ABSTRACT

This study investigates the relationship between Energy Consumption and Uganda's Economic Growth (1982 to 2018). Specifically, the study investigates the short and the long run causal relationship between Energy Consumption and Uganda's Economic growth. Secondly, the study investigates the pass-through effect of shocks from Renewable Energy Consumption to Uganda's Economic Growth. Finally, the study investigates the pass-through effect of shocks from Non-Renewable Energy Consumption to Uganda's Economic growth in the period under the review. The study uses Granger Causality Test and Vector Error Correction Model (VECM) to estimate the short run and the long run causal relationship between Energy Consumption and Uganda's Economic Growth. Secondly, the study uses the Structural Vector Autoregression to estimate the pass-through effect of shocks from both Renewable and Non-Renewable Energy Consumption to Uganda's Economic Growth in the period under the review. The analyses in this study presents mixed results. The Granger causality test results show a causal relationship running from renewable energy consumption and non-renewable energy consumption to Economic growth. The VECM results indicate a negative relationship running from renewable energy consumption and non-renewable energy consumption and economic growth in the short run, while appositive relationship running from renewable and non-renewable energy consumption to Economic Growth in the long run. Although the results from Granger Causality Test and VECM indicate that Energy Consumption promotes Uganda's Economic Growth, there is no pass-through effect of shocks from both Renewable and Non-Renewable Energy Consumption to Uganda's Economic Growth in the period under the review. This study makes a contribution to energy economics literature by making an extension to the endogenous growth theory by adding Energy Consumption which is primarily endogenous to the growth process. It also contributes to exogenous growth theory by establishing Energy consumption as a key input to the growth process. The policy implications in this study includes the following; Energy Transition from Traditional Biomass to Modern Energy sources should be encouraged as this can promoted the use of Clean Energy in the country. Secondly, Public Private Investments in the Energy Sector should also be encouraged in order to promote more supply of energy in the country. Finally, Energy Policy and Governance should be streamlined in order to promote Clean Energy Development in the country and thus encouraging faster Economic Growth.