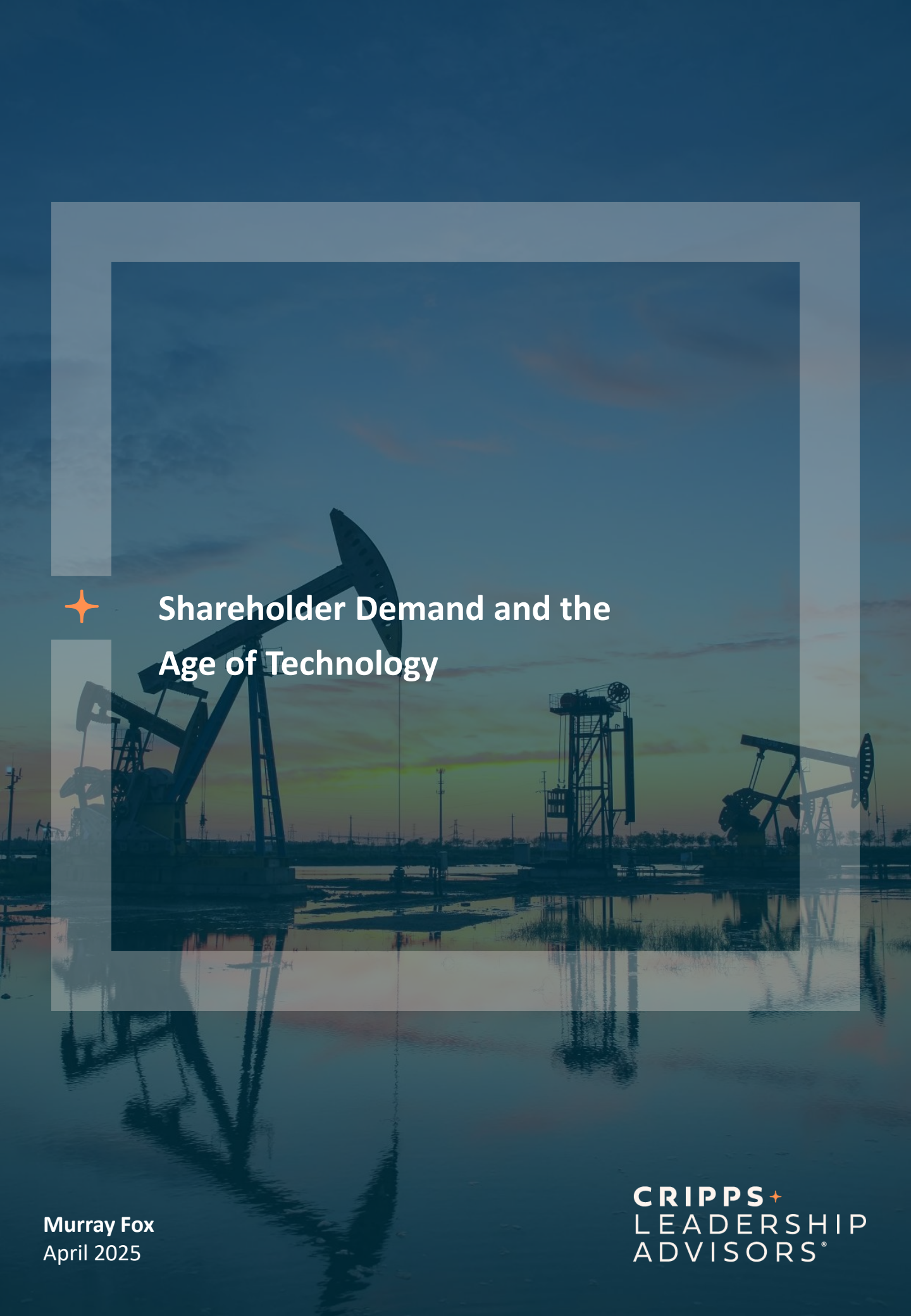

Shareholder Demand and the Age of Technology

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Ever-changing landscapes

The energy transition may face its biggest challenge yet as the political and economic mood has created extreme volatility. Will investors hold their nerve as tariffs ramp and recessions loom? Or has the energy transition built enough momentum to sustain it through the current turbulence? Murray Fox reports from the Cripps Leadership Advisors' Energy Transition dinner, where energy leaders discussed the challenges and opportunities ahead.

The energy transition was always an ambitious goal and over the past year, may have seemed further out of reach than ever. It is easy to blame the 'Drill baby, drill,' effect of President Trump's second term but, for some time now, oil majors have been slow pedalling on their green commitments and ploughing more money into the profitable oil and gas projects. From this western-centric viewpoint, it is easy to feel gloomy about the outlook for the energy transition, into which the world has already committed huge sums of money. The shockwaves emanating from President Trump's Liberation Day tariff announcement have only added to the growing pessimism that the world might work together to rise to the challenge of climate change.

The energy transition: here to stay?

Has the energy transition gathered enough momentum now to be inevitable, regardless of the White House's 'Drill baby, drill' rhetoric? Electric vehicles, renewable energy and consumer attitudes mean the window in which the market can absorb more oil is shrinking.

And will it even be profitable to 'Drill baby, drill'? Liberation Day has prompted a slump in the oil price: at the time of writing, oil was approaching a four-year low with WTI nudging the psychological threshold of USD$60 a barrel, on worries the trade row could push economies around the world into recession. Lower prices mean some of the high cost deepwater and tight shale oil reserves tipped for the future may struggle to pass oil companies' internal ROI calculations when it comes to FID.

Economic storm clouds could further shrink demand. Big banks have ratcheted their predictions about a recession before the end of the year – JP Morgan, for example, in April upped its odds to 60%. As yet, it's still too early to say how the current crisis will play out.

> "Although the investment into the energy transition has softened, the demand for oil is waning, which can still help the journey to net zero continue on."

Murray Fox | Director, Cripps Leadership Advisors

Hydrogen: the reality

It's also clear the energy transition itself is going through a period of readjustment, regardless of the wider political volatility. As we discussed at our energy transition dinner in October 2024 in London, the huge hype around hydrogen, for example, has somewhat burst when confronted with the hard realities of building a parallel fuel economy, particularly one with so many cost, safety and technological challenges. Some mega-gigawatt projects in the Middle East, North Africa and China, backed by huge amounts of state subsidy, such as Saudi Arabia's 2.2 GW Neom green hydrogen and ammonia complex, now 60% complete, are moving ahead but others have stalled or suffered delays. This can be seen in Europe as hopes for green steelmaking have faltered, with steelmakers such as ArcelorMittal citing the high costs of green hydrogen and the lack of policy support, including significant weaknesses in the EU's Carbon Border Adjustment Mechanism (CBAM)[1].

Some flagship projects are progressing, however, such as Swedish steelmaker Stegra's Boden plant in northern Sweden, which will be both Europe's first new steel mill in 50 years and the largest green hydrogen production plant in Europe. First steel production is slated for 2026.

Consumers: an untapped resource for change

Amid all the talk of how politicians, investors and companies are dealing with the vast challenges of the energy transition, however, it's important not to overlook the role of the consumers themselves. While companies may bemoan that consumers are unwilling to pay for the green choices they say they want, the truth is average consumers around the world are spending more money developing net zero than any government[2]. Whether it's installing solar panels on the roof, using the circular economy for unwanted clothes or ditching the car for a bus or bicycle, consumers are driving the green agenda forward every day. These choices may not always be driven by sustainability – the cost-of-living crisis is another factor that looms large for many households – but the outcome is often the same: a lighter carbon footprint as they go about their daily lives. Harnessing this people power could, as yet, be the most powerful tools in the fight for net zero yet.

[1] https://corporate.arcelormittal.com/media/press-releases/arcelormittal-provides-update-on-its-european-decarbonization-plans
[2] https://www.weforum.org/stories/2024/01/renewables-consumer-energy-revolution/

What if we had relative political stability and long-term planning?

Yet when we look to the east, to the world's second superpower, China, the view is rather more hopeful. Where relative political stability and long-term planning are the envy of green investors, China's coal-based economy faced a monumental task to address its CO_2 footprint, yet many climate watchers now think its emissions may be facing structural decline, due to record growth in the installation of new low-carbon energy sources[3]. Indeed, according to the Centre for Research on Energy and Clean Air, China's investment in clean energy was close to the world's total put into fossil fuels in 2024 and is deemed to be of a similar scale to the overall size of Saudi Arabia's economy[4].

Last summer, for the first time ever, wind and solar energy collectively eclipsed coal in capacity, with analysts predicting that by 2026, solar power alone will surpass coal as China's primary energy source, with a cumulative capacity exceeding 1.38 terawatts (TW) — 150 gigawatts (GW) more than coal[5]. The nation put up 357 GW of solar and wind in 2024, a 45% and 18% increase on year-end 2023 numbers, according to China's National Energy Administration. That meant the country met its 2030 target of 1,200 GW of renewable capacity six years ahead of schedule.

> "China's ability to tackle emissions has had significant results that other countries are struggling to make."

Murray Fox | Director, Cripps Leadership Advisors

China's EV boom

It's not just renewables. Other sectors are also being 'greened' at an impressive rate as government subsidies increasingly tilt in favour of low carbon solutions. Last year, for example, one in nearly every two cars sold in China was an electric vehicle (EV) as a price war between automakers and government subsidies fuelled a record boom in sales of battery electric vehicles (BEVs) and plug-in hybrid vehicles (PHEVs)[6].

What's more, China's EVs are pushing the boundaries of the possible. In March 2025, Shenzhen-based EV giant BYD unveiled its Super E Platform, which can charge its latest models in just five minutes to give a 250-mile drive. The group plans to build 4,000 ultra-fast charging stations across China.

Not only does China build and use a lot of clean energy, it's the world's most important exporter of equipment to make it, holding at least 60% of the world's manufacturing capacity for solar PV, wind systems and batteries, and 40% of electrolyser manufacturing for hydrogen[7]. The country is also pressing ahead with new nuclear and its previously drought-hit hydropower sector has also enjoyed a rebound as rains returned.

[3] https://www.carbonbrief.org/analysis-chinas-emissions-set-to-fall-in-2024-after-record-growth-in-clean-energy/
[4] https://energyandcleanair.org/analysis-clean-energy-contributed-a-record-10-of-chinas-gdp-in-2024/
[5] https://www.rystadenergy.com/news/china-wind-solar-coal
[6] https://www.asiafinancial.com/one-in-nearly-every-two-cars-sold-in-china-was-electric-in-2024

DeepSeek: seeking answers

Importantly, the country's homegrown generative AI solution, DeepSeek, which uses 'chain of thought' reasoning models, claims to be much cheaper and less resource-intensive than the energy-guzzling large language models spawned in the US. As we noted in our white paper, "New president, new approach?" the growth in AI data centres has added new urgency and scale to the need to upgrade and build out electricity grids. The promise that generative AI might be deployed at scale without those additional demands – at a time when the grid must also accommodate electric vehicles – could, if verified, be a big boost to the feasibility of the energy transition. As yet, however DeepSeek's claim to not only fast forward AI but to do so with a much-reduced environmental footprint has yet to be proven.

And despite impressive headline numbers on renewable energy and electric cars, there's no escaping the fact that China is still the world's biggest coal consumer and emitter of greenhouse gases. Along with last year's headline-grabbing renewables build, the country also started construction on 94.5 GW of coal-fired power in 2024, the highest volume of new builds since 2015[8].

Even so, China's huge investments in clean energy solutions are signs of what can be achieved when there's long term planning and policy. The political and societal context is, of course, very different but there are learnings here. One lesson to take away from Cripps Leadership Advisors' regular energy transition dinners, where leaders in the energy industry discuss the latest trends freely, is the consistent call for clarity, consistency and certainty when it comes to policymaking and regulation so that investors have the confidence to commit funding to these long term, often unproven schemes.

Consistency and certainty has been lacking for some time in the energy space, with governments across the globe presiding over stop-start policies that have, in some instances, completely drained the investment and momentum from certain sectors, be it biofuels or onshore wind.

[7] https://www.iea.org/reports/energy-technology-perspectives-2023/clean-energy-supply-chains-vulnerabilities
[8] https://www.reuters.com/business/energy/chinas-2024-coal-power-construction-hits-10-year-high-researchers-say-2025-02-13/

Cripps Leadership Advisors viewpoint

At our first energy transition dinner of 2025, the leaders of big oil and energy companies were staying calm. They have weathered many oil cycles and know that energy investing is a long game, with projects, and returns, measured in decades not presidential terms. Despite the volatile political and economic conditions, leaders still need to make decisions and keep the ship moving forward. It's a time for calm heads, strong leadership and the ability to anticipate when to stay the course, when to adapt and when to pivot. Navigating through ambiguity is a skill that will be more valued than ever in the weeks and months ahead.

In a world where opportunities for investment that meet a safer returns profile in an uncertain world are rarer and more competitive, companies are seeking value creation in asset management and operational effectiveness. Assessing and ensuring a high performing and complimentary management team is in place to deliver returns has become paramount. Reflecting on our last 12 months we have certainly seen a step up regarding our activity in assessment, team and board effectiveness and leadership coaching activities supported by executive search where necessary.

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Murray co-leads our energy practice focusing on mid and downstream and leads our work across the energy transition globally.

His 17 years working across commodity markets, mid and downstream oil, gas and LNG, and petrochemicals puts him in the middle of key energy markets today and in the future. These segments face the biggest transition risk and opportunity where one of the key enablers of the energy transition and path to net zero is the substitution of hydrocarbons for cleaner alternatives.

Murray's coverage includes advising corporates, investors and portfolio companies in their core business and in transforming through the energy transition.

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