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 aren’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.