

# HOW THE UKRAINIAN WAR IS IMPACTING UTILITIES

## VIDEO TRANSCRIPT

Hi, I'm Scott Tinkler, Accenture's Global Utilities Lead. Like **MANY** of **YOU**, I'm deeply **SADDENED** by the invasion of **UKRAINE**. We here at **ACCENTURE STAND** with all in the global community who are calling for peace

In addition to its **DEVASTATING** human **IMPACT**, the **INVASION** presents a **SERIOUS** threat to economies **AND** communities around the world—and I want to take this time today to talk about the **IMPLICATIONS** for the Utilities industry.

As they've done over the past **TWO** years of pandemic, **UTILITIES MUST** keep the lights on all over the world, continuing to serve **AFFORDABLE** energy to customers. The **SITUATION** in Ukraine raises new **CHALLENGES** to energy security as well as the broader **INDUSTRY** transition.

**NATURALLY**, I've been talking **AT LENGTH** with our Utilities clients, and I'm **SURE** you have many of the same questions. Let me share a few reflections coming out of those conversations. The invasion of Ukraine has occurred at a time of **ENERGY** fragility—especially in Europe—and this has compounded the situation.

Several things are contributing to the issue. Among them:

- The **OVERRELIANCE** on Russian gas—**PARTICULARLY** in Northern Europe—as well as historically low gas reserves.
- Also at play are **ELEVATED** power and natural gas prices with **HIGH** inflationary

- pressures.
- At the same time, **THERE** has been **LIMITED** uptake of **NUCLEAR** power and gas exploration due to political and social concerns,
- And, of course, **SUPPLY CHAINS** are still facing **COVID**-related disruptions.

Our analysis suggests it's unlikely for the European energy system to be at **IMMEDIATE** risk, even amid high restrictions on Russian gas. This is due **IN PART** to seasonal temperatures lowering **OVERALL** demand. **HOWEVER**, events like last month's gas cut-off by Russia to Poland and Bulgaria show that we are facing a very **UNSTABLE** and dynamic situation.

As a result, governments and businesses are seeking **ALTERNATIVE** sources and revising their strategies, **HOPING** to improve resilience and **CONTROL** prices when temperatures fall later this year.

There is a concerted push to **ACCELERATE** the energy transition, improve efficiency, diversify supply **AND** reinforce market integration.

Still, the coming year **MAY** call for **EMERGENCY** measures, such as nuclear phase-out delays, industrial demand controls or further switching from **GAS TO COAL**.

**ALL** this uncertainty presents a **REAL** challenge for utility companies in terms of operations **AND** **INVESTMENT** decisions.



Impacts vary **GREATLY** across the value chain, **AND** client strategies **DIFFER** based on company **PROFILE** and hedge levels. **NONETHELESS**, we've identified 6 **ACTIONS** to help you **STRENGTHEN** resilience in the **FACE** of adversity.

#### Number 1: Transition with confidence

One thing is **CLEAR**: The **ENERGY TRANSITION** is a **NO-REGRETS** movement for Utility companies.

In addition to **CURBING CO2** emissions, a **SWIFT** transition will increase **ENERGY INDEPENDENCE** by localizing sources and reducing **EXPOSURE** to Russia. Utilities must double-down on the energy transition and deepen their role as transformation agents across industries with net zero goals.

#### Number 2: Adopt a **DYNAMIC**, scenario-based planning approach

As conditions change, **UTILITIES MUST** adapt their strategies and investment plans.

Government priorities, subsidies, investment restrictions, bans—all of these **COULD** change rapidly. Annual and multiannual reviews **SIMPLY AREN'T** enough in uncertain times.

That's why scenario-based planning is a crucial capability required to assess the impact of new events and update existing strategies.

#### Number 3: Increase collaboration with governments and regulators

It's critical to maintain a fluid dialog with governmental agencies **AND** regulators. Not only for long-term planning, but also to anticipate events and prepare for emergencies, such as a threat to security of supply

Number 4: Conduct holistic risk analysis  
To **FURTHER** boost resiliency, conduct additional risk analysis to identify near-term vulnerabilities in the coming year. Traditional long-term risk assessments **ISN'T** designed to help you plan for the **IMMEDIATE SHOCKS** that permeate today's **GEOPOLITICAL** climate. Be sure to **IDENTIFY** any potential choke points in the supply chain, **PARTICULARLY** around natural gas supply.

- Also **LOOK** for security vulnerabilities, paying special **ATTENTION** to cyber-defense.
- Additionally, consider financial strength and unhedged positions.

#### Number 5: Build up your **INNOVATION** engine

Innovation is **ALWAYS** a necessity, especially **NOW**. Our long-established ways of operating are **CHANGING**, opening up **NEW** opportunities. Is your business positioned to anticipate and act on them?

Whether they're **SCALING** demand response programs or **SPURRING** a faster **ENERGY** transition, Utility companies have a **LOT** to gain from **BOOSTING** innovation during this time: **IN FACT**, Accenture research shows **LEADERS** that **INVEST** in digital transformation grow up to **5 TIMES FASTER** than their counterparts, despite challenging environments.

#### Number 6: Last but not least! Stay close to the customer

It is imperative that you stay close to the people you serve. These are **HARD** times for people **STRUGGLING** to pay the bills, and for companies that see their competitiveness—or, in some cases, their **EXISTENCE**—at risk. Utilities have an opportunity to reinforce their brands by **GUIDING** their customers through **THIS** transition.



We **CERTAINLY** live in challenging times. But with the right **GUIDANCE** and a **LASER** focus on resiliency, Utilities **CAN** weather the storm.

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