



The Energy Transition: The impact of Covid-19 and moving to a net-zero economy

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On 19 March 2020, Adrian Del Maestro, global research director with PwC Strategy&, presented to DLA Piper's International Energy and Natural Resources sector lawyers on the immediate impact of COVID-19 and challenges of moving to a net zero economy. The webinar recording is available online.

Key takeaways from the session included:

COVID-19's economic impact is eroding global oil demand

During the energy transition, oil and gas companies have to make three commitments - (i) sustaining existing oil and gas business, (ii) growing the low carbon element of its business and (iii) delivering returns to shareholders. All three commitments are required on the road to net-zero. The downturn resulting from the oil price crash, coupled with the COVID-19 pandemic, is eroding global energy demand. As a result, there will be an increased drive to achieve even greater efficiencies with capex cuts, cost reduction and even further promotion of digital and technology solutions.

The "Four Ds" driving the energy transition

There are four 'Ds' driving energy transition:

- Decarbonisation of energy;
- Decentralisation of energy (offering local renewable energy solutions);
- Democratisation and increased political pressure to move to lower-carbon forms of energy and
- Digitalisation and technological solutions in the move towards low carbon.

While the UK has been particularly successful so far on decarbonisation and reducing emissions by some 55% through increased focus on renewables and nuclear energy, challenges however remain in decarbonising heating and transport. Whereas globally in the past, we were extremely hydrocarbons dependant, future demand energy growth will be dominated by zero-carbon fuels and gas. Accordingly, several major global players are already investing in an array of low carbon solutions.

Core themes for companies to focus on in the energy transition

They include maintaining capital discipline and viability, utilising technology and benefiting from increases in productivity, minimising the environmental impact and reducing the carbon footprint of hydrocarbon exploration and production through cleaner technologies in extraction, and increased and diversified low carbon investments to prepare for the future.

Oil and gas majors as new power companies?

Oil majors already have global networks, established brands and experience in energy trading. However, can they develop their existing billing and CRM expertise to become leading suppliers in the future?

Technology and digitalisation drives efficiencies

While oil and gas companies did quite a remarkable job at reducing costs to operate during the last price crash in 2014, cost reduction alone isn't enough long term. Technology is increasingly being used in the production and management of monitoring workforce productivity, assessing safety, use of drones for inspections and prevalence of data analytics throughout the industry. As different economies move to net-zero and a low carbon world, there will be no single silver bullet. Instead, it will be a portfolio of complementary technologies that will help us meet those targets.

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