

# Renewables are shining. The Iran war amplifies their appeal

Two new reports are a must-read of energy-starved governments

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IT IS FASHIONABLE to proclaim that the big winner in energy markets from the new Gulf war will be coal. The sooty stuff is certainly getting a leg-up, especially in countries like India which sit on lots of it and also import lots of liquefied natural gas (LNG). Yet the closure of the Strait of Hormuz may offer an even bigger lift to clean energy, and especially solar power.

Even before America and Israel started bombing Iran at the end of February, the tumbling costs of clean energy were undercutting fossil fuels in many parts of the world. Two new reports show just how much. They are likely to be read carefully in energy-insecure capitals the world over.

On April 20th the International Energy Agency, a club of large oil-consuming countries, published its annual "Global Energy Review". Solar photovoltaics, the IEA reckons, last year met more than 25% of the world's new demand for energy (including in power generation and transport), ahead of natural gas at 17%.

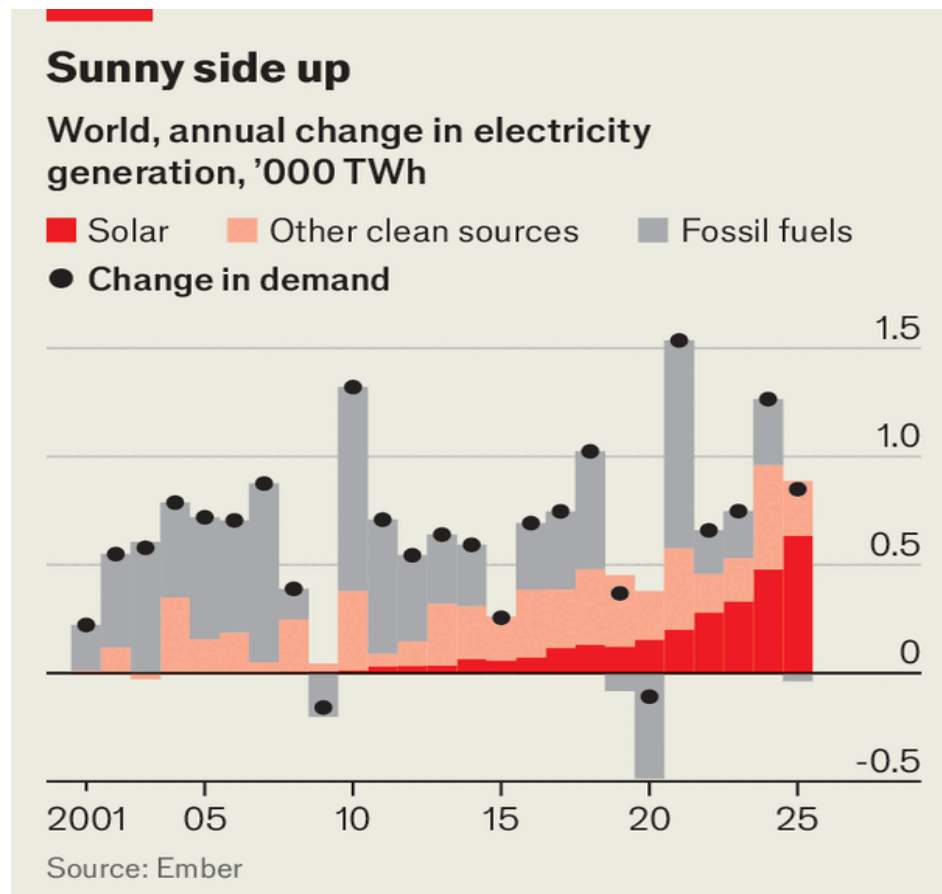


Chart: The Economist

The second report, published a day later by Ember, a research firm, focuses on electricity markets. It, too, highlights some record-breaking feats. In 2025, for the first time ever, new renewables generation exceeded the rise in global electricity demand (see chart). And for the first time in over a century, renewables managed to produce more electricity (34%) worldwide than coal did (33%).

Most of that growth came from a surge in annual solar generation, which shot up by 30%, from 2,143 to 2,778 terawatt-hours (TWh). Newly installed capacity accounted for nearly all of the increase. Wind power jumped from 2,510TWh to 2,715TWh. Together with hydropower, geothermal and a few other technologies, renewables generated nearly 11,000TWh of electricity, or 34% of last year's worldwide total. For only the fourth time this century, fossil fuels produced less power than the year before.

Solar prices are tumbling. The "levelised" cost of solar power, which combines capital and operating cost (though does not account for the "system costs" imposed by renewables' intermittency) has plunged by around 90% since 2010. It is now below that for coal generation in India even if you add battery storage. Onshore wind power is cheaper still.

If low cost and low carbon were not enough of a selling point, energy crises like the one currently unfolding provide another. In a fragmenting world, clean power offers some energy security. Once installed, solar panels and wind turbines work regardless of geopolitical turmoil, albeit not regardless of the weather.

After Russia invaded Ukraine in 2022, Germany's earlier clean-energy investments spared it €25bn (\$26bn) in gas imports, roughly equivalent to its annual import bill for the fuel in previous years. More striking, the amount of solar generation added last year surpassed that of electricity produced by burning all the LNG the Gulf exported in 2025. Countries currently suffering gas shortages, especially in Asia, will take that statistic to heart. ■

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