

# Investing in the energy transition in times of repeated shocks

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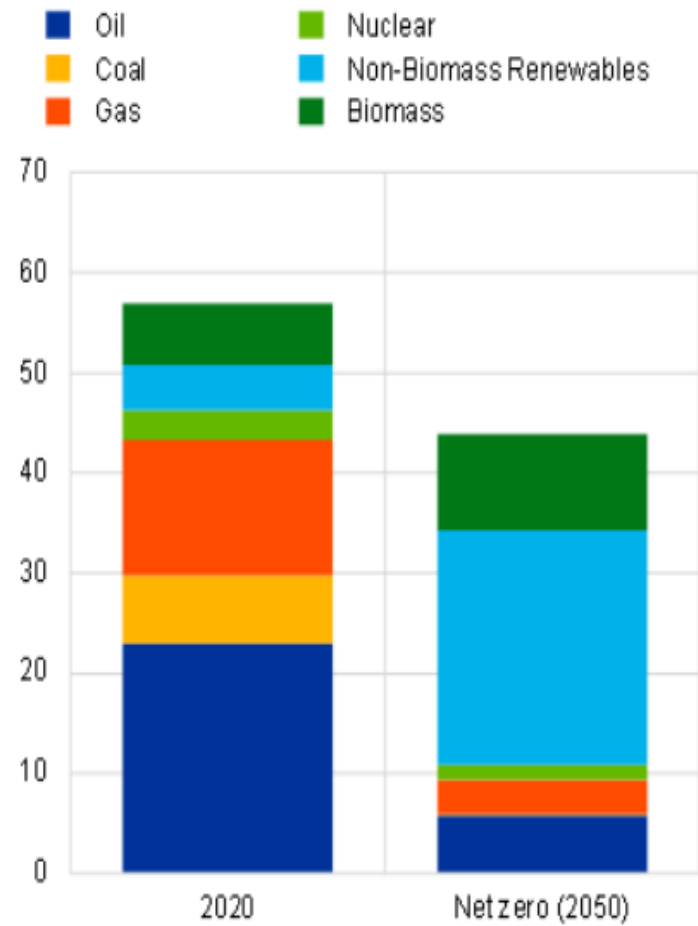
5<sup>th</sup> Franco German Energy Forum - November 24, 2022

# Investing in the energy transition in times of repeated shock

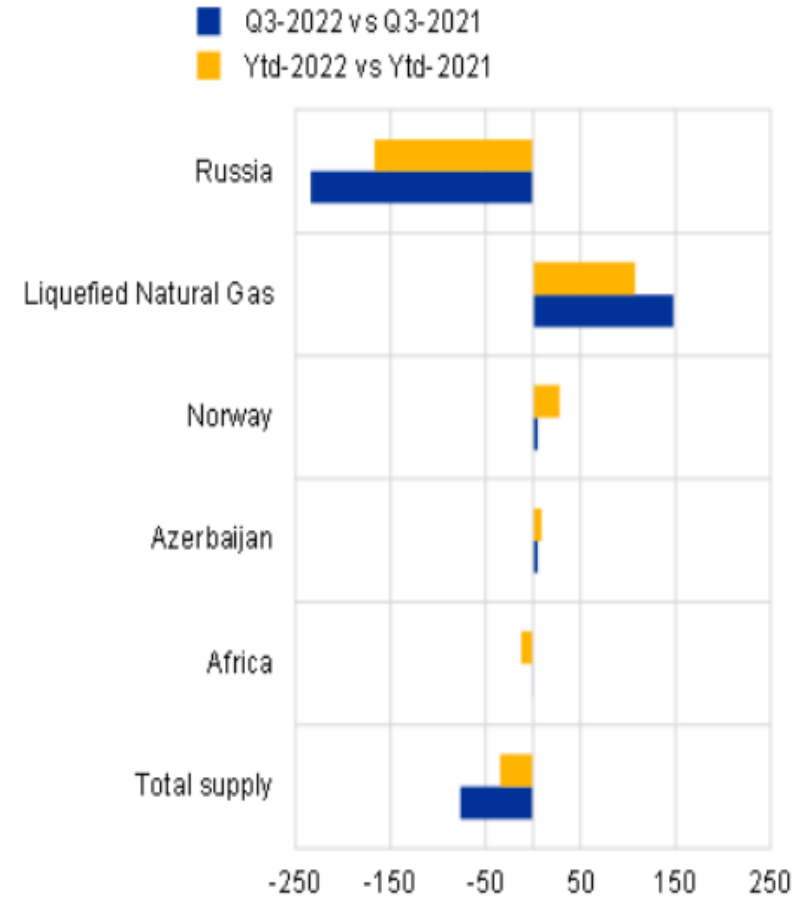
- The energy shock is particularly strong in Europe and shows the structural fragmentation of the EU energy market
- Firms emerged well from the pandemic, but the deteriorating environment constrains investment, despite the incentives generated by high energy costs – how to protect green investment?
- Front the short to the long term:
  - Consistent and predictable policies, with a vision for the EU future energy market
  - Awareness, de-risking and technical assistance
  - Addressing barriers to investment
  - Support to innovation

# With the net zero commitments, the EU energy mix has to change drastically, not only to diversify from Russia

EU energy mix

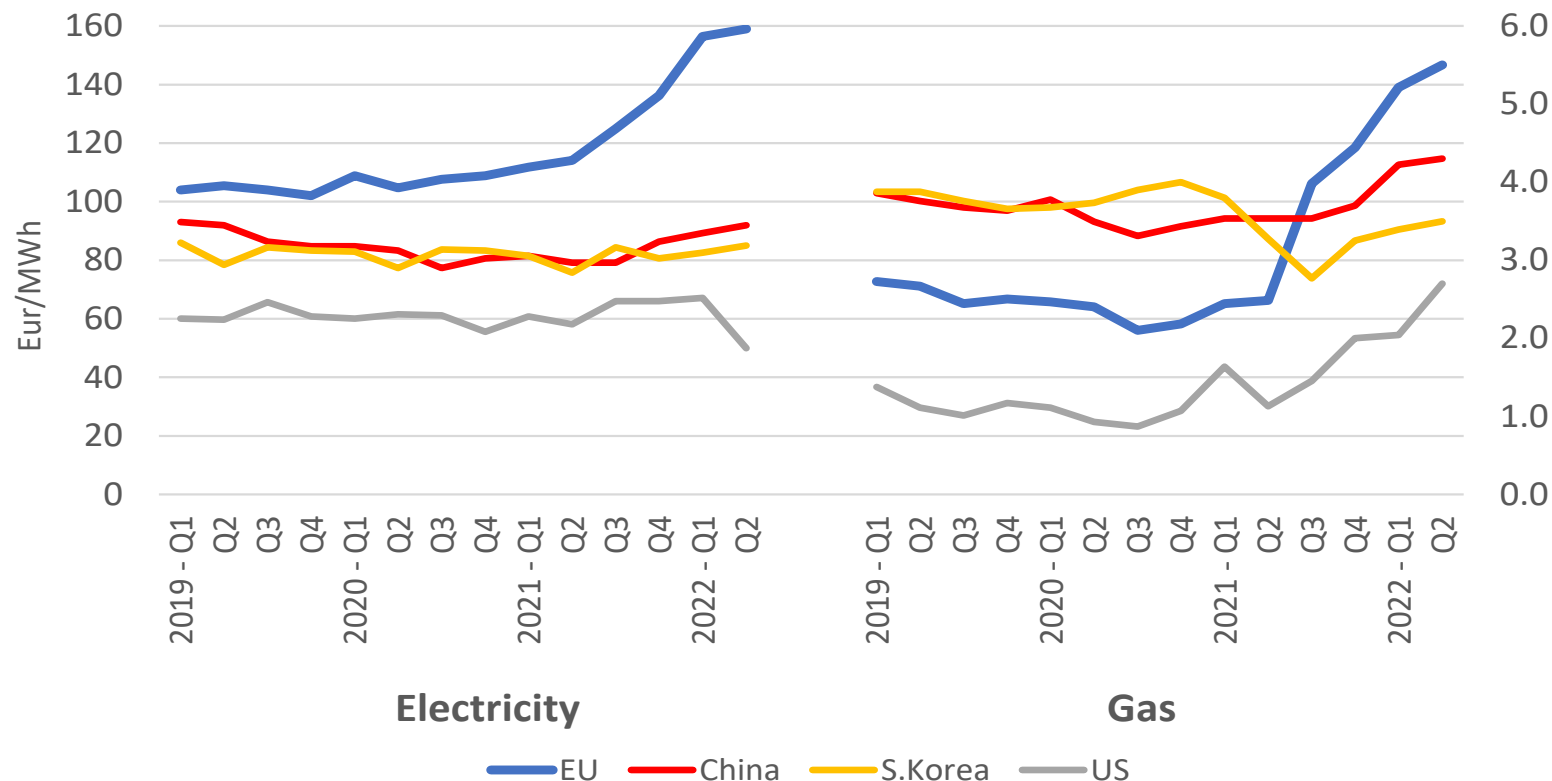


Change in average gas supply to the EU27



# The energy shock is particularly strong for European firms

EU retail electricity and gas prices of industry vs. main trading partners

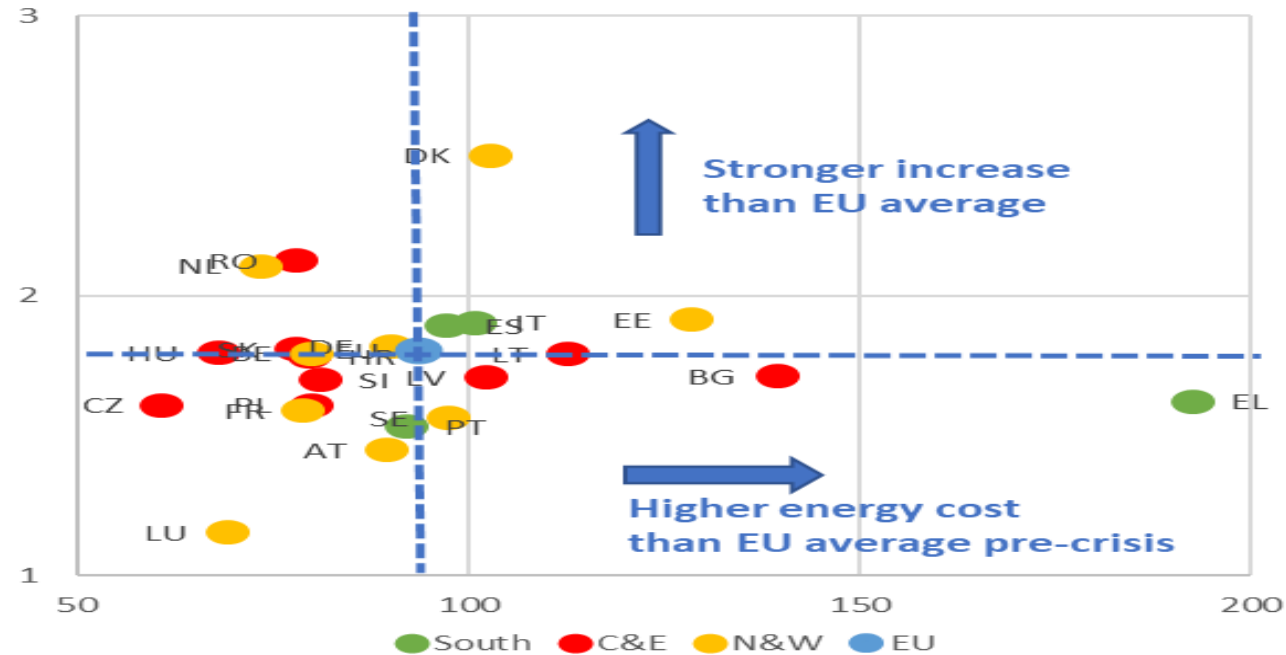


Source: Eurostat, IEA, CEIC, DG ENER computations.

Note: Eurostat (EU average, for industrial consumption band I4) and CEIC. Data of the United States, China, Russia and Korea were taken into account. EU prices are without VAT and other recoverable taxes

# Differentiated effect of the price shock across countries, showing a structural fragmentation of the energy market

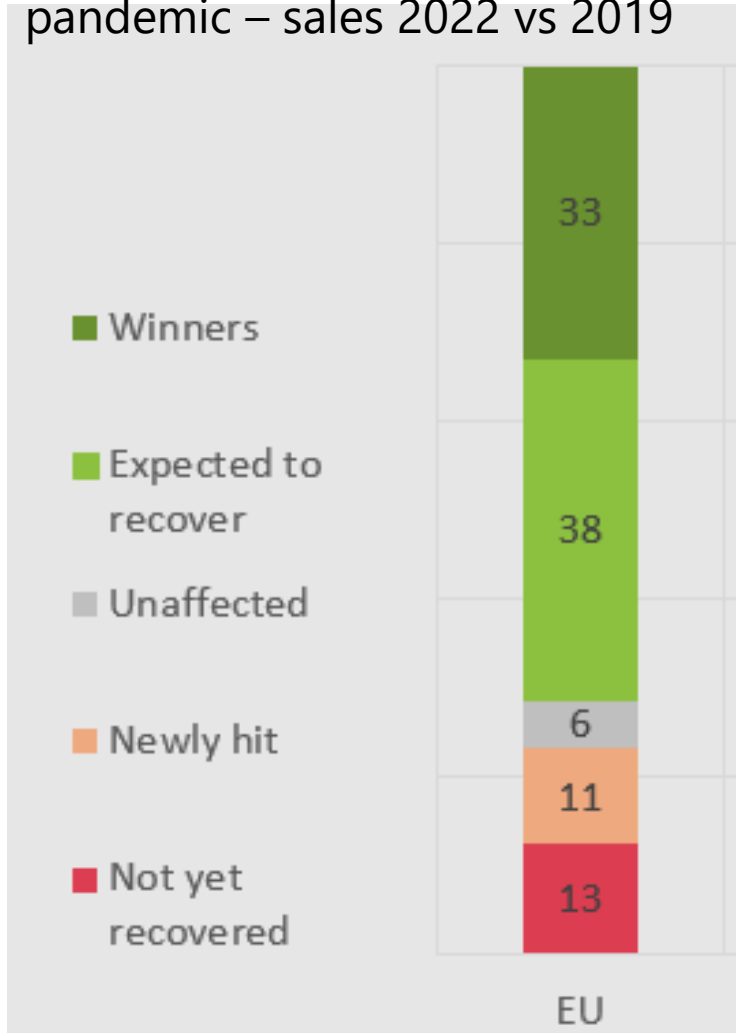
## Energy prices charged on corporates: pre-crisis Level and change



**Source:** EIB calculations based on EUROSTAT, European Commission, and. **Note:** X-axis is the price in euros per Megawatt hour, in 2021H2 in euros. Y-axis is the price in 2022Q2 compared to the price in 2021.

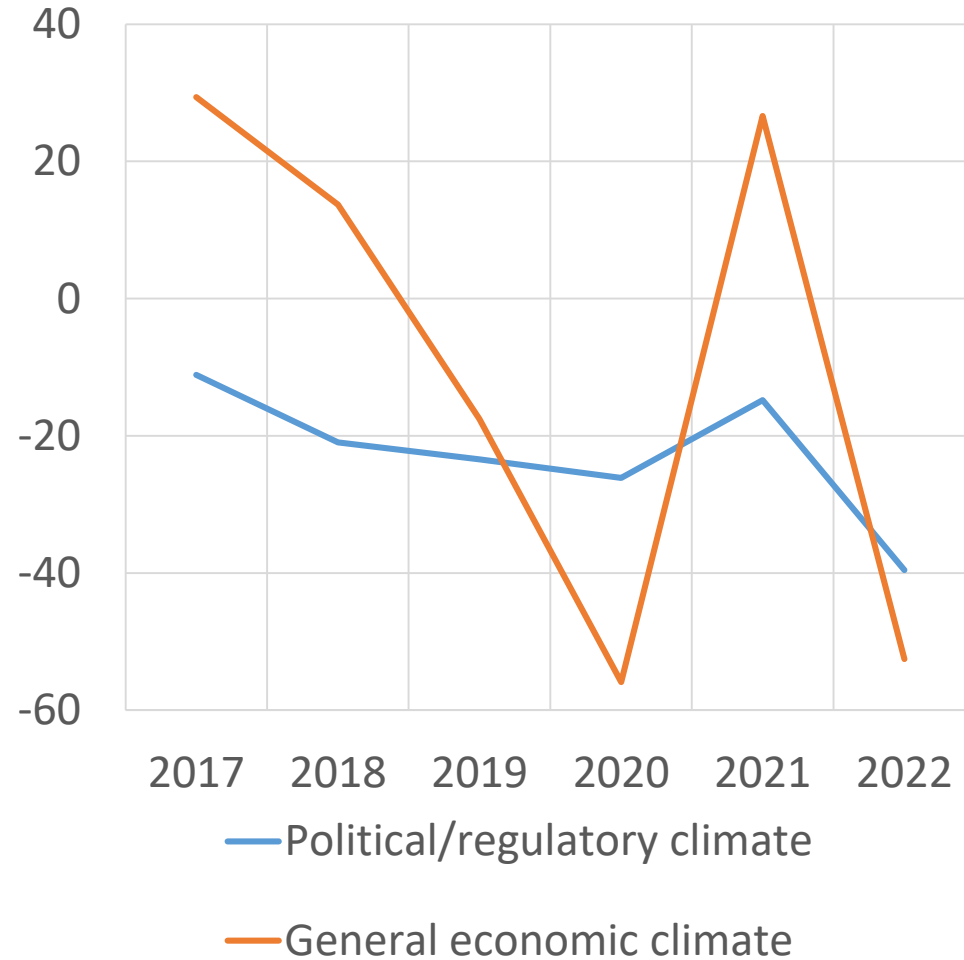
# Firms emerged from the pandemic relatively well, but the economic outlook has been turning fast

Firms have recovered from the pandemic – sales 2022 vs 2019



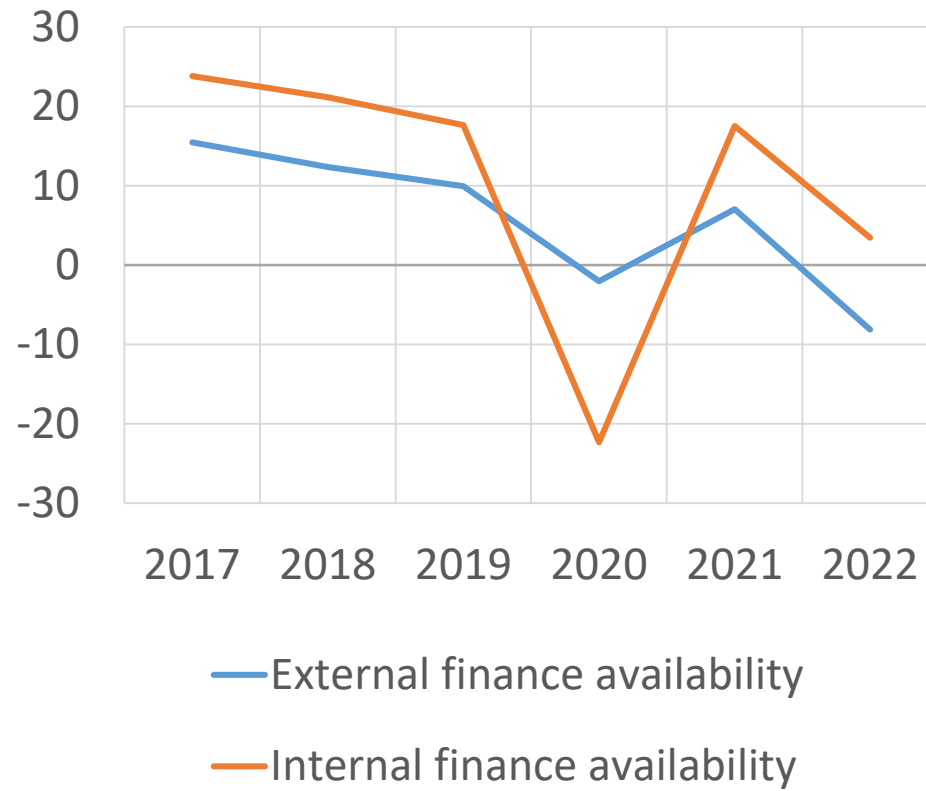
Source: EIBIS 2022

Mid-2022 firms already foresaw a sharply deteriorating economic and political climate

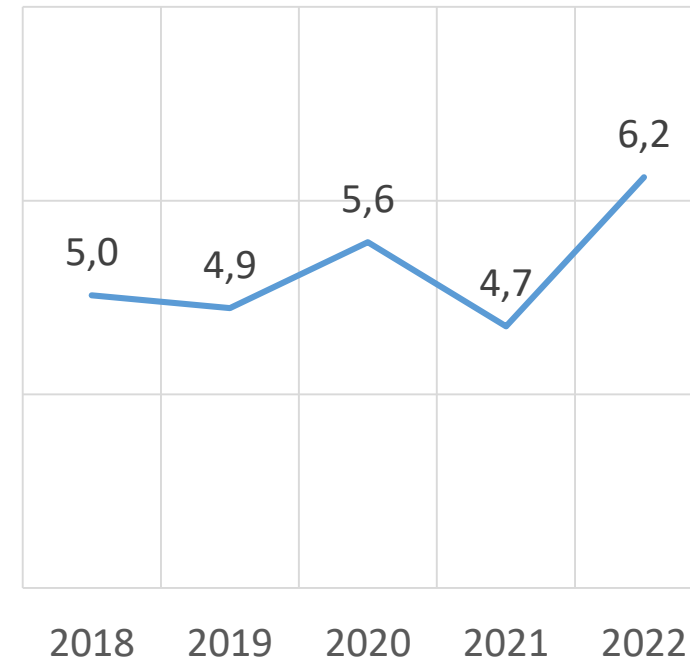


# Inflation and monetary tightening pose downside risks for corporate investment

Firm perceptions of the outlook for finance availability are worsening...

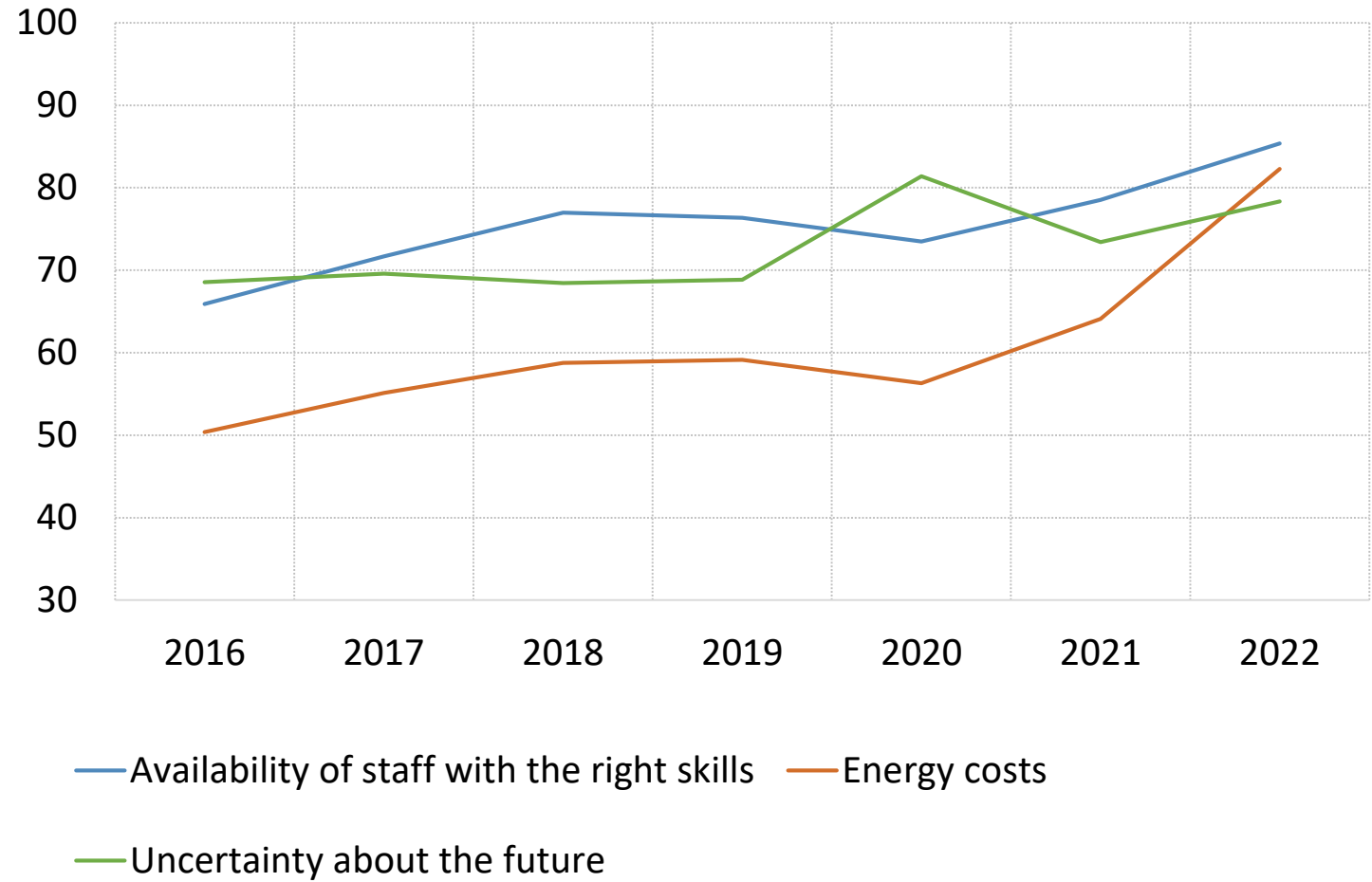


... and the share of finance constrained firms is rising



# Energy costs emerge as a key constrain for firms

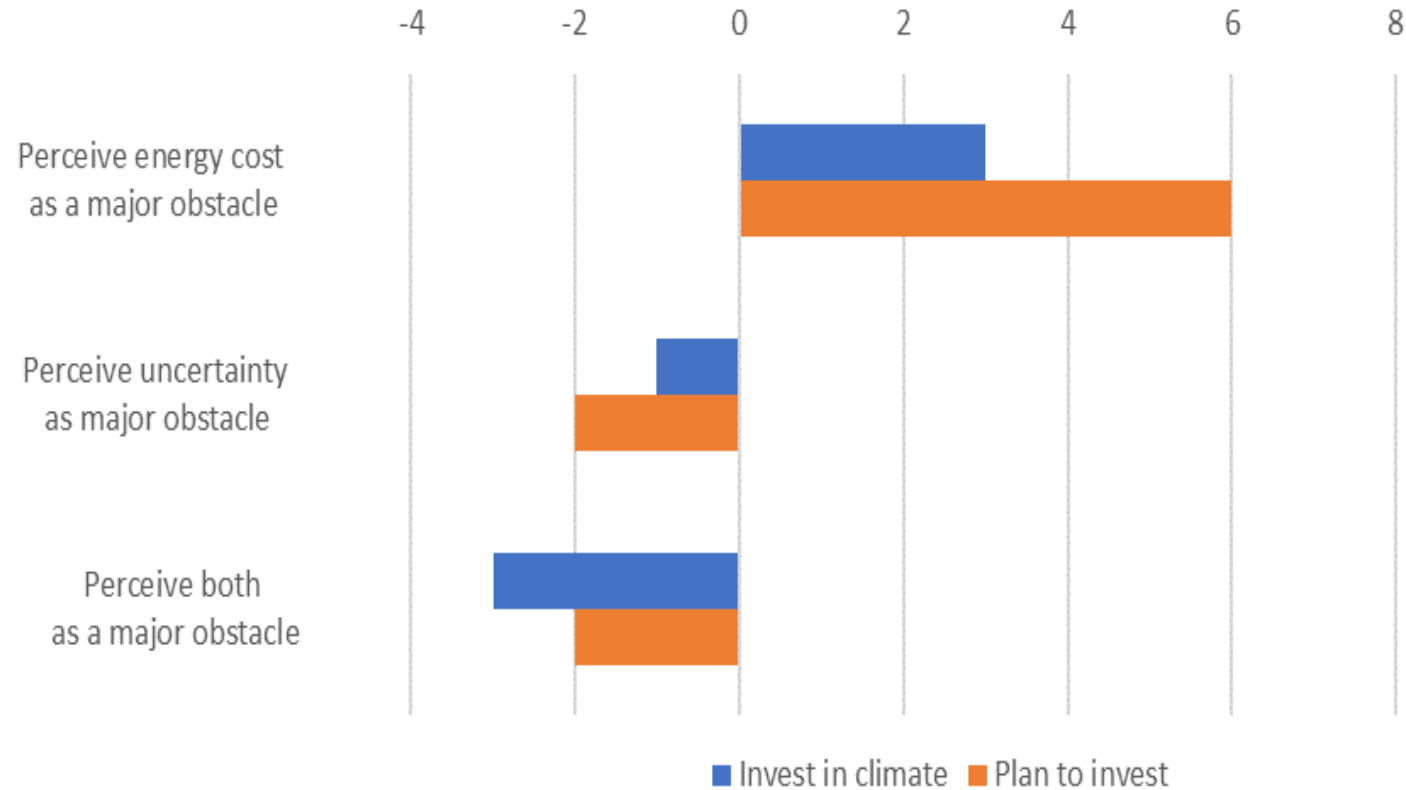
## Firms long term barriers





# Energy prices could incentivize green investment, but uncertainty weights as a drag

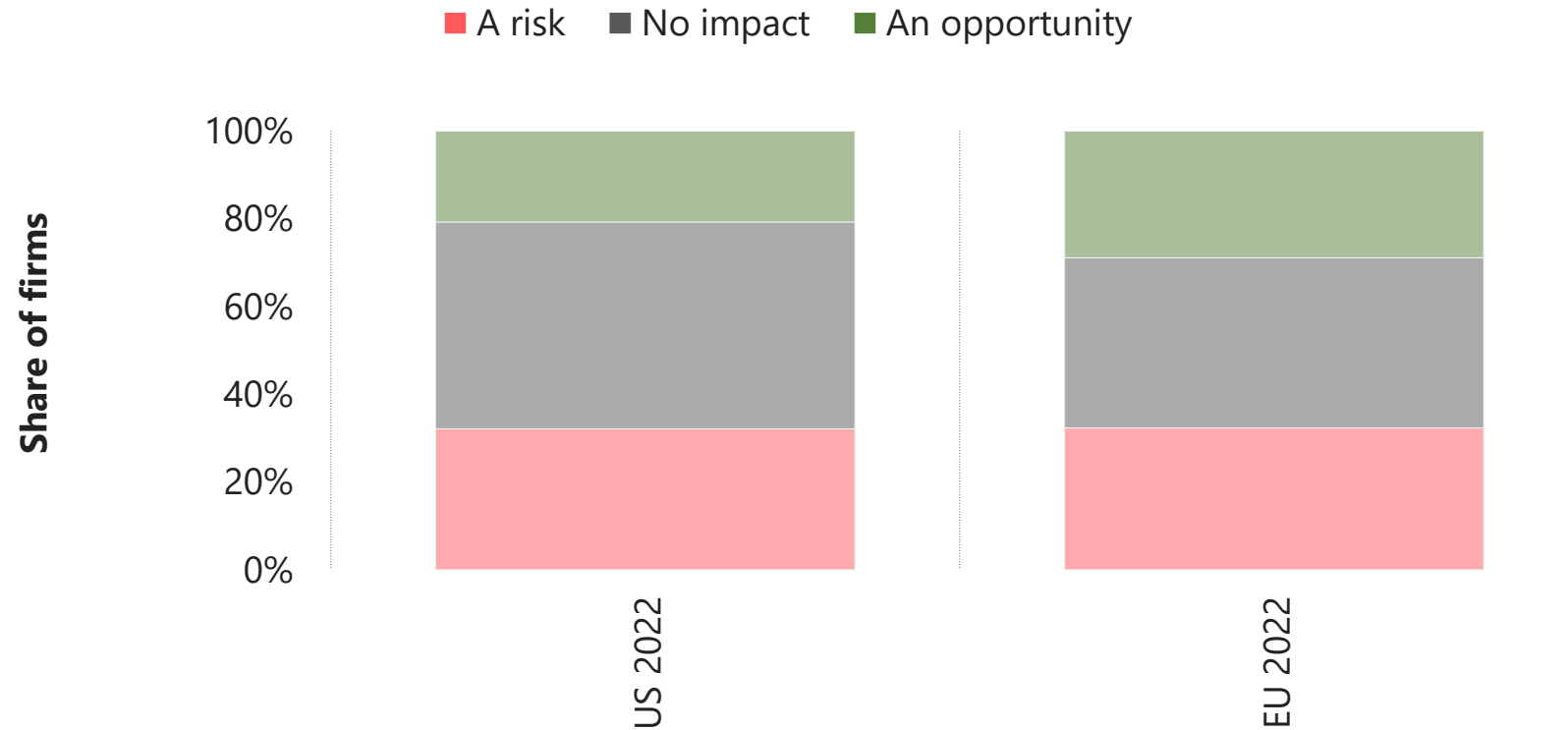
Probability to invest in climate change, conditional on perception of energy costs and uncertainty as a constraints



# Awareness important for firms action on climate

## Expected effect of the green transition on the firm

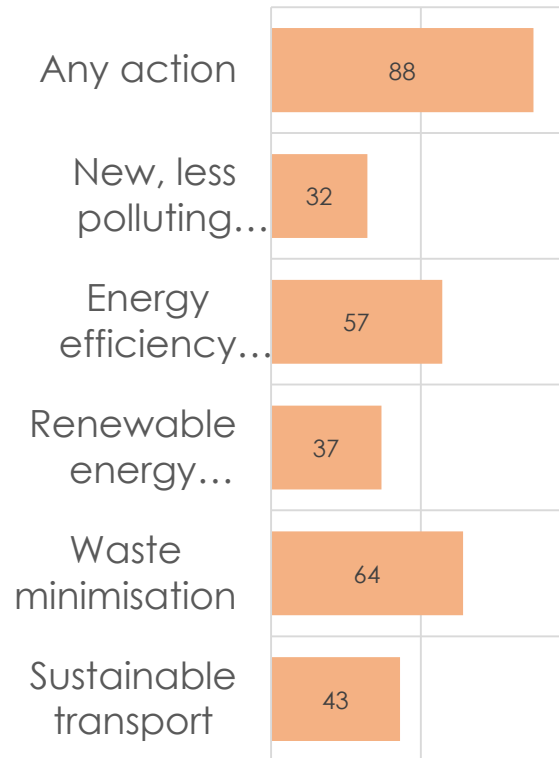
(Transition risk, share of firms)



# A large share of firms is taking actions - with firms seeing the transition as a risk/opportunity more likely to

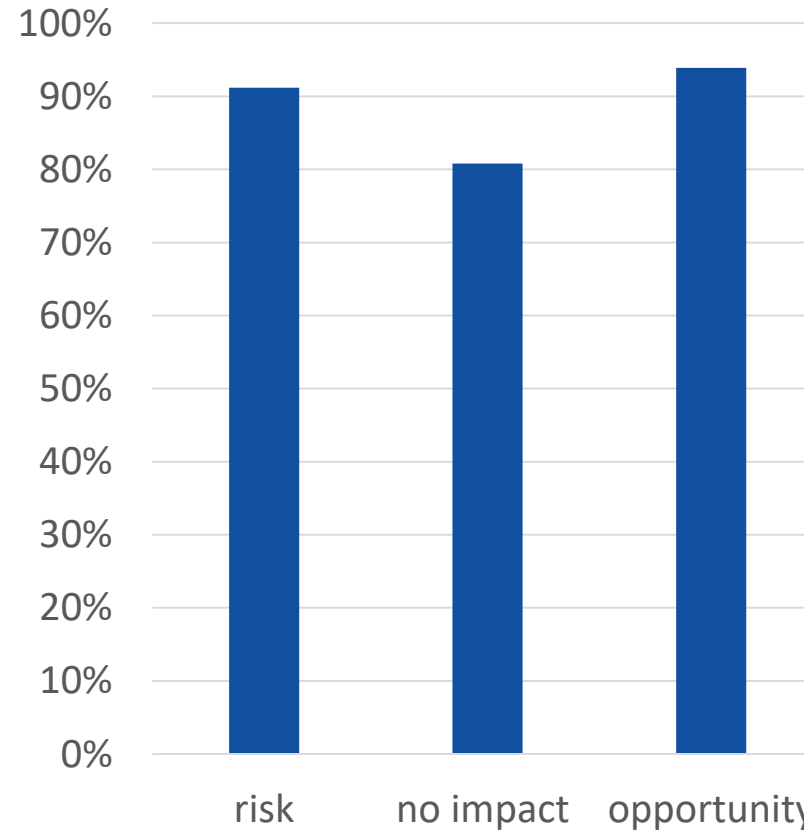
## EU firms investment in mitigation

(share of firms)



## EU firms acting to deal with mitigation, conditional on perception of transition risk

any action

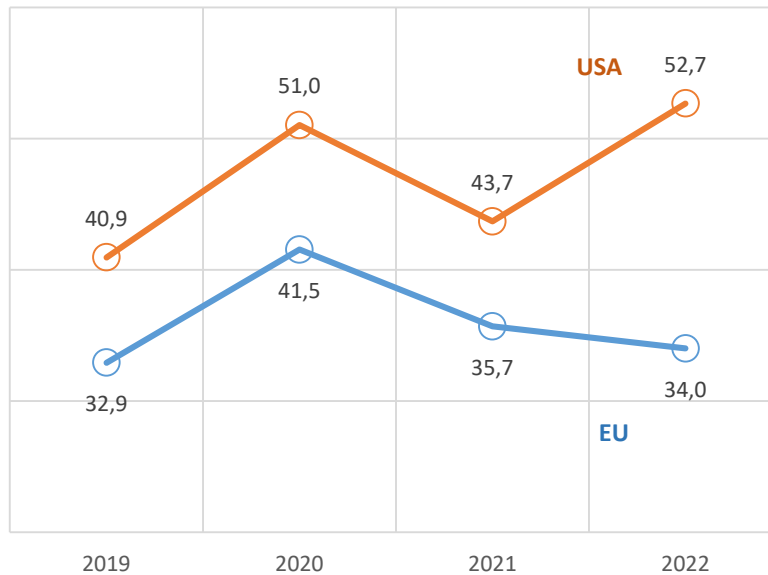


# From the short to the long term

- Short term incentives can go against long term commitments
- Policy direction and long term energy market vision
- Awareness, reducing uncertainty and de-risking important, while leveraging on private-public sector complementarities
- Removing barriers to investment and red-tape
- Innovation

# Innovation and green innovation

EIBIS data shows a growing innovation gap with the US



Share of firms investing in innovation (%)

Note: Innovation is defined as introducing products, services or processes new to the firm, country or globe.

Source: EIBIS 2022

Some hope for green innovation - the EU still leading vs US

