



ARTICLE

Building a more resilient world

A new era for energy public affairs after COVID-19

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The impact of COVID-19 will be felt strongly, albeit differently, across geographies and segments of the energy industry. While it is too early to predict post-crisis ramifications beyond the current heightened level of government involvement, companies will undoubtedly face a new set of complex questions. Before the crisis, FTI's [Resilience Barometer](#) showed that business leaders believed the power balance between companies and regulators was shifting, with 82% believing that governments and politicians impact the performance of their business or strategic direction of their organisation, second only to customers at 88%. This percentage will undoubtedly increase, as post-crisis recovery leads to new expectations around policy and public affairs engagement.

Energy is critical to modern society and the sector has played a key role during the crisis, powering homes, hospitals, IT systems, logistics, and enabling our digital lives and economies. The global energy system is built to be resilient, with meticulous attention paid to health and safety issues as well as disaster response planning, yet it is facing the biggest shock since the second world war. The International Energy Agency predicts global demand for energy will fall by 6% in 2020, a decline that is set to affect mainly oil, gas and coal consumption. Renewable energy consumption, however, has risen this year, as less flexible renewable sources get priority access to grids and are therefore less sensitive to demand shocks.

The crisis has nonetheless exacerbated individual and system weaknesses. All energy providers now face risks of supply chain disruption, reduced investment due to uncertain demand, and a lack of incentives and long-term policies to support their business models. This brings challenges as well as opportunities for accelerated change, and the energy industry that emerges from the crisis will be different. To drive positive change, business must consider how to strengthen, adapt, and innovate. Governments will be a key dialogue partner for the energy sector to work towards these goals, and businesses must prioritise forging relationships with governments and policymakers to work towards recovery and together build a more resilient sector to support society in the post-crisis period.

Three broad expectations are emerging in this regard:

1. Be robust and self-sufficient.

As part of an essential sector, companies must guarantee reliable supply by quickly adjusting and reorganising to mitigate operational risks resulting from the crisis. As governments re-assess the availability of supply in extreme conditions, they may incentivise or mandate the localisation of supply chains to ensure security of supply and spur local economic and manufacturing activity. In addition, governments may aim to strengthen infrastructural security with changing operational architecture. For instance, it will be critical to improve [cybersecurity](#) infrastructure and procedures to match the necessary increase in digital management of energy supply. Finally, increasing energy efficiency may also be a focal point for the post-crisis period to build self-reliance and decrease vulnerability in a less cost-intensive manner. Combined, such policy pressures may have lasting repercussions for business strategies, but will reward those who lean into these resilience measures.

2. Be innovative.

The pandemic has led to fundamental shifts in consumer patterns. The switch to digital living for instance will not only last until the vaccine removes the risk of proximity but may permanently readjust behaviour. For instance, with an increased number of people spending time in their homes, distribution grids must adapt to the resulting increase in daytime residential demand. Energy companies must rethink and adopt new business models to adapt to such quantitative and qualitative changes. Simultaneously, businesses must work with governments to design innovative markets that acknowledge and reward the roles of different energy sources to ensure both flexibility and security for their distinct business models in the short and long run. Additionally, the energy transition remains on the horizon, for which new energy sources and technologies, such as hydrogen and battery storage solutions, will be essential. Artificial intelligence and digital solutions can also play a crucial role in not only facilitating this transition but also improving efficiency and safety in the sector, for instance through remote control rooms for generation and transmission.

3. Be holistically sustainable.

The pandemic has prompted further discussion on the need for businesses to actively and holistically approach their environmental, social, and corporate (ESG) governance

strategies. Managing social impacts of the crisis has highlighted the role corporations are expected to play vis-a-vis employees, communities and the society, as well as the reputational boost they can get from successfully managing these issues, thus reinforcing [the importance of the 'S' in ESG](#). Pressure for better governance and more transparency (e.g. in the form of more comprehensive ESG disclosures) may therefore increase in the post-crisis period. Similarly, the crisis offers a rare opportunity to invest unprecedented amounts of public money with long-term objectives in mind. As a result, governments may attach obligations or conditions to the recipients of such funding. Efforts to shape a “green [recovery](#)” may also lead governments to renew support or redirect investment to specific projects, such as decarbonisation technologies. The shift may come regardless of government pressures, as businesses respond to an intensified societal debate around the future of our economic system.

Looking forward

As the energy sector works through the [perfect storm](#) and prepares for the aftermath of the crisis, companies must focus on proactive engagement and collaboration with public authorities. Governments, already a strategic driver of investments in the energy sector, will come to play an even greater role in the post-crisis period. Businesses must build and maintain relationships with decisionmakers and stakeholders, while charting a path forward to a resilient socioeconomic renaissance.

Above all, businesses and governments should work together to:

- Ensure security, availability, and flexibility of resources and infrastructure.
- Design markets that drive innovation and reward the roles of different sources of energy to ensure the viability of business models.
- Implement short-term economic stimulus measures and incentives as well as long-term policies to support the diversification and sustainability of the sector.

With the rules of the private and public landscape evolving inalterably, energy companies must:

- Engage early and often, starting now. Show leadership and readiness to be part of the solution, proactively define your needs, and protect your licence to operate.
- Understand how and when government decisions are

being made in order to intervene and advocate in an effective and timely manner. Decisions taken now will have lasting impact.

- Keep abreast of policy developments in pressure areas in real time and tune in to specific jurisdictions in which you operate. With many nations looking inward, it will no longer suffice to rely on general trends.
- Build expertise, capacity and alliances in policy areas that may currently be outside your traditional interest but that will give you a competitive edge for what’s ahead.
- Expect enhanced oversight and scrutiny not only by governments but by all stakeholders. Be prepared to answer questions about your actions during the crisis period, especially if you have received state support.
- Share more information about your ongoing contributions to relief and recovery efforts. [FTI’s research on corporate action](#) shows that companies generate goodwill and enhance their reputation if they do the right thing in crisis and appropriately speak about it.
- Showcase your holistic approach to sustainability and how you will offer and deliver on concrete, creative solutions to help the world “build back better” and become more resilient in the future.

Visit FTI Consulting’s [COVID-19 microsite](#) for related updates and insights. Our public affairs, government relations and crisis communications professionals worldwide work seamlessly with our colleagues in other segments to alleviate the exceptional pressures on businesses during these testing times. We offer support in making business models and supply chains more resilient, safeguarding corporate financial health, and engaging with regulators across the globe. Get in touch for expert advice.

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