



StoneTurn and Camarco Roundtable Dinner

30 MARCH 2022

Together with Camarco, we held our annual Energy dinner attended by 45 individuals from Private Equity (PE) funds and leaders of renewable/clean energy firms and International oil companies (IOCs).

The theme this year was Private Capital and the Energy Transition. The UK government recently announced that it will increase pressure on IOCs to invest more in renewables and alternative energy like hydrogen. With the international focus on climate change, sharp increases in energy costs and energy insecurity, as a consequence of the Russian war in Ukraine, the value of and need for renewable and clean energy has never more been urgent and in the spotlight.

Our speakers from the FT and a leading PE fund, investing in renewables, together with an engaged group of C Suite guests from a wide range of global Energy, Renewables and Clean Energy firms, contributed to a lively and wide-ranging discussion.

The key themes which emerged were:

The evolution of ESG

There was a lively debate around the ever-expanding role of ESG across the economy as a whole. The speakers and guests discussed how in recent years ESG has evolved from being considered well-meaning, but niche, to a key business consideration. Companies are coming under increasing pressure from international customers, investors and staff alike



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to demonstrate their commitment to addressing ESG-linked concerns.

The growth of ESG has not been without tension in the energy sector, with some participants questioning whether it is a business-imperative. Have ESG pressures led to a fundamental divergence between the realities of the market and, possibly, a culture of aspiration?

Both the speakers and other guests spoke strongly in defence of ESG, debating the issues of increasing regulation and public pressure meaning that it is an unavoidable reality, but that it is also not a just a matter of profitability, but a more fundamental issue of making business better for all of us and the planet. At its core, ESG is about business trying to do better. There will continue to be detractors and debate, but the ESG trend is not going to disappear. More than any other sector, the Energy sector needs to build ESG into all their business decisions and ultimately, that is a positive for both the performance of energy companies and for the climate.

Green Energy Transition: Storage and transportation challenges

The conversation around the opportunities and challenges of the green energy transition focussed on the industry's mid- and downstream needs. While green energy generation is often the focus of debate (even as the value of generation continues to decline), the question of how to store and transport this energy is often side-lined, including within the industry itself. Going forward,

the value will not be in generation, but midstream storage. To achieve this, the green energy sector must be transformed into a properly integrated green energy value chain system.

Prompted by a fascinating overview of the technical needs of green energy storage, our guests discussed the role of the state and private sector in driving innovation and investment in the sector. While there was strong support for the private sector to push for diversity of storage and transportation solutions ("we need everything, every different type of storage and type of green technology to meet our energy needs"). There was a recognition of the key role of the government in influencing market design through regulation. Long duration storage in particular is difficult to fund in the market and requires subsidy and policy support to avoid the kind of energy crises that have become more acute across Europe in the wake of Russia's invasion of Ukraine.

IOCs: Can they really play a role in the green transition?

Continuing the theme of green energy, our guests, many of whom are C Suite executives in the global oil and gas industry, discussed the role of IOCs in the transition. There was a general agreement, including from guests working in the green energy sector, that the "traditional" energy companies have a key role to play not just in the UK but also internationally.

The UK has a highly skilled and experienced oil industry that has the capacity to deliver on complex and costly green energy projects,

particularly offshore. Moreover, the IOCs understand how to run integrated full value chains, something that the investment banks are more wary of.

A number of our guests agreed that the IOCs were committed to playing a full and active role in the energy transition, but that they still struggled to deploy capital efficiently. Despite the scale of public debate, the green energy industry is still relatively small and young. Again, we returned to the role of the state and the question of how much the government should be actively involved as opposed to leaving it up to the market.

The pace and visibility of the debate is unique. There is a lot of expectation, but not a lot of tolerance amongst the public of the path that IOCs will take to get there.

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The logo for StoneTurn, with "Stone" in a dark blue, sans-serif font and "Turn" in a lighter blue, sans-serif font. The two words are connected by a thin horizontal line.

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