



# MARKET BROKER

## Sector Focus

## Energy and Utility

The opportunity for the power, utility, and energy sectors is once in a generation. It can not only play a key part in realizing its own cleaner energy future, but it can also assist consumers, communities, and society in achieving this objective. The distinctions between established enterprises in the sector, up-and-coming competitors offering novel goods and services, and other related industries, such as manufacturing and transportation, will continue to wane during the coming ten years. Tomorrow won't resemble today at all; it will be more complicated, nonlinear, and converged. Policy changes, geopolitical unpredictability, and technological advancements will continue to be an undercurrent, defining the way forward.

The role that industry executives want their companies to play in this new energy ecosystem, the route to get there, and how to involve stakeholders in the journey should all be in the forefront of their minds. Instead of letting others determine the narrative, the sector has the chance to write its own account of the energy transition. We examine what lies in store for energy and utility firms going forward.

Many of the top energy and utility firms are beginning to clarify the stances they will take both now and during the transition by committing to net zero targets and advancing their environmental, social, and governance (ESG) journey. Even many who at first thought of it as a temporary storm to be weathered now recognize it for what it is: a chance for the industry to reinvent itself by fundamentally altering how it functions. This entails preserving the qualities that have benefited the sector over the course of its lengthy history while retiring those that are no longer relevant to the energy ecosystem of the future.

No other industry, it may be said, is more suited to accomplish this. After all, the sector has more than a century of expertise in supplying dependable, reasonably priced, and secure energy while addressing the requirements of a growing and dynamic population. The essential differentiators for today's industry players include, among other things, knowledge of the engineering, infrastructure, scientific, and energy industries. When faced with a crisis, the sector comes together, developing systems that can pinpoint energy sources miles below or trap carbon, as well as mounting significant efforts to restore power after severe weather. The biggest rally of them all is coming up. Although it won't be simple, the industry is prepared to guide the way through it with decarbonization at its core and the support of the appropriate competencies, technologies, business configurations, and cultural factors.

Although the industry has the chance to lead the energy transition, it must first figure out how to balance ambitious goals for the future with very real responsibilities in the here and now. A lot of people are attempting to stand their ground in what may seem like paradoxical difficulties or inquiries. Here are a few of the pressing concerns that today's energy and utility leaders are facing.

In the transition to greener energy, we see strategic reinventors emerge as the leaders (and survivors). By successfully reconfiguring their portfolio, offers, and business model, this refers to those who may either step up their efforts to become genuine integrated actors in the future energy ecosystem or establish lucrative niches based on unique competencies. Several sorts of strategic reinvention are possible.

Strategic reinventors will need to decide who they want to be and then make operationalizing that vision a persistent enterprise-wide aim. There are various ways forward, and many of them probably include making strategic decisions about portfolio building, acquisition, divestiture, and new business relationships. Success ultimately depends on changing the current operating model to support the intended future state, moving away from incremental and demand-aligned investments to purpose-driven ones.

Building a flywheel system is the solution for achieving a strategic objective in the majority of industries. This phrase refers to the point at which all of the effort put forth to foster efficiency and forward movement produces momentum that propels the entire endeavor forward. The energy and utilities sector already possesses this flywheel to a great extent because of an established infrastructure, a frequently captive customer base, and an ingrained dedication to constant development. But the industry's current flywheel is in doubt given the amount of upheaval and change that is occurring. Numerous unknowns are what are driving this. What happens when you no longer require certain of your assets? What if another party could offer what you have traditionally offered, such as commercial and industrial clients producing their own sources of energy? When corporate boards enforce capital restraint, demand rises, supply capacity declines, and commodity prices rise, who will invest in currently available energy sources?

To maintain momentum toward a new value equation that links societal concerns to an expanding value offer, the flywheel will probably need to be adjusted. Depending on your position in the energy transition, there might be various flywheels. Changing the flywheel from one that is focused on energy extraction through distribution to one that is oriented on lower carbon solutions that can lower risk, increase customer and employee happiness, and deploy capital investment is just one example. Resource businesses may need to show reduced carbon investments to increase operational efficiencies or customer happiness in order to achieve this effect, justifying the need for more capitalization and lower carbon investments.

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