EXCLUSIVE INSIGHTS /// ACTIONABLE INTELLIGENCE /// EXCLUSIVE SURVEY ANALYSIS

ENERGY TRANSITION DIALOGUES

INTELLIGENCE BRIEFING

ISSUE 13, MONDAY, JUNE 21st

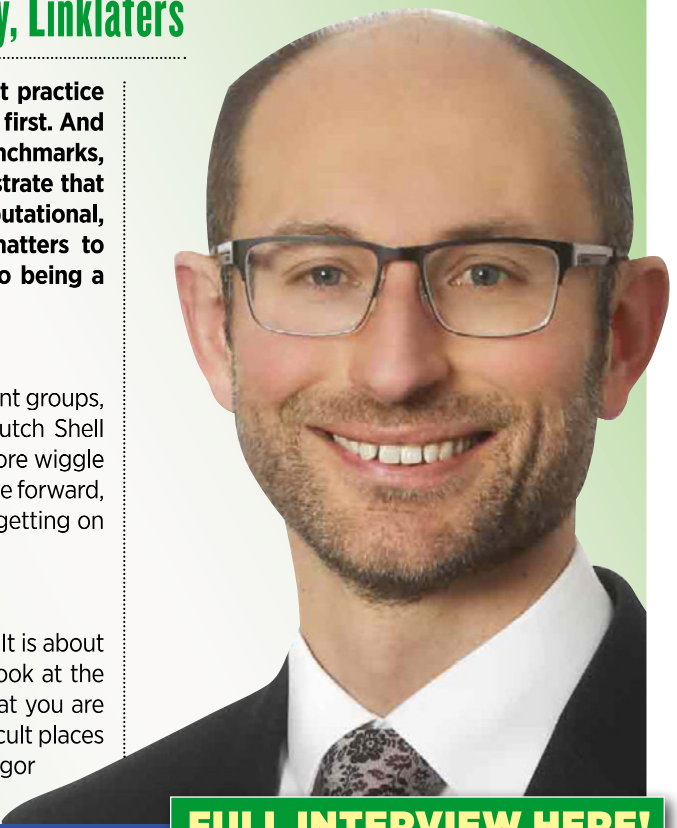
GI Consultancy Intelligence Publishing

SCROLL DOWN!

H_2 NEEDS SPEED! OIL'S CONUNDRUM GULF'S NET ZERO SQUEEZE GUSTING SUCESSS

RISKS BOILING OVER FOR CLIMATE LAGGARDS

Matthew Sparkes, Global Head of Sustainability, Linklaters



How can you believe what businesses say? For one, they must practice what they preach. As a company, you must get your story out first. And put as much rigor around it as possible by using external benchmarks, indices frameworks, and tests. All these make sure you can demonstrate that you can achieve what you say you can. There are increasing risks: reputational, operational, financial, and social. Plus, a lack of action really matters to potential talent joining companies. There really is no advantage to being a climate laggard.

No wiggle room

The intensifying scrutiny that energy companies are facing from different groups, including those that can bring cases to court, as seen with Royal Dutch Shell recently, means there is not much leeway. Five years ago, there was more wiggle room. This was probably true even eighteen months ago. But as we move forward, that margin may be completely extinguished. And so, businesses are getting on with it themselves far more now – a trend that we see accelerating.

Under every stone...

It is not just about setting yourself targets and reporting against them. It is about unpicking the process behind it, so anybody 'picking up a stone' to look at the details of your organization will find everything is consistent with what you are saying externally. For some, especially substantial organizations in difficult places doing difficult things, the challenge is to identify the same degree of rigor across the supply chain.

FULL INTERVIEW HERE!

TOP TAKEAWAYS

- Climate laggards won't win – the reality that this is a one-way street is dawning on all companies. More and more businesses are organizing themselves.
- Using ESG as a corporate science and as a big signal to investors is increasingly the norm. There isn't really an opt-out measure.
- Climate proactivity is having a huge impact on the talent market and is a big reason why someone will or won't join a company. Employers must pay attention.

Hydrogen Roadmaps Need Shorter Timeframes!

HYDROGEN

Dr. Steve Griffiths, Senior Vice President, Research and Development, Khalifa University

We must create better strategic frameworks to pin down exactly how hydrogen will contribute to our economy. There is a vision, which is good. Now we must start laying out the specifics of what we want to do so that hydrogen roadmaps can be on smaller timescales, such as five years.

Then, within those roadmaps, we need the policies that allow us to accomplish our goals, be it for local use of hydrogen or export policies. Within ten years, there needs to be a growing number of local infrastructure developments that are dedicated to hydrogen.

Pinning down answers

A hydrogen economy needs a large-scale supply and demand option, which means very robust transmission, distribution, and storage to create the entire value chain. But before doing this, you must know your plan. Do you just want to use hydrogen locally? Or for an export market too? What scale of market do you want and what industries will it involve? Are we going to talk to partners about using pipelines to transport hydrogen? Are we going to ship ammonia? We can only answer these questions, and others, once there is a plan in place, which includes developing partnerships and starting to build infrastructure.

37% of today's global oil production – which equates to 10.4bn barrels, just over daily output of OPEC lead, Saudi Arabia[2] – will be displaced by the growth of green hydrogen. Forecasts expect market demand to reach 530mn tons in the medium term.[3]

5-7 years will see blue hydrogen become competitive, while green hydrogen may take a decade, according to Yousif al-Ali, the UAE Ministry's Assistant Undersecretary for Electricity, Water and Future Energy Affairs.[1]

2030 will need to see annual clean energy investments worldwide triple to $4trn. This is necessary to getting the world on track to achieve net zero emissions by 2050.[4]

TOP 5 NEWS STORIES

GCC can Become a Green Hydrogen Powerhouse

UAE: Green Hydrogen Key to Greener Future

Egypt Planning $4bn Green Hydrogen Project

Turkey to Export Green Hydrogen to Europe?

IEA Predicts Clean Energy Spending Surge

1/ S&P Global Platts; Interview 2/ Focus Economics 3/ Strategy& 4/ IEA

PODCAST

GI Consultancy Intelligence Publishing

THIS WEEK BIG OIL'S CRUNCH: WHAT'S NEXT?

FULL PODCAST HERE!

Nathan Wrench, Head of Sustainability Innovation Cambridge Consultants

The first tentative step towards accountability – that is what is most striking about the recent climate-related stories about ExxonMobil and Shell. We have all contributed to the climate emergency, to greater or lesser degrees. But it is still a story with a villain; the fossil fuel industry knew that this was going to happen for 30 years. And they lied about it.

Eventually those lies are going to catch up with some senior executives. The public may move beyond telling big oil to reduce their CO_2 emissions to seeking reparation, perhaps in the same way the tobacco industry has been held to account. We could be seeing the first cracks appearing in the walls of these empires. They could crumble under the scale of reparation that is needed to fix this crisis.

1% versus 99%

We only have to look at the television to see where oil majors are putting their advertising money. I saw one statistic that said only 1% of oil majors' efforts are going into research and development (R&D) for the energy transition, yet 99% of their PR budgets go into talking about it. It is hard to be anything but cynical when the inertia of these industries is so enormous. And now they are frightened by the idea of stranded assets – the risk that their stock could become worthless.

FULL PODCAST HERE!

Faris Al Kharusi, Principle Business Transformation Lead Petroleum Development Oman (PDO)

News that CO_2 levels have reached the highest level in 4mn years is very concerning and extra evidence that the topic of big oil is center stage. Is that having the desired effect on the energy industry in terms of raising attention? That depends on where you sit.

If you are a petroleum engineer, your feelings about those numbers are very different to those of a climate activist. But the divide is becoming less and less with all the mounting evidence about the climate emergency – evidence we have been seeing since the early 1980s. However, it can still be a very polarizing conversation.

Reputational credit

If you are a national oil company (NOC) in the Middle East with ambitions to partially privatize or publicly list, you now must consider the climate in your calculus. Everybody will have to get on the same page one way or another. In the Middle East, I have seen a lot of people starting to take stock of their CO_2 footprint. This is a good first step, because you must be able to measure your impact before you can address it. Still, companies need to move quickly past this theoretical stage and put concrete plans in place.

FULL PODCAST HERE!

Iain Munro, Strategy Director Ryse Energy

Even five years ago, we would not have imagined that climate change concerns could make a major impact on the shareholder debate. But now, we are seeing some public companies being run like democracies – every shareholder gets their own vote.

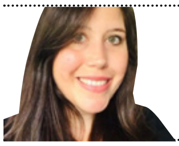
Like never before, publicly listed companies face pressure from society, shareholders, and governments to change. It is not enough that they want to make changes – they are being forced to do it. Of course, making hardline strategic changes cannot be done instantly, i.e., transforming an offshore oil and gas platform cannot become a wind turbine overnight. It will take a cultural and physical change for companies that only really know oil. Steep challenges lie ahead.

Flipping the narrative

Equinor, the former Norwegian oil giant turned green energy leader, revealed in their first quarter results this year that they had more revenues from renewables than oil and gas. So, when we talk about rebrands and changing mindsets, a positive spin is that these oil companies have a massive opportunity to leverage their expertise and existing infrastructure to change the game.

SURVEY ANALYSIS

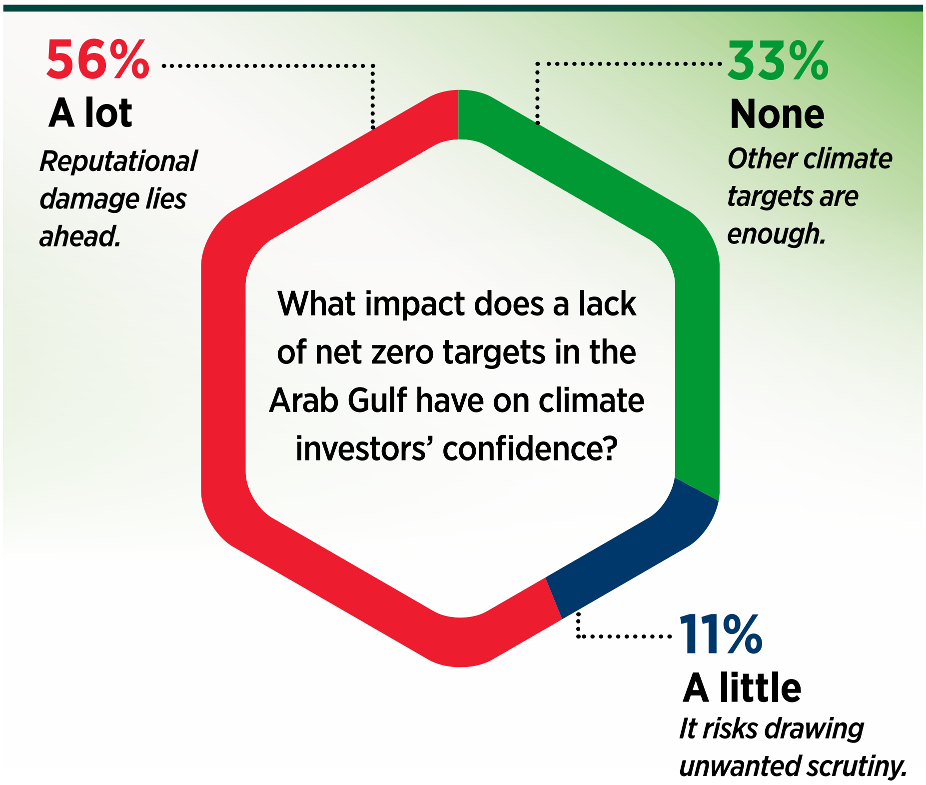
ARAB GULF: NET ZERO SILENCE MAY BECOME DEAFENING



Michelle Meineke
Director, Energy Transition Dialogues

When the world's biggest economies – the US and China – announce net zero targets, the spotlight inevitably swivels to whether the historical epicenter of fossil fuels will do the same. It is a no – for now. Should we be concerned?

More than half of the respondents to our exclusive survey think so. Net zero ambitions indicate a clear, publicly accountable ambition to overall a nation's status quo in support of decarbonization. It adds a sense of much-needed immediacy. Plus, as other nations' ambitions accelerate under a net zero banner, issues of trade and cross-border financing may become tricker with non-net zero nations. With the IEA stating that $4trn must be invested in clean energy per year up to 2030, surely a standardized 'all hands-on deck' approach with net zero commitments at the core is better?



On the move

Still, the region is making a big push in the right direction. While these are not net zero commitments, they carry a similar flavor. In March, the World Energy Council welcomed Saudi Arabia and Middle East Green Initiatives as evidence of 'multiple pathways' to net zero. The initiatives include several carbon-cutting plans in the region, such as 60% via clean hydrocarbon technologies and the planting of 50bn trees, while the Saudi Green Initiative also aims to cut emissions by generating 50% half of its energy from renewables by 2030. And solar PV – a cornerstone of decarbonization in the energy ecosystem – is expected to generate $182bn in investment for the Middle East's renewables market by 2025.

Plus, renewable energy targets – some ambitions, some far less so – have been woven into Arab Gulf nations' National Visions, placing a stake in the ground for accountability by 2030. Take the UAE as an example. Its Vision 2021 targeted a sustainable environment and infrastructure (in advance of the momentum caused by other nations' net zero announcements). The country also has the National Climate Change Plan 2017-2050 as a roadmap to bolster nationwide actions for climate mitigation, plus an environmental push in the National Vision 2030.

Stop talking – start acting

Essentially, these respondents want attention focused on the most critical question. A question that demands answers laden with specifics and tangibility: *how* will we achieve decarbonization by 2050? Now that is a much harder point to address.

Survey source – ETD

Series Supported By:

THIS WEEK'S EVENTS

ENERGY TRANSITION DIALOGUES

GI Consultancy Intelligence Publishing

TWO MINUTE WARNING
INTERVIEW SERIES

Tuesday /// June 22nd /// 12:00 (UAE)

Gavin Sanderson

Energy Consulting Leader, PwC

Series Supported By:

uniper
المشرق mashreq
OMV
CC ENERGY DEVELOPMENT
مؤسسة نفط الشارقة الوطنية SNOC

ENERGY TRANSITION DIALOGUES

GI Consultancy Intelligence Publishing

H_2 HYDROGEN
FULL COURT PRESS

Sabine Augustin

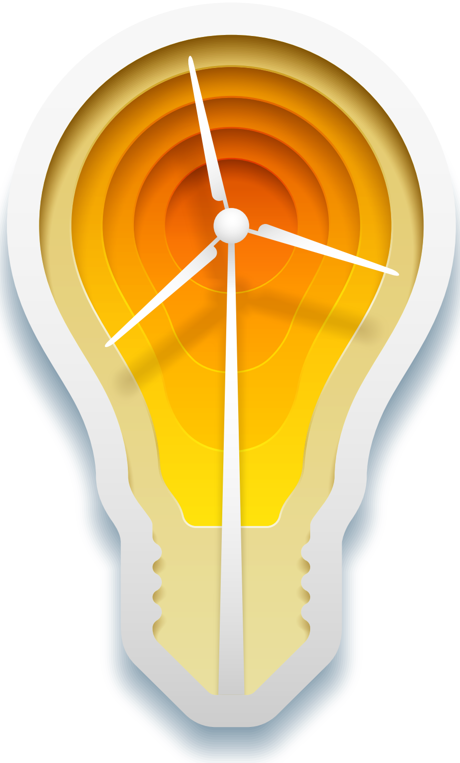
Head of Corporate Development & Strategy, OGE

Wednesday /// June 23rd /// 11:00 (UAE)

Series Supported By:

uniper

Consultancy Intelligence Publishing



WIND POWER DAY

15 JUNE

1.1BN+

TODAY, GLOBAL WIND POWER CAPACITY HELPS AVOID 1.1BN+ OF CO_2 GLOBALLY – EQUIVALENT TO THE ANNUAL CARBON EMISSIONS OF SOUTH AMERICA.

Source: GWEC

59%

2020 WAS A RECORD-SETTING YEAR. THE WIND MARKET COMMISSIONED NEARLY 100GW OF NEW BUILDS, RISING 59% ON 2019.

Source: Bloomberg New Energy Finance (BNEF)

93%

OF THE MARKET GROWTH WAS ON LAND, AS NEW OFFSHORE WIND CAPACITY FELL BY 13%.

Source: Bloomberg New Energy Finance (BNEF)

Series Supported By:

Consultancy
Intelligence
Publishing