

Energy Industry Executives, Investors Embracing the Clean Energy Transition, According to Womble Bond Dickinson Survey Report

In the face of overwhelming and existential challenges, a strong majority of energy industry leaders are willingly embracing work toward decarbonization while they simultaneously adopt a forward-looking and optimistic perspective on the energy transition, according to Womble Bond Dickinson's 2022 Energy Transition Outlook Survey Report.

The Energy Industry Supports the Clean Energy Transition

The survey, which was completed by 170 executives and investors across the energy industry, provides insight and inside perspective on the many complex and nuanced issues involved in transitioning the global economy out of its current reliance on fossil fuels. In a sign of the times, most executives (73%) and investors (70%) say that their organizations or those in which they invest are either very prepared or moderately prepared to achieve more than a 50% reduction in carbon emissions by 2030. The data show even stronger values related to reduction of methane emissions by 2030 (77% for executives and 71% investors).

"Five years ago, it would have been difficult to believe that three-quarters of energy executives would feel this well-prepared for carbon and methane reductions – and that investors would feel the same way about their portfolio companies," said Womble Bond Dickinson partner and Energy and Natural Resources (ENR) sector co-lead Jeff Whittle. "The

industry is clearly looking long-term and sees its future as having a very different shape from what it is today.”

In addition, 77% of industry executives reported that they were already focusing on or considering carbon-neutrality measures and they expressed a relatively equal embrace for pollution-neutrality (79%). Overall, the survey’s findings paint a fascinating snapshot of where the energy transition stands as 2021 draws to a close and suggest that energy leaders do not see an inherent conflict between climate goals and the long-term success of their businesses.

Mixed Perspectives on Biden Administration’s Policies and Goals

Most executives (70%) and investors (78%) view the Biden Administration’s climate policies as favorable to their businesses and business opportunities. This data indicates that energy industry leaders value federal guidelines and initiatives supportive of definitive strategies for investment in the transition and for the achievement of net zero goals.

“The fact that the new administration is prioritizing these efforts is seen as a welcome change in contrast to the hesitancy of the previous administration to embrace climate initiatives,” said Womble Bond Dickinson partner and ENR sector co-lead Lisa Rushton. “Many in the industry likely see the potential for big returns, whether they’re utility companies already betting on solar and wind or upstream players who see potential in hydrogen and other longer-term plays.”

Despite a comfort with the administration’s plans, almost half (49%) of those surveyed believe that the Biden Administration’s announced goal of decarbonizing the power sector by 2035 will not be met. One-third (32%) believe that it will and 20% are unsure.

Hydrogen, Biomass and Geothermal Becoming Bigger Pieces of the

Puzzle

In reflecting on their status with regard to various renewable energy sources, respondents are actively operating, investing in, or researching a range of established technologies, with solar (50%) topping the list, followed by geothermal (39%), hydro (37%) and wind (34%). Roughly one-third are active in biofuel/biomass (34%) and hydrogen (31%), but 8 in 10 said they are either active in, planning for, or considering these areas as future energy sources.

“The fact that the data did not identify any clear areas of early concentration in newer technologies suggests that the industry is hedging its bets across many fronts,” said Womble Bond Dickinson partner and ENR sector co-lead Belton Zeigler. “At the same time, it is surprising to see the amount of activity in hydrogen – which is relatively new to the party – and geothermal, which has been something of a sleeper to date.”

The most appealing growth opportunities in the eyes of executives were identified as battery storage (69%), hydrogen (67%), energy efficiency improvements (58%), and electrification (56%). Furthermore, industry executives identified hydrogen (38%) as the technology for which research and development is most important, followed by biofuels/biomass (29%) and geothermal (27%)

Carbon capture and sequestration was not seen as a leading technology by respondents as far their own operations. Only about 1 in 5 of those who said they were prepared at some level to reduce more than 50% of their methane and carbon emissions by 2030 said the technology was part of their plans – which is consistent with the expense and complexity of the technology, as well as the number of high-profile projects that have failed in the past.

ESG Mindset in Its Early Days, But Growing

Leaders in the energy sector, while further along than many

other sectors, remain in the early stage of implementation when it comes to environmental, social and governance (ESG) policies. There is intense scrutiny in this sector, more than any other, and a major obstacle in the United States remains the lack of any consistent standards.

However, there is clear investor focus on ESG, with 76% of those surveyed saying that it is at least a moderate consideration in evaluating energy investments and 85% saying their focus on ESG in investments will increase at least slightly in the next two years. As noted in the firm's recent article on ESG, "a lack of ESG strategy will ultimately affect a company's access to public, and increasingly private, capital." Regardless of the drivers, ESG has certainly played, and will continue play, a material role in accelerating the world's transition to green(er) energy.

Womble Bond Dickinson's 2022 Energy Transition Outlook Survey Report was completed by 170 decision-makers in the energy industry, including C-suite executives (32%), investors (29%), business or operations managers (7%) and in-house legal counsel (29%). Respondents represent a broad spectrum of energy industry sub-sectors including oil and gas, power and renewables, and mining and minerals. To read the complete report and methodology, please click here: <https://www.womblebonddickinson.com/us/insights/articles-and-briefings/womble-bond-dickinson-2022-energy-transition-outlook-survey-report>.

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