus.

China will be the only major economy to see higher electricity demand in 2020. However, projected demand growth of around 2% in the People"s Republic of China (hereafter, "China"), which represents about 28% of global electricity consumption, is still significantly below its average since 2015 of 6.5%. After implementing strict health measures early in the year and experiencing subsequent drops in electricity demand in the first quarter, China has seen year-on-year demand growth every month since then. Although demand recovered in many economies during the Northern Hemisphere"s summer and autumn, major consumers including the United States, India, Europe, Japan, Koreaand Southeast Asia are all set to experience declines for the year as a whole.

Wholesale electricity prices have plummeted in 2020. Falling demand, lower fuel prices and the increase in renewable generation units with zero marginal costs have dragged down prices. The IEA"s wholesale electricity market price index, which tracks price movements in major advanced economies, shows an average price decline of 28% in 2020, after having already fallen by 12% in 2019.

Following the shock of 2020, we expect a modest rebound in 2021. With the recovery of the global economy in 2021, global electricity demand is expected to grow by around 3%. This rebound is rather low compared with 2010, the year following the global financial crisis, when electricity demand grew by 7.2%. The increase in demand is expected to be driven by emerging and developing economies, particularly China and India.

IEA (2020), Electricity Market Report - December 2020, IEA, Paris https://, Licence: CC BY 4.0

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An integrated EU energy market is the most cost-effective way to ensure secure, sustainable and affordable energy supplies to EU citizens.

Through common energy market rules and cross-border infrastructure, energy can be produced in one EU country and delivered to consumers in another.

Boosting competition, improving the long-term markets and allowing consumers to choose energy suppliers keeps prices in check.

The share of electricity produced by renewable energy sources, predominantly solar and wind, is expected to grow from 37% in 2020 to more than 60% by 2030. In 2022, renewables made up 41.2% of EU''s gross electricity consumption according to Eurostat.At the same time, electricity must also be produced and delivered in sufficient quantities when there is no wind or sun.

Markets need to adapt to better integrate renewable energies and attract investment in fossil-free flexible technologies, such as demand side response andenergy storage, that can complement variable energy production. They must also provide the right incentives for consumers to become more active and contribute to keeping the electricity system stable.

The EU electricity market needs to be transparent and efficiently monitored to ensure open and fair competition and protect against market abuse and manipulation. 2022 saw high and volatile energy prices and serious concerns about security of supply and EU heads of government called on the Commission to work swiftly on thestructural reform of the electricity market to help Europe secure its energy sovereignty and achieve climate neutrality.

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