



# It is time to control the worst: testing COVID-19 outbreak, energy consumption and CO<sub>2</sub> emission

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## Abstract

During the COVID-19 outbreak, managing energy consumption and CO<sub>2</sub> emission remained a serious problem. The previous literature rarely solved this real-time issue, and there is a lack of public research proposing an effective way forward on it. However, the study examines the impact of the COVID-19 outbreak on energy consumption and CO<sub>2</sub> emission. The design of the study is quantitative, and the data is acquired from different online databases. The model of the study is inferred by using panel unit root test and ARDL test. The robustness of study findings was checked through panel quantile regression. The findings highlighted that the COVID-19 outbreak is negatively significant with energy consumption and CO<sub>2</sub> emission. The study suggested revising the energy consumption patterns by developing and implementing the national action plan for energy consumption and environmental protection. The study also contributed in knowledge by suggesting the novel insight into CO<sub>2</sub> emission and energy consumption patterns during COVID-19 pandemic and recommended to consider renewable energy transition methods as an opportunity for the society. For a more effective management of energy consumption and environmental pollution, country-specific measures are suggested to be taken, and the national government should support the concerned public departments, ministries and private organizations on it. To the best of our study, this is one of the pioneer studies studying this novel link and suggesting the way forward on recent topicality.

**Keywords** COVID-19 outbreak · Energy consumption · CO<sub>2</sub> emission · Renewable energy · Energy transition

## Introduction

The world economy is facing two major problems: the spread of the new COVID-19 outbreak and the current plunge in oil prices. The amalgamation of these two issues will probably trigger a long-term monetary slump and push the world

economy into a subsequent downturn (Baker et al. 2020a). The COVID-19 outbreak continues to spread widely in the United States (USA), Italy, China, Iran and other countries, especially in Europe, which has triggered special effects of stock market impulse and economic policy uncertainty. The recent stock market volatility level has exceeded from the

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levels of the stock market crashes in October 1987 and December 2008 and 1929. During the same period, the uncertainty of the US economic policy indicated that by 24 March 2020, this number had jumped from 100 to 400 (Disemadi and Shaleh 2020). Similarly, the impact of the pandemic, such as the COVID-19 outbreak commonly referred to as the coronavirus, has severely affected Pakistan's energy sector. The Petroleum and Natural Gas Authority (OGRA) of Pakistan is committed to strengthening the national energy system and avoiding energy shortages not only due to local economic impacts but also due to international impacts. (Chakraborty and Thomas 2020). Likewise, it is widely accepted that the impact of the COVID-19 outbreak is very big and structural in all the domains of life including the energy sector (Nicola et al. 2020). Humans are the core regulator of society, and their health is the foremost important consideration for thriving in a productive and strong society.

While, due to COVID-19 outbreak, several health issues have been raised and such issues are becoming serious days by day, more specifically in frugal economies like Pakistan, this impact is very critical, and now, an economic shock is being perceived; lockdown is being extended continuously; and by the effect of lockdown fuel consumption, CO<sub>2</sub> emission, energy demand and supply declined and market mechanism is altered very speedily. Thus, to understand and identify the novel impact of COVID-19 outbreak on CO<sub>2</sub> emission and energy consumption, the recent study is intended to investigate (Solangi et al. 2019b; Hou et al. 2019). This is the motivation of a recent study. Deciding how much the impact of COVID-19 is important, especially in the recent conditions, where many countries like the USA, China, Italy, Spain, Iran, and India are facing 'pandemic effect' at large. By the fact, the COVID-19 outbreak affected the energy sector of the world as a whole, and eventually, the demand graph of oil supplies have become bearish; oil market prices faced a decline; and big economies like the USA are bidding the oil-free of cost (Malamud and Núñez 2020).

According to Bloomberg, a sudden decline has been observed in the oil and gas industry during March 2020, and its future is still in an unpredictable state. Importantly, the failure of OPEC negotiations is also the reason for the decline in oil prices and the COVID-19 outbreak, which has expanded the greater impact on the energy industry of Pakistan (Solangi et al. 2019a). This is a very big impact with which existing theoretical propositions, assumptions, methods and models have not kept the pace. This is one of the big limitations and failures of previous literature. Therefore, novel exertions are prerequisites to present advancement in the literature, empirical modelling and operational research by addressing the contemporary problem of the COVID-19 outbreak (Halkos and Tsirivis 2019). Our study attempts to investigate this critical issue by testing the effect of COVID-19 outbreak on the energy sector. More specifically, we inferred the effect of

COVID-19 outbreak on CO<sub>2</sub> emission and energy consumption. We incorporated the theory of economic efficiency to validate the association between CO<sub>2</sub> emission, energy consumption and the COVID-19 outbreak. By considering the law of diminishing economic return due to the COVID-19 outbreak, we authenticated the connection of the COVID-19 outbreak with energy consumption and CO<sub>2</sub> emission (Correia et al. 2020). We test the inherent assumptions of economic efficiency theory and then validate an empirical model that forecasts the optimal points of energy consumption and CO<sub>2</sub> emission in pandemic where greater advantages are been achieved with the intent to sustain energy efficiency.

We inquired the question how the COVID-19 outbreak can reduce CO<sub>2</sub> emission and energy consumption (Goodell 2020). A better understanding of this question is the need of the time for academia, practitioners and regulators. In the energy sector, several energy consumptions and CO<sub>2</sub> emission-oriented frameworks, efficiency management policies and performance management mechanisms were presented. Ironically, these policy frameworks and ways forward often increase energy demand and challenge the capacity of the energy sector to stay committed but not provide the way forward to adjust with the structurally imposed challenges, such as the COVID-19 outbreak (Department of Economic and Social Affairs 2020). Therefore, inquiries should give additional attention to understanding how structural changes like the COVID-19 outbreak affect CO<sub>2</sub> emission and energy consumption (Öncü 2020). In line with the concept of energy efficiency, we consider energy consumption as a contextual and market process that signals the expectation of an energy market (Iqbal et al. 2019b). A so-called energy management system of OGRA Pakistan is expected to do this effectually but not essentially: recent declines in the local energy market of Pakistan are big examples to support this argument. However, a policy way forward to manage the energy consumption and CO<sub>2</sub> emission is important (Baloch et al. 2020). And it is further important to give an alternative strategy in managing energy consumption by reducing the CO<sub>2</sub> emission in the Pakistani context by taking the COVID-19 outbreak as an opportunity.

The objective of the current study is to investigate the impact of COVID-19 outbreak on energy consumption and CO<sub>2</sub> emission, a way forward for sustainable energy markets. Further, the study contributes to energy consumption patterns by suggesting how to cope and put up with the energy sector from the novel effect of the COVID-19 outbreak. We propose sector-wide planning and administration in managing energy shortfalls and redressing the energy consumption habits. This is the first contribution. Secondly, a recent study contributes to the novel COVID-19 with the assumptions of the economic theory of efficiency by backing up the study arguments on energy consumption. Thirdly, we fill the gap of theoretical and operational research by studying the novel COVID-19

with CO<sub>2</sub> emission and energy consumption. Fourth, by this study, we address the special call on ‘Secure and Sustainable Energy system’ as this historical time is very crucial in developing the new avenues and/or ways forward to secure and stabilize energy system through energy markets—who have imagined a global lockdown and massive energy distress just a few months ago? Fifth, we contribute to COVID-19, energy regulator (e.g. OGRA Pakistan) initiatives and energy market stability with the motivation to bring the best findings and policy ways forward to our readers. However, our study contributes to different avenues, most importantly in the COVID-19 outbreak and energy consumption, to present a way forward for better planning and administration to meet the energy shortfalls. This article is one of the pioneering studies on the energy economic and environmental impact of the COVID-19 pandemic.

The rest of the paper is organized as follows: the ‘[Review of literature](#)’ section describes the literature review, the ‘[Research method and design](#)’ section describes methodology, the ‘[Results and discussion](#)’ section describes the results and discussion while the ‘[Conclusion and policy implications](#)’ section concludes the study.

## Review of literature

The Pakistani economy is one of the rich oil-producing economies in the world and one of the self-sustainable economies in energy production resources in South Asia. Ironically, the national revenues, energy market returns, earning capacity, energy market microstructure and energy efficiency are adversely affected due to the COVID-19 outbreak (Connors 2020). Notably, the Pakistani energy sector is broadly susceptible and sensitive to energy crust and turfs, energy preservation and consumption and environmental degradation. Due to pandemic persistence, the role of COVID-19 outbreak on the energy market and CO<sub>2</sub> emission has become an important area of study to study and guide the policymakers to sustain the energy sector at large. Before the COVID-19 lockdown, the energy consumption patterns of the Pakistani economy were much alarming; and therefore, CO<sub>2</sub> emission and energy consumption have become a puzzle to solve (Ataguba 2020). In contrast, the COVID-19 lockdown has proved the significance of less energy consumption due to lower CO<sub>2</sub> emission in the local context (Wang et al. 2020a).

In the emergence of 2020, the COVID-19 outbreak has become a lifetime emergency that affected the energy sector and economies as a whole. In response, national governments and regulatory authorities are combating with COVID-19 pandemic resiliently (Fornaro and Wolf 2020). In times of highly volatile momentum energy consumption and CO<sub>2</sub> emission, the COVID-19 pandemic emerged as a big crisis (Asbahi et al. 2019). Interestingly, the COVID-19 outbreak locked the

nations of nations into the self-isolation centres, and by the fact, this reduced CO<sub>2</sub> emission at large and CO<sub>2</sub> emission and energy consumption in so many countries like China, USA, Spain, Italy and Pakistan. On this momentum, emission trading system (ETS) and European Union (EU) emission led a new policy framework on energy emission, such as CO<sub>2</sub> emission and energy consumption (Liu et al. 2020; Iqbal et al. 2020b). While, geographically, such policy frameworks were developed far away from Asia, however, these are not considered, studied and implemented in the Pakistani energy sector. Considering the energy consumption way forward, it has been noticed from previous studies that many of the energy consumption and energy sustainability frameworks have been implemented in the annual year of 2020. Conversely, the COVID-19 outbreak has postponed the entire activities related to the energy sector (Disemadi and Shaleh 2020).

Likewise, due to COVID-19, such policy frameworks are being altered drastically (Iqbal et al. 2020a). Thus, new policy frameworks on energy consumption, CO<sub>2</sub> emission leading towards energy sustainability (Dong et al. 2015; Zheng et al. 2019; Iqbal et al. 2019c) or energy efficiency are prerequisite in accordance to structurally imposed scenarios persistent in the world with the COVID-19 pandemic (Colenda et al. 2020). In short, the energy sector needs adaptive policies that could enhance energy sustainability. A large-scale reduction in travel and transport activities has dampened the oil demand due to the COVID-19 outbreak and by the fact (GHG) is also reduced. This is the common proposition that GHG emission is probable to be unmaintainable in the long run. However, a reduction in oil demand has raised an important point of concern that what would be the future of the climate and clean energy development. Similarly, green credit assurance and assessment of the income which is produced from energy facilities provided by the supplier to the financial expert related to the environment by use of friendly power (Khokhar et al. 2020).

It might endanger green capital and affect the revenues of environmental ventures. Here advancement features are also described for the improvement of green money and speculation (Ciaschini et al. 2013). Thus, recent research also intends to add two related structures sponsored by A hypothetical method like with green account and speculation which depend on task size. The impact of the pandemic on the energy market is phased into two sections. First is the effect of COVID-19 on the energy sector in determining energy consumption pattern from the raw material of production (oil demand, supply and consumption) to end-product (electricity and end mean of fuel used in the travel and transport industry). Second, how the energy market will reshape a shift and recover after a pandemic or, in other words, how energy market will revive after a pandemic is the most important question of recent times that need answer (Igwe 2020). Endorsing the previous literature, a recent study is extending the theoretical contribution by

testing these missing links between the COVID-19 outbreak, energy consumption and CO<sub>2</sub> emission. Moreover, based on published studies, our study enhanced the empirical evidence by considering the recent reality of pandemic.

The COVID-19 outbreak indicates that carbon dioxide emission will decline during this year and historically a drop-down in CO<sub>2</sub> emission was observed in 2009, and the declining percentage ranged from 0.3 to 1.2% approximately (Burkle 2020). Thus, the COVID-19 outbreak has locked down the entire business of life in so many countries around the globe, and mainly China is affected by this particular virus (Chohan 2020). Due to said specific lockdown, megaindustries and small- and medium-sized (SME) businesses are in lockdown that reduced the demand for oil as China is the largest exporter of oil products. By this, oil consumption is reduced, and with this effect, CO<sub>2</sub> emission is also reduced. Considering the pandemic and opportunity, when industries are in lockdown, this is the high time to shift the industries towards renewable energy with the mission to reduce oil consumption and CO<sub>2</sub> emission and to develop clean and green China for upcoming generations. However, there is dire need to redress energy margin and shift on renewable energy.

Considering the theory of economic efficiency supporting energy consumption in terms of energy efficiency in a recent study, we established various energy efficiency and energy sustainability frameworks into the question particularly energy consumption in the Pakistani context due to the COVID-19 effect (Coccia 2020). The COVID-19 effect on the energy sector is temporal and multifold, such as short-run and long-run effects. In the short run, the pandemic lockdown, often termed as self-isolation, has decreased air pollution and CO<sub>2</sub> emission caused by various precautionary measures taken by the airline and transport industries and production schedule shutdowns, while the long-term effect of pandemic lockdown is depending on the structural implementation of such decisions in cited industries on a large scale and will result in energy crisis and/or an economic shock to all population (Gilbert et al. 2020; Iqbal et al. 2019a). Notably, this situation of pandemic lockdown is and will be a great source of uncertainty and will scale larger implications for the energy sector (Das 2020).

This led a probability to face the mighty challenges by the energy sector by deciding to (1) revise the energy sustainability policies concerning COVID-19 for the long-lasting sustainability in the energy sector and (2) prioritize the policy framework that may lead to clean and green energy consumption by satisfying the ‘Clean and Green Pakistan Vision’. However, endorsing the COVID-19 outbreak as an opportunity, it is the need of the time to safeguard the local environment and make it

carbon emission-free by transiting the energy consumption on modern and innovative tools (Department of Economic and Social Affairs 2020). Thus, addressing the objective of study for sustainable energy development and environmental protection is important for the Pakistani community as the population is increasing in the figure of 212.2 million (Source: Bauru of Statistic (2018), Pakistan). Extending to it, the effect of the pandemic with carbon emission and energy has become much important as the pandemic effect raised the extent it lowers the carbon emission and energy consumption (Wren-Lewis 2020; Wang et al. 2020b).

From a practical perspective, the recent study would help the policymakers to understand that how they may stimulate the COVID-19 impact on energy consumption and carbon emission, which they can facilitate and collaborate to develop a new way forward to remediate the pandemic impact on energy consumption. We found limited literature suggesting pandemic effect, more specifically, COVID-19 outbreak on energy consumption and CO<sub>2</sub> emission combined, and literature lacks in suggesting the concrete solution to manage the energy consumption shortfall caused by COVID-19 outbreak. We discussed the theory of economic efficiency to address and to explain the cause and effect of a recent study framework. The findings of Solangi et al. (2020) supported that extended lockdown lowers CO<sub>2</sub> emission that causes a reduction in energy consumption. Therefore, the extension in lockdown or self-isolation has a direct and adverse effect on energy consumption and CO<sub>2</sub> emission. Thus, considering the cited arguments, we hypothesized that there is an adverse effect of COVID-19 outbreak on CO<sub>2</sub> emission and energy consumption (Öncü 2020; Parth 2020).

## Research method and design

### Data collection

In doing a recent inquiry, we used daily data of COVID-19 outbreak, CO<sub>2</sub> emission and energy consumption, taken from different national and international databases. The COVID-19 outbreak is measured by the number of days of lockdown, and the data is acquired from [covid.gov.pk](https://covid.gov.pk) and [worldometers.info](https://worldometers.info). The data on CO<sub>2</sub> emission is from the Statistical Review of World Energy, and the energy consumption data is obtained from the daily summary statistics of economic surveys of Pakistan and Bauru of Statistics (Noy et al. 2020). We collected the data with effect from the first day of pandemic lockdown in Pakistan dated 13 March 2020 until 30 April 2020 (around 48 days) (Table 1).

**Table 1** Descriptive statistics

Summary statistics, 13 March 2020–30 April 2020				
Variable	Mean	SD	Minimum	Maximum
CO <sub>2</sub> emission	0.2857	0.0188	0.0701	0.1543
TEC	0.6658	0.0073	0.0165	0.5491
EC1	0.3471	0.0016	0.0111	0.4292
EC2	0.2994	0.0066	0.0227	0.3572
COVID-19 lockdown <sup>1</sup>	0.2562	0.0714	0.0066	0.3703

$n_{(\text{Observations})} = 48$

<sup>1</sup> This variable is measured in terms of numbers of days in lockdown in the study context

## Measurement of constructs

### CO<sub>2</sub> emission measurement

CO<sub>2</sub> scaling method is used to measure CO<sub>2</sub> emission. Arango-Miranda et al. (2018) presented a significant and linear relationship between per capita gross domestic product (GDP) and per capita emission of CO<sub>2</sub> in developing economies. This relationship remained significant with the condition that the population of the respective country should remain stagnant and less mobile (Wang et al. 2016; p. 3). Notably, study authorized this assumption and assumed that study population remained static, under the structurally imposed lockdown of COVID-19 pandemic, and during this period, a little physical movement of population is observed. Therefore during the COVID-19 outbreak, the CO<sub>2</sub> emission factors of Pakistan showed a decline. In other words, the stationary level of CO<sub>2</sub> emission factors designed a decreasing trend in CO<sub>2</sub> emission line on a larger extent. Considering these assumptions and real conditions of COVID-19 outbreak, our study further endorsed the scaling method of in measuring CO<sub>2</sub> emission. For this, industrial classification and actual state of oil and gas sector, transport sector, electricity sector, and cement sector of Pakistani context were used. Hence, CO<sub>2</sub> emission is measured using the GDP of industry (GDP)<sub>i</sub> and carbon emission factors (EF)<sub>i</sub>, assuming (EF)<sub>i</sub> will remain stationary.

$$\text{CO}_2 \text{ emission} = \sum [\text{Data}(\text{GDP})_i \times (\text{EF})_i] \quad (1)$$

If (EF)<sub>i</sub> remains the same, the decline in CO<sub>2</sub> emission is indicated with  $\Delta\text{CO}_2$  emission (see Eq. 2).

$$\Delta\text{CO}_2 \text{ emission} = \sum [\Delta \text{rate of } (\text{GDP})_i \times \text{CO}_2 \text{ emission}_i] \quad (2)$$

Using these measures, on the basis of emission features, we parted study sectors into two groups (e.g. transport sector and non-transport sector). Measurement the non-transport sector GDP of the country is taken, and for non-transport, traveling

distance and decline in transport services is also obtained from different databases (National Highway Authority Database and Ministry of statistics database). However, the  $\Delta\text{CO}_2$  emission of the transport sector is measured by

$$\Delta\text{CO}_2 \text{ emission}_{\text{transport}} = \Delta \text{rate of travelled distance} \times \text{CO}_2 \text{ emission}_{\text{transport}} \quad (3)$$

Using Eq. 3, the emission of transport sector was combined with oil and gas, electricity and cement sectors for empirical analysis CO<sub>2</sub> emission in the recent study.

### Energy consumption measurement

The energy consumption is measured by taking the net energy consumption (EC) in all the provinces of Pakistan. The estimate of energy consumption is further classified into different proxies, such as energy consumptions (EC) are substituted with electricity consumptions (EC1) and fossil energy consumptions (EC2). According to the Pakistan Economic Survey (2019–2020), the installed electricity generation capacity reached 37,402 MW in 2020. The maximum total demand coming from residential and industrial estates stands at nearly 25,000 MW, whereas the transmission and distribution capacity is stalled at approximately 22,000 MW. Moreover, thermal power generation is more than 65% of total electricity consumption in Pakistan. However, various secondary energy sources are suggested to adapt as primary energy sources. Therefore, total electricity consumption and total fossil energy consumption (EC2) are good proxies suggested to use in measuring total energy consumption.

### Econometric modelling

Considering the theoretical foundation to infer the estimation, unit root test including LLC test presented by Levin et al. (2002), FFP and FADF test presented by Choi (2001) and IPS test given by Pesaran (2007) are used. The ADF, PP and IPS unit root tests have individual unit root processes. These three unit root tests have the null hypothesis of unit root, where the alternative hypothesis does not contain a unit root. In this research, to explore the long-run and short-run association between estimated variables, we applied the panel ARDL method due to the mixed nature of the stationarity of the variables. The panel ARDL method has various advantages: traditional methods of cointegration only assess the long-term correlation in the equations, and the panel ARDL technique is more compact (Pesaran and Shin 1998). According to Eq. 1, our studied variables are stationary at  $I(0)$ ,  $I(1)$  or the level at first difference (Sulaiman and Abdul-Rahim 2018). Our baseline model can be written as

$$\text{COVID} = f(\text{EC}, \text{CO}_2) \quad (4)$$

$$\text{COVID} = f(EC_{it}^{\alpha 1}, CO_{2it}^{\alpha 2}) \tag{5}$$

The algorithm form of Eq. 2 is developed and shown in Eq. 3, where,  $i = 1, \dots, n$  as indicator sign,  $t$  is time period and  $\epsilon$  is error term. EC indicates energy consumption and  $CO_2$  is  $CO_2$  emission.

$$\ln(\text{COVID})_{it} = \alpha_0 + \alpha_1 \ln(\text{EC})_{it} + \alpha_2 \ln(\text{CO}_2)_{it} + \epsilon_{it} \tag{6}$$

The study also used panel quintile regression (PQR) to infer the robustness of the results (Lamarche 2010). Importantly, PQR reduces the probability of outlier’s occurrence, when  $\epsilon$  is not normal. However, PQR is most effective relevant test to infer robustness than the ordinary least square (OLS) method. Subsequent to study operationalization, PQR is relevant to test the impact of COVID-19 outbreak on  $CO_2$  emission and energy consumption, where the dynamics of study are more contextual.

### Results and discussion

The empirical findings of growth regression are presented in Table 2. We regress the COVID-19 lockdown on national energy consumption and  $CO_2$  emission shown in the first column. The resulting output of growth regression indicated that the COVID-19 lockdown is adversely affecting  $CO_2$  emission and energy consumption. Likewise, this effect is significant in both series. The findings of study imply that 1% variation or extension in lockdown leads to  $-0.2971 \times (0.000)\%$  variation in  $CO_2$  emission and  $-0.1762 \times (0.000)\%$  variation in energy consumption gauged from fixed effect modelling. This point estimation shows the similar variation in  $CO_2$  emission as  $-0.3796 (0.002)$  and energy consumption as  $-0.1494 (0.000)$  acquired from 2-stage least square test.

### Empirical findings and interpretation

We identified a highly dependent island in the occurrence group during the complete sampling tenure, and the direction is generally sharpened to the leftward. An upward arrow to the right can observe other coherence which shows the cyclic relationship between COVID-19 and oil. The oil price shows a rapid reduction during the COVID-19 outbreak (Fig. 1). These results indicate that due to travel constraints and lower

predictable production progression in European countries and China, the COVID-19 pandemic seems to have had a serious impact on oil price volatility through the demand side.

Figure 2 shows the world crude oil future. The results show that COVID-19 has affected local oil prices that are clarified by imposing travel restrictions. The robustness test estimates the wavelet-based causality in the 6 occurrence groups, explaining that the time-frequency changes the temporal series of the COVID-19-oil relationship since 3 months. Table 3 shows descriptive statistics.

The study used PLAS method to test the GDP-to- $CO_2$  emission reduction by taking the provincial statistics of Pakistani context. The  $CO_2$  emission were found to be decreasing in Sindh, Punjab, Baluchistan and Khyber Pashtun Khawah (KPK). The obtained values of GDP are tabulated in Table 3 with the significant difference. Notably, this difference and decline in  $CO_2$  emission is noteworthy. Moreover, due to lack of detailed variation rate for PLAS sector data, during the COVID-19 outbreak, the Punjab province shown a higher variance (see Table 2).

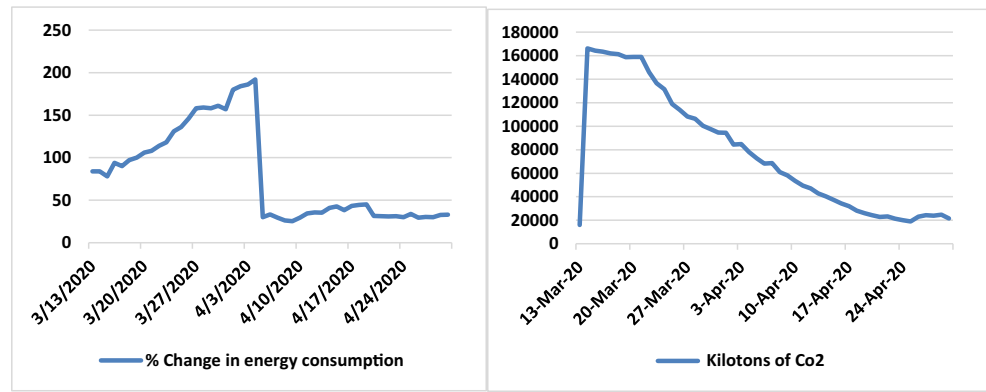
While Sindh scored second position in  $CO_2$  emission reduction with 6.5 emissions score, KPK reduced on third position with 3.0 and Baluchistan remained in last with a 2.8 score. Yasmeen et al. (2019) revealed that oil and gas is the largest sector of Pakistani economy contributing to  $CO_2$  emission transmission. Our study findings are coherent with this narrative, and due to the COVID-19 outbreak, a downward structural shift is inferred in this sector. Secondly, the transport sector showed a significant decline in  $CO_2$  emission. During this period of the COVID-19 lockdown, from 13 March 2020 to 30 April 2020, public transport, airways, urban transport, motorways, various production industries, oil and gas consumers were shut down. People were officially and publically notified to stay at home and maintain social distancing and standard procedures to mitigate threat of COVID-19 pandemic. All these precautionary measures reduced public gathering, closed business activities, economic activities and movement of public. In result, a massive structural decline is observed in transport and oil and gas sector that supported structural and procedural cleaning of the environment.

The findings show that panel unit root outcomes of study constructs were stationary at the  $I(1)$ . This stationary level suggested applying ARDL technique to infer a connection between COVID-19 outbreak, energy consumption and  $CO_2$

**Table 2** Province level  $CO_2$  emission reduction in major  $CO_2$  emitting sectors

Provinces	$\Sigma CO_2$ reduction	Oil and gas	Electricity	Cement	Transport
Sindh	6.5	2.0	1.7	1.3	1.8
Punjab	11.9	6.6	1.2	1.0	2.3
KPK	3.0	1.5	0.5	0.0	1.0
Baluchistan	2.8	1.7	0.1	0.0	1.0

**Fig. 1** Energy consumption and CO<sub>2</sub> emission during the COVID-19 outbreak. (Source: [macrotrends.net](http://macrotrends.net))



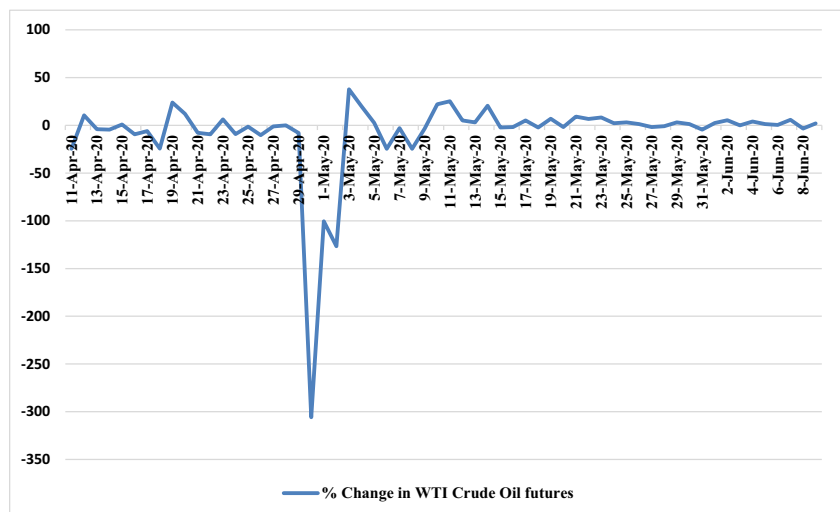
emission (see Table 3). Pesaran and Shin (1998) introduced ARDL approach and is advanced by Pesaran et al. (2001). The ARDL technique has several advantages over a cointegration test (Johansen and Juselius 1990; Engle and Granger 1987). First, this approach does not impose the condition that the variables have the same order of integration. However, it takes into account variables that are order 1 or order 0 integrated. Next, it is adapted to small samples. In fact, Johansen’s cointegration method requires a large number of observations for the estimation to be reliable. Finally, in the ARDL model, the dependent variable is explained by its past and by the past of the other independent variables.

Table 4 indicates that CO<sub>2</sub> emission is negatively affected as  $-8.55^*$  by the COVID-19 outbreak with the  $p$  value as 0.000 ( $< 0.05$ ). Similarly, the total energy consumption (TEC) is also negatively significant as  $-3.13^*$  with the 0.000  $p$  value as  $< 0.05$ ; the total electricity consumption (EC1) is negatively affected by the COVID-19 outbreaks as  $-1.27^*$  with the 0.000  $p$  value as 0.05; and the total fossil fuel consumption (EC2) is also negatively impacted by the structural imposed crises of COVID-19 pandemic as  $-2.12^*$  (0.000), and the  $p$  value of EC2 is also less than 0.05 level of significance. In addition  $-0.2105^*$  with (0.000) level of

significance is acquired at full level. By this, the hypothesis of the study is accepted that the COVID-19 outbreak has negatively affected energy consumption and CO<sub>2</sub> emission in the context of Pakistan. Likewise, ARDL results show that  $R^2$  of the study model is 0.59.

Thus, considering the energy consumption and carbon emission, our findings are aligned with Lin and Raza (2019), revealing the analysis of CO<sub>2</sub> emission and energy consumption. One of the potential reasons of the decline in carbon emission during the COVID-19 lockdown is the decrease in oil consumption and transportation mobility. Energy and carbon intensity are the key antecedents causing reduction in energy consumption and carbon emission. According to official statistics of OGRA, an 11% reduction rate in energy consumption is observed during the month of March (2020). And evidently, the Pakistani energy sector is more inclined towards thermal energy consumption generated from petroleum products and fuel substitution. Secondly, according to historic statistics of energy associations, around 85% of Pakistani energy mix is dependent on fuel, and as mentioned earlier, this percentage faced a decline of 11% and redressed a new 74% of new energy mix. Therefore, the COVID-19 lockdown has resulted in a massive reduction in energy consumption in the

**Fig. 2** WTI crude oil futures (source: [investing.com](http://investing.com))



**Table 3** Panel unit root test

Constructs	LLC	FADF	FPP	IPS	Stationary level
COVID-19	1.97	16.96	11.07	2.07	-
ΔCOVID-19	- 0.44*	41.77*	86.1*	- 0.12	I(1)
CO <sub>2</sub> emission	1.53	12.36	5.47	1.26	-
ΔCO <sub>2</sub> emission	- 5.75*	57.89*	30.01*	- 4.67*	I(1)
TEC	1.19	2.56	6.05	1.11	
ΔTEC	- 3.44*	45.55*	49.08*	- 2.89*	I(1)
ECI	2.56	12.75	7.13	2.13	
ΔECI	- 6.66*	71.01*	32.3*	- 4.12*	I(1)
EC2	7.95	60.34*	57.40*	7.01	
Δ EC2	- 2.06*	22.87*	22.62*	- 1.53*	I(1)

Source: authors’ calculation using E-Views 10 software

LLC Levin–Lin–Chu test, FADF Fisher-augmented Dickey–Fuller test, FPP Fisher Phillips–Perron test, IPS Im–Pesaran–Shin test

\*Significance at the 5% level

study context. Interestingly, this adverse effect leading to reduction in carbon emission is an opportunity of modern times to control this emission by maximizing the rapid growth through ideal energy sources.

Historical studies widely used ordinary least square (OLS) technique to gauge robustness in the findings of these investigations, but this technique has some limitations that OLS fails to portray a comprehensive look of empirical distributions of dependent variable. In a heterogeneous context like Pakistan, the impact of the COVID-19 outbreak on energy consumption and CO<sub>2</sub> emission are likely to be robust at different quantiles. For this, panel quantile regression (PQR) technique is suggested. This technique allows the coefficients to vary with multiple quantiles and has distinctive advantages of detecting the variation in the impact of COVID-19 outbreak

**Table 4** Autoregressive distributed lag (ARDL) test

Variable	Coefficient	Std. error	t-Statistic	Prob.*
C	11.26*	65.31	6.07	0.000
COVID-19	6.24*	12.18	3.59	0.000
CO <sub>2</sub> emission	- 8.55*	33.81	- 4.24	0.000
TEC	- 3.13*	0.073	- 3.33	0.001
EC1	- 1.27*	0.675	- 1.83	0.000
EC2	- 2.12*	0.009	- 0.93	0.000
R <sup>2</sup>	0.59	Mean-dependent variance		1.41
Adjusted R <sup>2</sup>	0.20	S.D. dependent variance		77.12
Standard error	16.04	Akaike info criterion		8.28
Log LH	- 364.19	Hannan–Quinn criterion		10.29
Prob (F-statistic)	0.011	Durbin–Watson		1.99

\*p value < 0.05 as level of significance

on energy consumption and CO<sub>2</sub> emission. Moreover, the quantile regression approach is also useful for addressing problems that may severely affect the accuracy of estimation, including heteroscedasticity, outliers, and unobserved heterogeneity. Therefore, this paper adopts the quantile regression to infer the robustness of the study results more comprehensively. The findings of PQR technique confirmed the results of ARDL model and showed robustness, as the impact of COVID-19 outbreak on energy consumption and CO<sub>2</sub> emission is negatively significant in all the quantiles, where,  $\tau = 10\text{th}$ ,  $\tau = 25\text{th}$ ,  $\tau = 50\text{th}$ ,  $\tau = 75\text{th}$  and  $\tau = 90\text{th}$  at 5% of level of significance (e.g. p value < 0.05) (Table 5).

In the recent topicality, the role of the COVID-19 outbreak is evident and a big challenge for energy sustainability in upcoming time. Therefore, a policy plan is much needed to enhance energy sustainability in Pakistan and is suggested in the next section of this study. Subsequent to the findings of the study, the COVID-19 outbreak has several structural influences on the energy market of Pakistan and environmental pollution, and importantly, these two aspects need more visionary attention to fix and to gain economic advantage on a national basis. For this, energy consumption indicators, energy efficiency and environmental pollution indicators should be carefully watched and managed. However, we suggest developing and implementing an economic action plan by considering energy consumption indicators and environmental pollution elements to give a boost to national economy of Pakistan. Incentivizing the energy consumption patterns could also generate a shift in consumption behaviour of the general public and corporate owners.

In addition, most of the arrows turn left and left, which means that there is a counter-cyclical effect between COVID-19 and the US stock index with COVID-19 as the main index (Fig. 3). Uncertainty is mainly related to the long-term development of the Pakistan economy and how the Fed will deal with the significant increase in uncertainty and the bad news of COVID-19. This is an adverse effect on the potential output and unemployment rate in the USA, which are completely independent of monetary policy.

### Discussion of findings

The coronavirus (COVID-19) epidemic spread from Wuhan (Hubei region to China), where the first case of infection is reported on 31 December 2019. Forty-nine days after this, on 21 January, the World Health Organization (WHO) released the first corona virus monitoring report. By 2020, more than 100,000 people in more than 100 countries around the world will be affected. Although COVID-19 does not present similar patterns in terms of mortality severe acute respiratory syndrome (SARS) or in terms of global spread in 2002–2003. Compared with the 1919 Spanish flu pandemic, the new coronavirus is highly contagious and creates a lot of uncertainty

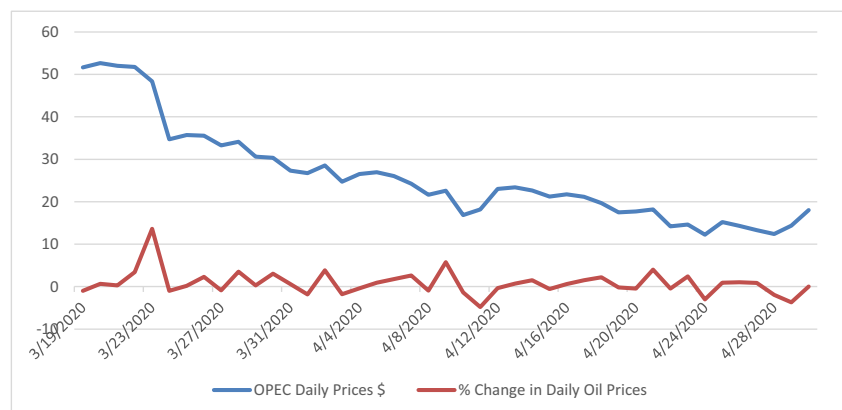


**Table 5** PQR test

Variable	Coefficient	SE	<i>t</i> -stats	Sig.	Pseudo $R^2$	Sparsity
$\tau = 10$ th						
COVID-19	4.16	3.76	2.22	0.000	0.71	1311.91
CO <sub>2</sub> emission	-2.76*	0.04	-0.67	0.000		(0.000)
TEC	-1.88*	0.07	-0.41	0.000		
EC1	-0.65*	0.00	-0.17	0.000		
EC2	-0.73*	0.31	-0.11	0.000		
C	122.64	233.19	0.81	0.026		
$\tau = 25$ th						
COVID-19	3.03	2.07	2.69	0.000	0.87	1010.32
CO <sub>2</sub> emission	-2.12*	0.06	-0.51	0.000		(0.000)
TEC	-1.05*	0.02	-0.34	0.000		
EC1	-0.44*	0.11	-0.47	0.000		
EC2	-0.67*	0.21	-0.01	0.000		
C	174.01	217.01	0.85	0.000		
$\tau = 50$ th						
COVID-19	5.33	2.26	2.89	0.000	0.77	1275.09
CO <sub>2</sub> emission	-3.21*	0.09	-2.91	0.000		(0.000)
TEC	-2.24*	0.03	-2.14	0.000		
EC1	-1.45*	0.05	-0.18	0.000		
EC2	0.79*	0.00	-0.56	0.000		
C	167.34	202.87	0.77	0.000		
$\tau = 75$ th						
COVID-19	4.68	2.98	3.18	0.000	0.73	1405.00
CO <sub>2</sub> emission	-2.55*	0.01	-0.10	0.000		(0.000)
TEC	-2.41*	0.00	-0.49	0.000		
EC1	-1.01*	0.05	-0.32	0.000		
EC2	-0.68*	0.00	-0.50	0.000		
C	101.34	157.48	0.03	0.000		
$\tau = 90$ th						
COVID-19	8.19	4.44	3.00	0.000	0.76	2178.04
CO <sub>2</sub> emission	-4.56*	1.30	-0.18	0.000		(0.000)
TEC	-2.34*	1.21	-0.23	0.000		
EC1	-1.13*	0.08	-0.54	0.000		
EC2	-1.07*	0.02	-0.39	0.000		
C	89.99	100.77	0.47	0.000		

\**p* value < 0.05 as level of significance

**Fig. 3** Changes in global oil price during COVID-19 shock (source: [countryeconomy.com](http://countryeconomy.com))



in the real economy and financial markets. Creating short-term fluctuations in food prices affects aggregate demand and imminent the movement of workers and tourists. In addition, COVID-19 creates fear and extra stress. Financial markets, where price fluctuations are constantly increasing, hope to be strong. Because of declining global demand in the coming period, Saudi Arabia started an oil price war from 9 March 2020, and flooding the market with oil. In a single day, the price of crude oil falls more than 20% of the shock spreads to falling financial markets in a single day.

COVID-19 seems to be the main geopolitical shock in the world. In the past few years, energy crises in Pakistan are managed by the fossil fuels that raised the CO<sub>2</sub> emission at large, and because of the effect of the pandemic, energy association and regulatory authorities of Pakistan have given less effort in managing energy sustainability. Our study is one of the first studies to gain the attention of regulatory authorities in a local context and to present the way forward to enhance the energy sustainability by reducing carbon emission and energy consumption. For instance, considering the bright side of COVID-19 outbreak the energy consumption can be managed through innovative and advanced tools by replacing the fuel-based energy resources on renewable energy sources and/or green energy sources (Gautret et al. 2020). A significant reduction in carbon emission is one of the hard-core benefits of such renewable or green energy sources. COVID-19 outbreak highlighted a structural impact on energy consumption and carbon emission, and this was the motivation of recent research to inspect the role. Our findings are consistent with Pegels (2010) and Gugler et al. (2013).

We found a negatively inverse significant role of COVID-19 outbreak on energy consumption and carbon emission. The findings are revealed by the co-efficient alpha of growth regression accepted by the study hypothesis. In short, a significant decline in energy consumption and carbon emission is observed due to pandemic effect. By the fact, the COVID-19 outbreak extended the lockdown, and entire world is shifted in self-isolation. This impact lowered the burden of energy consumption; very less vehicles are mobilized around the globe that resulted in a massive decline in energy consumption and carbon emission. On this, it is difficult to persuade each and every stakeholder associated with energy sector, and realistically, this is the internal energy consumption position (Kost, 2020). On energy production and consumption, Pakistan is mainly depending on traditional sources of energy generation, from which, oil material and fossil fuels are most prominent (van de Ven and Fouquet 2017; Trotta 2018; IEA 2017).

As previous literature suggested, this source of energy will be vanished from the world in upcoming sources (Zameer and Wang 2018). Thus, it is important to consider and plan about alternative energy generation sources to stabilize energy consumption and reduce environmental pollution (Mirza and Kanwal 2017). It is important to consider the COVID-19

outbreak as an opportunity to redesign the energy sector of Pakistan as the energy demand is declined in most of the commercial sector. By underscoring the findings, we concur the results as model and country specific, and we warrant the caution that the comparability of findings with other context may result in heterogeneity in terms of energy consumption and the COVID-19 outbreak. By endorsing the country-specific findings, our study is providing certain policy measures. Practically, responding to the COVID-19 outbreak, oil prices and dampened oil demands should be managed especially in the wake of OPEC price game, and this affected energy consumption. These concerns are driving our research. This study is the first attempt to analyze the relationship between COVID-19 outbreak, energy consumption and CO<sub>2</sub> caused by lead-lag interaction. Here, due to differences in risk conditions, different expectations and different understandings of risks, investors from all over the world may respond differently to investment decisions during the investment period. For example, market traders are aware of the 'bad' news inherent in the world's rising cases of COVID-19 infection, deaths, government alienation guidelines and the impact of oil price changes.

Fear of contagion and lack of vaccine availability worsen the private spending with a combined effect of declining income. Service, tourism and entertainment sectors are being affected, which are more particularly associated with public events and catering services. Income and job insecurity will be raised because of reduced working hours especially to those who have no access to social safety net. The panic and uncertainty of the pandemic will cause delay in private investment, but the demand of government will go up in order to meet emergency health assistance initiative. Despite all the pandemic crisis of COVID-19, the negative net demand effect is assumed to be short lived. On the supply side, the manufacturing activity will be halted in most affected regions. Reduced production will cause bottleneck in worldwide supply chain. Unplanned accumulation of inventory would be depressing down production capacity resulting in sinking GDP. The COVID-19 has already exhausted inventory stock by fluctuating the globalized production structure. Such production variability will in turn generate extensive factory lockdowns for shortage of intermediary inputs.

## Conclusion and policy implications

We contributed in literature by presenting a novel study on the COVID-19 effect on carbon emission and energy consumption in modern time when the world is finding the solution for each and every sector and each and every aspect to make it sustainable. Our study inferred the adverse effect of the COVID-19 outbreak on energy consumption and CO<sub>2</sub> emission. We inquired and contributed by

presenting the practical solution to stabilize energy consumptions and CO<sub>2</sub> emission in Pakistan. We highlighted the negligence of energy authorities of Pakistan and also contributed by directing the implications to sustain energy demand, energy prices by changing energy consumption and CO<sub>2</sub> emission behaviours in time. Hence, to the best of our knowledge, this would be the one of the pioneer studies on COVID-19 outbreak and energy consumption. The economic and social costs of the COVID-19 pandemic are related to society, policy makers, and all financial market participants and individual investors. Our findings provide novel and outstanding policy and practical significance. It is becoming more and more obvious as the COVID-19 outbreak is causing an interruption to oil demand and energy consumption, while there is an abnormal increase in uncertainty of an economic policy.

- **Policy 1:** We suggest to manage the energy consumption more carefully because due to the COVID-19 outbreak, the energy sector expects to face few massive shocks like health emergency leading to continuous lockdown, coping with low oil prices simultaneously and a decline in energy revenues due to lower oil revenues. To sustain energy sustainability by managing energy consumption, we suggest energy regulatory authorities to come up with contingent plans that may enhance operational effectiveness during and after COVID-19 to reach the threshold level of energy consumption. In due course, when the threshold limit is achieved, then the upcoming energy demands should be replaced by the renewable energy sources. Therefore, for the energy sector, we argue that the COVID-19 is an opportunity to revive, redevelop and re-configure energy consumption patterns.
- **Policy 2:** During COVID-19, we also observed few bitter realities in the energy sector of Pakistan backing the study findings. First, poor attention in managing energy demand, oil prices and revenue shortfall has placed a big and clear question mark on the immediate future of energy sector. Secondly, less visionary and less proactive leadership in energy regulatory authorities of Pakistan is another big challenge to fix. Thirdly, none of energy sustainability action plan is given by these regulatory authorities with respect to the COVID-19 outbreak. This would not be false to say that such regulatory authorities as sleeping rabbits, and if they have not managed in time, there is a probability of energy chaos to knock at the door steps, just because the energy sector of Pakistan is more fragile in comparison with developed countries.
- **Policy 3:** We suggest to OGRA to develop a system to manage oil demand and oil prices mechanism as per local demographics instead of international spillover effects, to play a visionary and proactive role to enhance the energy sustainability in Pakistan, to continuously plan implement

and re-plan on energy consumption and carbon emission to achieve the threshold limit, to replace traditional sources by the renewable sources, and to disclose a national action plan for energy sector and then implement this plan phasewise.

- **Policy 4:** The government must acknowledge the electrical distribution organizations, such as WAPDA and PAEC, to provide all the support services at par so that energy consumption may be actively managed by considering the pre- and post-effect of the COVID-19 outbreak.
- **Policy 5:** All the household and families should be provided with an energy consumption guide by the provincial and local governments. Similarly, standard operating procedures for energy consumption must be given to the business sector. For greater awareness, a campaign on electronic, print and social media should be launched by the government of Pakistan with the intent to stabilize energy consumption and CO<sub>2</sub> emission on a sustainable basis. We extend to guide that the government of Pakistan should publically provide an ‘Energy Consumption and CO<sub>2</sub> Emission Plan’. By this, the national government should sustain energy and the environment in recent time and the potential consequence of such outbreak(s) in future. Just because, this is the high time to change the behaviour of energy consumers and CO<sub>2</sub> emitters in all over the Pakistan.

We further suggest to the Pakistan Bureau of Statistics to keep the updated data files on energy consumption and carbon emission during the period of the COVID-19 outbreak. This would help a lot to us researchers and will save our time in doing quality research. Two of the major limitations in conducting the recent inquiry: one is the lack of literary evidences on COVID-19 association with energy consumption and carbon emission, and secondly, scattered form of empirical data in national databases consumed much time to gather the facts and figures.

**Author contributions** Conceptualization, methodology, writing of the original draft: Sajid Iqbal; review, supervision: Ahmad Raza Bilal; data curation, visualization: Wasim Iqbal; visualization, editing: Mohammad Nurunnabi; writing and software: Yazeed Alfakhri; writing, visualization and editing: Nadeem Iqbal.

**Data availability** The data that support the findings of this study are openly available on request.

### Compliance with ethical standards

**Competing interests** The authors declare that they have no competing interests.

**Ethical approval and consent to participate** We declare that we have no human participants, human data or human issues.

**Consent for publication** We do not have any individual person's data in any form.

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