Debate Energy

Energy Report 2021 #2
Investments in a climate-neutral future

powered by uniper

supported by CIVEY

A Civey study conducted on behalf of Uniper at Juli to August on the current situation and future of energy.

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Energy Report 2021 #2 Investments in a climate-neutral future

Be it the switch to renewable energies, the grid and infrastructure expansion or the development of new (bridging) technologies – investments in sustainable and climate-neutral projects as well as their financing play an increasingly significant role.

The financing of this transformation no longer involves only the public sector. In the run-up to the International Climate Change Conference COP26 a group of altogether 457 international investors calls on the governments to discontinue the subsidisation of fossil fuels, to initiate an end to energy recovery from coal in the near future and create incentives for private investments in sustainable projects, among other things. The investors are aware that the implementation of the climate targets is not only indispensable to preserve prosperity, but sustainable investments can also yield an economic added value. According to the 2018 New Climate Economy Report, resolute climate and sustainability measures can generate an economic net benefit in the amount of USD 26 trillion versus the current business-as-usual.

The actual investment requirements for a holistic transformation are only difficult to calculate. In its "State of the union: questions and answers on the 2030 climate target plan" of last year, the European Union estimates that the investments in the energy system must be increased during the coming 10 years by EUR 350 billion compared to the past 10 years to reduce the greenhouse gas emissions by 55% until 2030. In addition, there are analyses of the World Bank of 2019 which show that around USD 90 trillion need to be invested into infrastructure all over the world.

With the EU sustainability taxonomy a set of tools to steer investments in ecologically sustainable business activities is now available. The goal of the corresponding regulation is to promote investment flows from the finance sector to companies who deal with sustainable activities. This is to contribute towards the transformation of industry and business and hence towards meeting the obligations under the Paris Climate Agreement. At the same time, this regulation as well as others face companies with challenges. For companies which are in the middle of a sustainable transformation of their business model, the access to the finance market might, however, be hampered as a result of the new regulation. Consequently, it is all the more important not to lose sight of the goal of a climate-neutral future and the preservation of German and European value chains. The currently available survey provides a sentiment on sustainable transformation in the energy industry.

For the current Energy Report at least 500 energy policy decision-makers were interviewed on the current sentiment within the industry, the significance of bridging technologies and the political framework conditions. The Energy Report continues the survey of April 2021 and assesses the results of a poll conducted on behalf of Uniper for the period from 20 July 2021 to 9 August 2021 by Civey.

The following four central theses can be derived from the survey results:

1. **Energy policy decision-makers prefer a market-oriented approach for the implementation of the climate targets within the energy industry by 2045.**
2. **There is great scepticism amongst the energy decision-makers as to whether the energy industry will become climate-neutral by 2045.**
3. **Bridging technologies are perceived in the energy industry as a decisive factor on the way to climate neutrality.**
4. **The state should finance the implementation of climate targets by 2045 via shifting existing investments.**

Four central theses

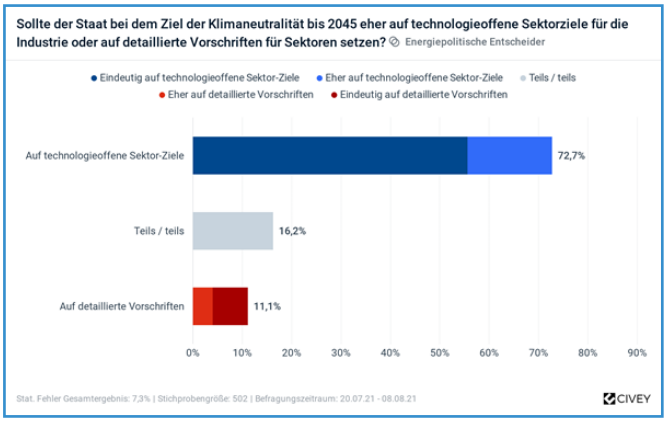
1. Energy policy decision-makers prefer a market-oriented approach for the implementation of the climate targets by 2045 within the energy industry.

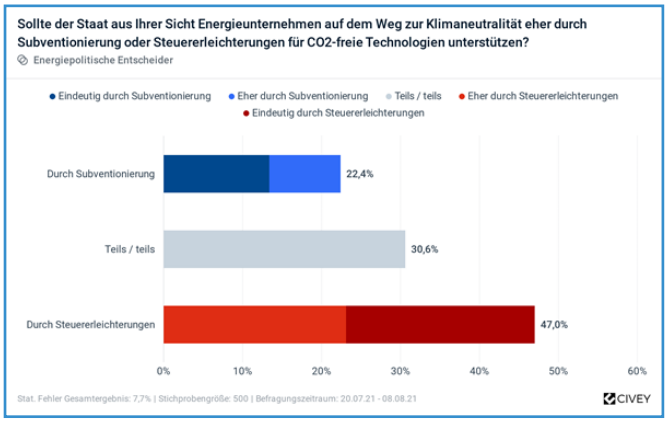
Apart from investments in bridging technologies, the government has many additional tools to support the energy industry at the decarbonisation. Nonetheless, 72.2 % of the energy decision-makers prefer a market-oriented approach.

Only 11.1 % of the polled decision-makers believe that the government should focus on detailed provisions for sectors. A similar result is shown for the question whether the government should support energy companies rather through subsidisation or tax reliefs for CO2-free technologies. A clear majority considers that tax reliefs have more potential and only 22.4 % of the energy policy decision-makers prefer subsidies in this connection.

If one compares further political tools, the acceleration of approval procedures has the highest approval ratings with 46.7 % According to the respondents, the increase in the expansion targets for renewable energies (21.6 %), the introduction of a CO2 minimum price (20.3 %) and the approval of new areas for renewable energies (18,9 %) have less potential with a view to the decarbonisation of the energy industry.

Consequently, the results suggest that energy decision-makers consider framework conditions which allow for a rapid response on the market and new technologies to be most useful.

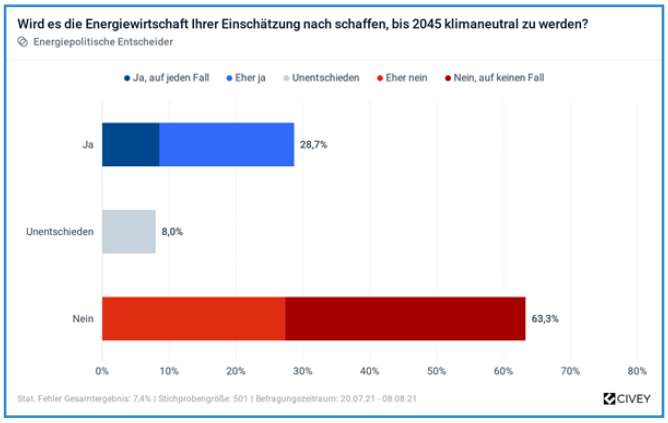


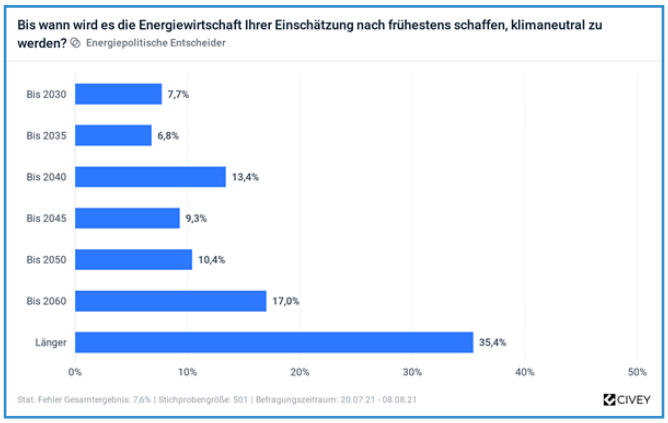


2. There is great scepticism amongst the energy decision-makers as to whether the energy industry will become climate-neutral by 2045.

The consequences of the climate change have not only but in particular become evident in Europe this year. The flooding in Germany as well as the heatwaves and forest fires in the Mediterranean region showed already how important it is to achieve the climate goals. The energy transition makes an important contribution to the reduction of greenhouse gas emissions. However, the energy policy decision-makers are hardly confident that the energy industry can become climate-neutral by 2045.

Only 28.7% of the respondents believe that the targets can be met during this period. Every second respondent believes that the energy industry can only become climate-neutral after 2050. This great scepticism of the energy policy decision-makers underlines how high the need to act still is. Consequently, the energy industry is facing many challenges if the climate targets of the European Union, the German Government and the Paris Climate Agreement are to be complied with.



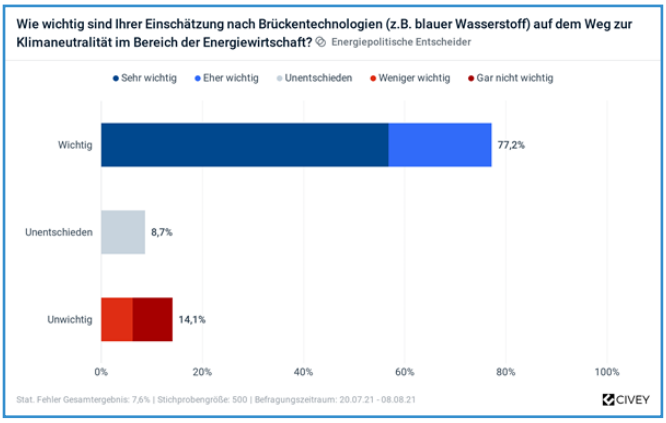


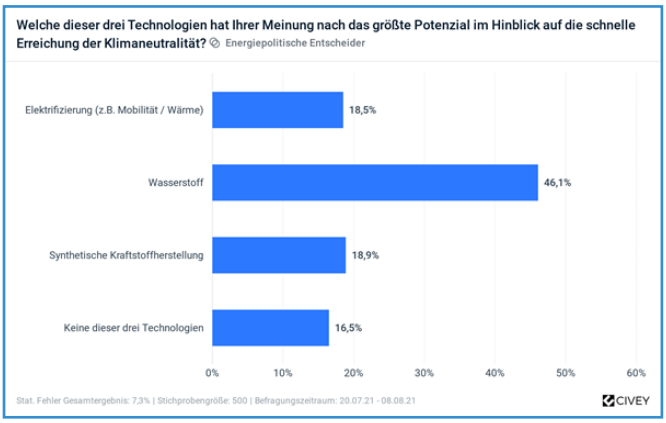
3. Bridging technologies are perceived in the energy industry as a decisive factor on the way to climate neutrality.

Bridging technologies can be a decisive factor on the way to climate neutrality. The results of the last Energy Report "The Evolution of Energy" are also confirmed by the current survey: the persons interviewed consider bridging technologies as essential to reach the climate targets. In the energy industry hydrogen holds a prominent position.

Around 77.2 % of the energy policy decision-makers consider bridging technologies to be rather important or very important with a view to a reduction of the greenhouse gas emissions in the energy industry and to become climate-neutral. This shows that in future the (further) development of these technologies will continue to play a major role. As in the preceding Energy Report, hydrogen is believed to have the highest potential (46,1 %) with a view to a rapid achievement of climate neutrality – almost half of the energy policy decision-makers consider hydrogen as a key technology with the highest development possibilities. The potential of both electrification (eg mobility or heating) and synthetic fuels is only seen by approximately 19 % of the respondents in each case.

The results of the survey prove that hydrogen and, more generally, bridging technologies have a major significance with a view to the implementation of the climate targets within the energy industry.

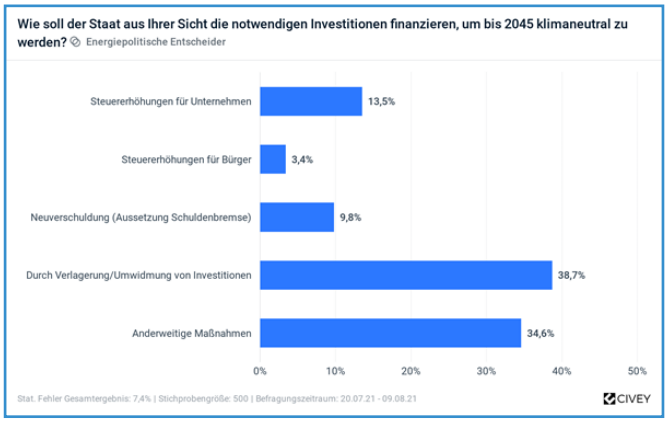




4. The state should finance the implementation of climate targets by 2045 via shifting existing investments.

On the important question of how the state should finance the high investment requirements for a climate-neutral future, tax increases and new debt receive the lowest approval ratings. Instead, reallocation of existing investments receives the highest approval rating at 38.7 %.

IIn contrast, measures such as tax increases for companies (13.5%), new debt or suspension of the debt brake (9.8%) and tax increases for citizens (3.4%) are viewed rather critically. Financing instruments that were not mentioned, however, receive the second highest approval rating.



Conclusion

The implementation of the climate goals of the European Union, the Federal German Government and the Paris Climate Agreement are of major importance to reduce the consequences of the climate change. Even if Germany has reached the climate targets in 2020 due to the pandemic, the probable rise in greenhouse gas emissions by around 47 million tons CO_2 versus prior year shows that the challenges are enormous for all sectors.

The survey outlines possible ways towards a climate-neutral energy industry. On the one hand, energy policy decision-makers continue to be convinced of the key role of the bridging technologies and, more particularly, green and blue hydrogen in the fight against the climate change. A special focus should now lie on a rapid ramping up of the technology on the market. According to the survey, the state support should not be reached through tax increases or new debts but a reallocation of investments. The acceleration of the approval procedures is considered to be a central political tool for the energy transition. Furthermore, the respondents prefer a market-oriented approach in combination with open technology sector goals.

This survey shows, however, also that the scepticism concerning compliance with the climate targets is high among the energy policy decision-makers. It is all the more important to shape during the forthcoming legislative period the framework conditions for the energy industry and also for all other sectors so that the international competitiveness of Germany and Europe cannot only be upheld but strengthened. Investments play an outstanding role in this connection.

About the survey and the methodology

The opinion research company Civey has interviewed on behalf of Uniper more than 500 energy policy decision-makers (executives in companies which mark with their decisions the energy policy of the future rather strongly or very strongly) between 20 July 2021 and 9 August 2021.
Civey has developed with its recruitment of panellists, its survey and its real-time algorithms an innovative and successful method to conduct representative polls. Statistically proven procedures are applied in a novel, non-probabilistic setup.

Recruitment of panellists through networks:
For surveying purposes polls on over 25,000 URLs of high-reach websites such as SPIEGEL, t-online, Handelsblatt and many other partner sites are integrated. Specialist magazines and blogs likewise co-operate with Civey. In this connection questions are asked from all social areas, business, technology, sports and consumer behaviour. Every month around 15 million votes are obtained. The algorithm ensures that surveys are distributed through the URLs equally among the target group to be surveyed and beyond the period covered and decides who gets into the sample.

Verification of the participants:
The calculations merely consider verified participants. The verification starts with a low-threshold registration during which the persons interviewed provide three social demographics and their consent to data processing. Civey allocates other votes through email addresses, authentication tokens and cookies to the corresponding respondents. Within the framework of the ongoing verification, Civey checks whether the individual user is a genuine person, there are sufficient data for a later weighting and the probability with which the data correspond to truth. Technical, statistical and content-based plausibility checks are used in this connection which are integrated into a user trust index. As far as the integration into the user trust index is concerned, criteria such as mouse movements of the user, clicking behaviour and speed of participation as well as content plausibility or contradictions in the answers given are decisive. A targeted manipulation of the results is hence excluded.

Sampling and weighting:
Amongst the votes of verified panellists Civey draws an automated quoted sample around the clock. Civey ensures that the votes getting into the sample are not distorted in terms of content. Votes in articles on the same topic are, for instance, excluded to a large extent. In order to compensate remaining distortions, Civey's algorithm subsequently weighs the data against official population data. The official data come, amongst others, from the Federal Statistical Office or the Federal Election Commissioner. Since unfortunately not all population data are available together, but frequently merely information about the marginal distribution are known, Civey uses in many cases the weighing through these marginal distributions (raking). If joint distributions are available or can be determined, Civey prefers post stratification as a weighting method.

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