



CLIMATE SCENARIOS FOR IMPROVED STRATEGIC AND FINANCIAL RISK ANALYSIS – HOW NOT TO BE A BOILING FROG



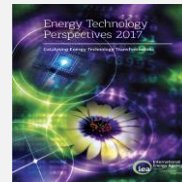
November 1st, 2017 – THE CARBON OPPORTUNITY FIRM

This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No. 696004. The text reflects only the author's view. The Agency (EASME) under the power delegated by the European Commission is not responsible for any use that may be made of the information it contains.

SCENARIO ANALYSIS FOR STRATEGIC DECISION MAKING – WHAT ARE WE TALKING ABOUT?



Scenario

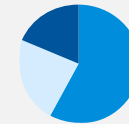


...

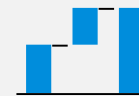
Company impact

Current position

Product portfolio



Production technologies



Geographic exposure



Financials

Margins



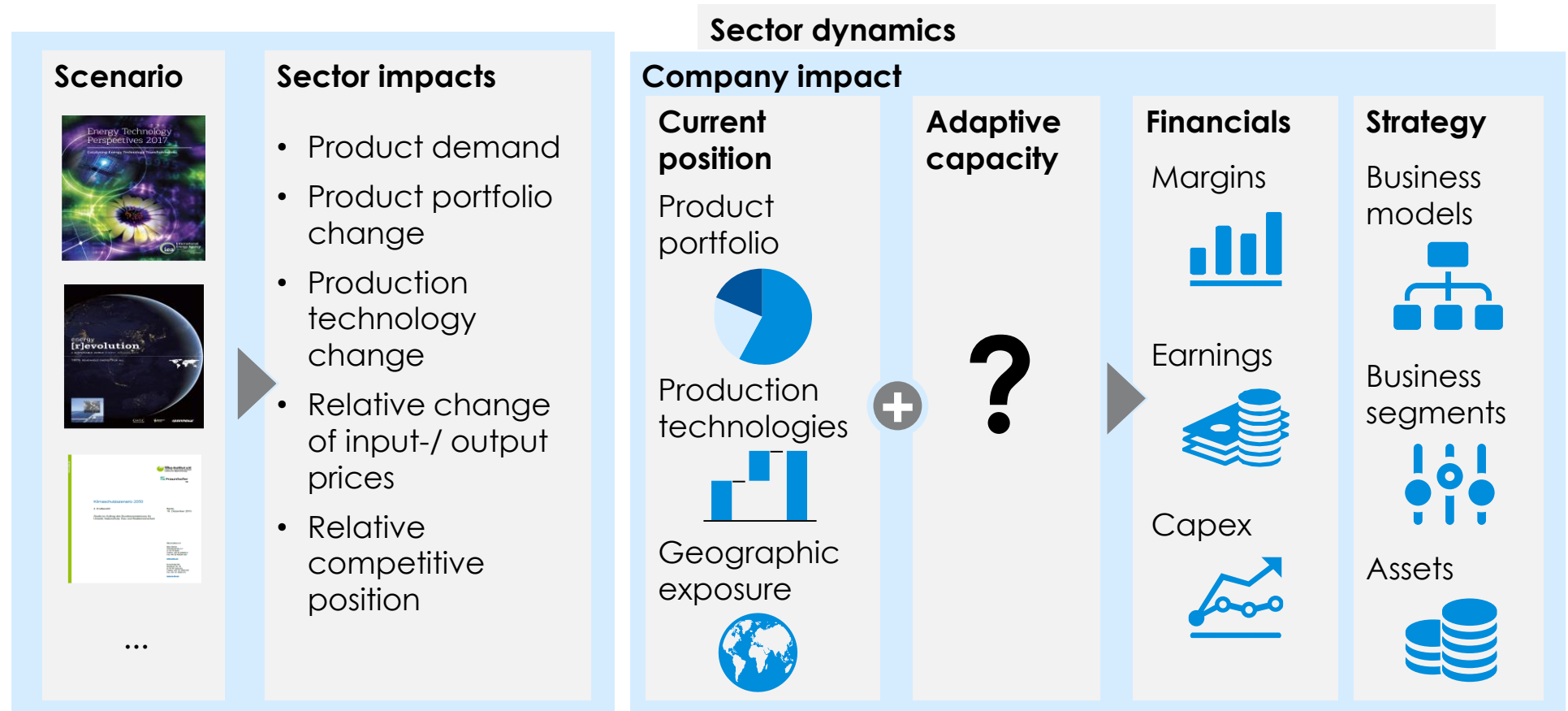
Earnings



Capex



SCENARIO ANALYSIS FOR STRATEGIC DECISION MAKING – WHAT ARE WE TALKING ABOUT?

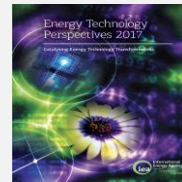


SCENARIO ANALYSIS FOR STRATEGIC DECISION MAKING – WHAT ARE WE TALKING ABOUT?



So what?

Scenario



...

Sector impacts

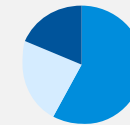
- Product demand
- Product portfolio change
- Production technology change
- Relative change of input-/ output prices
- Relative competitive position

Sector dynamics

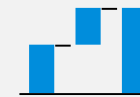
Company impact

Current position

Product portfolio



Production technologies



Geographic exposure



Adaptive capacity



Financials

Margins



Earnings

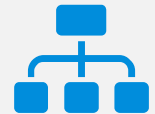


Capex



Strategy

Business models



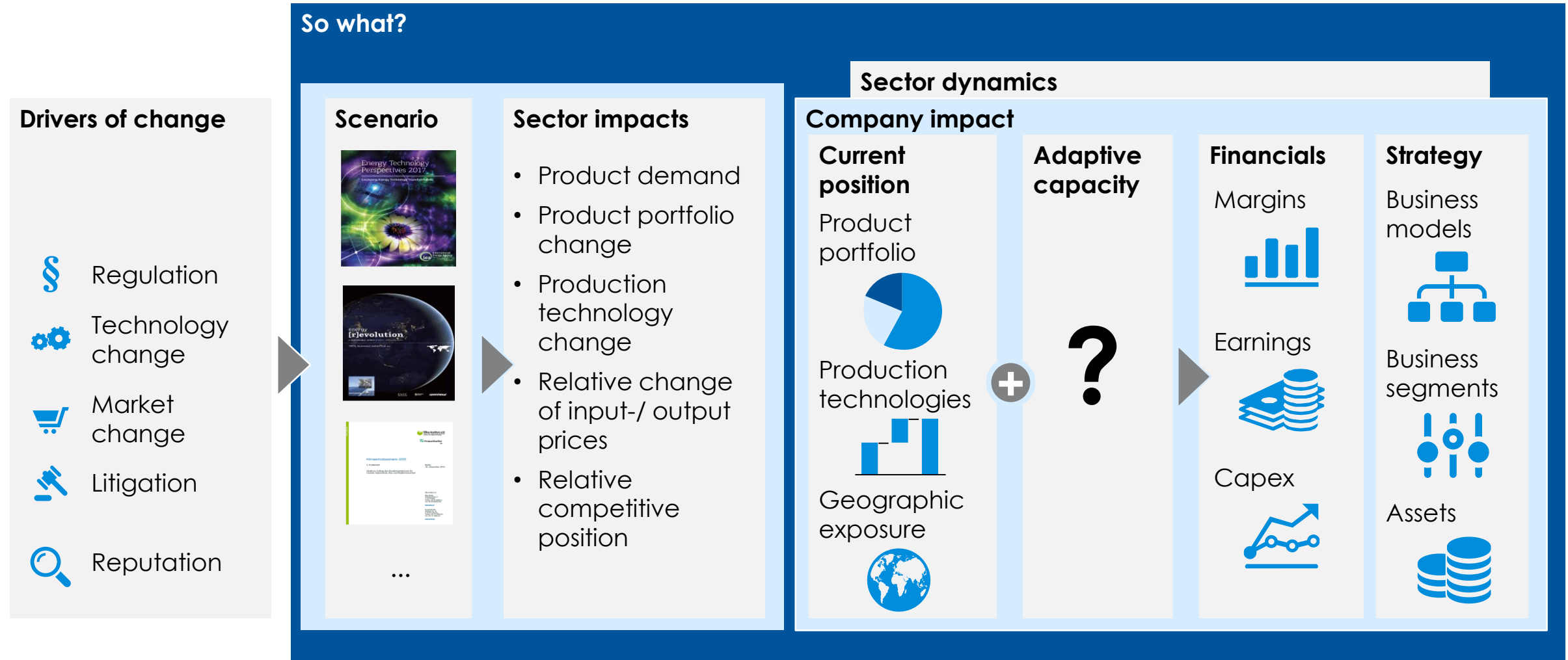
Business segments



Assets



SCENARIO ANALYSIS FOR STRATEGIC DECISION MAKING – WHAT ARE WE TALKING ABOUT?





Materiality after risk management



Early warning indicators

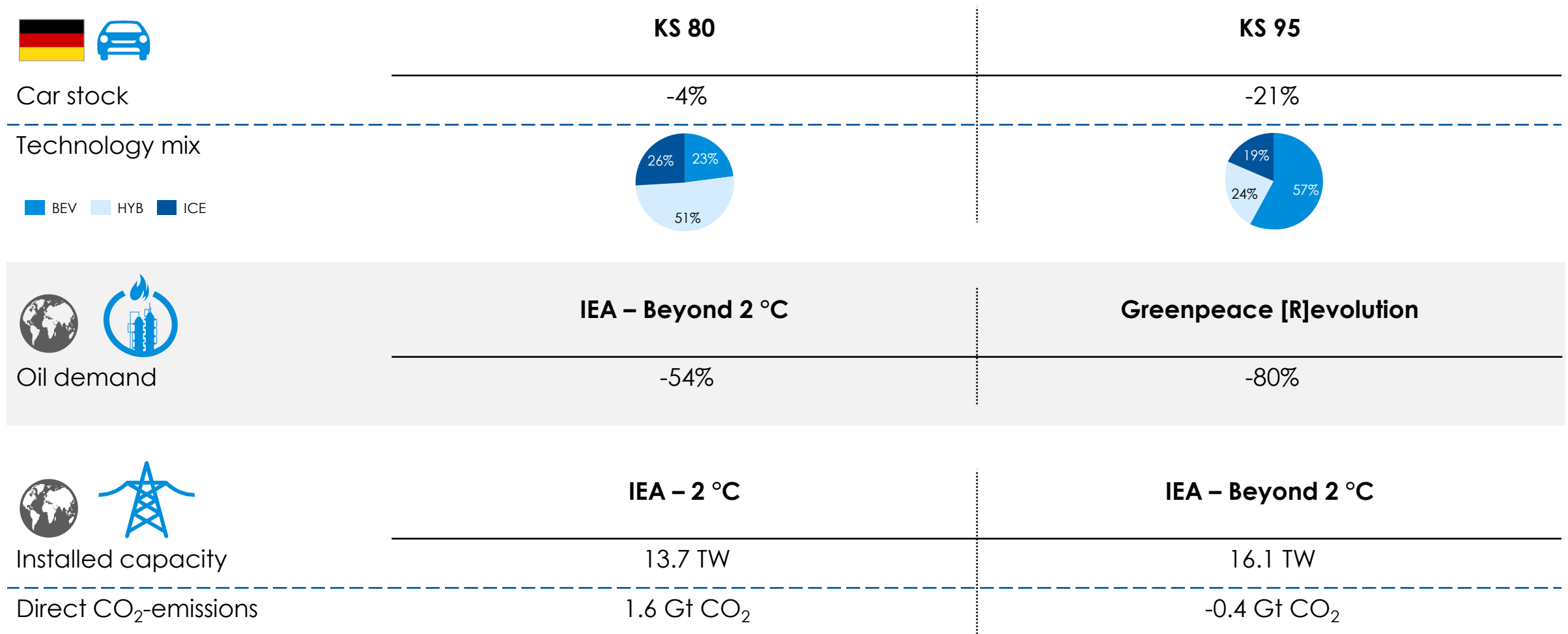


Proactive communication

HOW ARE SCENARIOS MEANINGFUL FOR COMPANIES?



EXAMPLES FOR SCENARIO END POINTS, 2050



Source: The CO-Firm, BMUB (2015) Klimaschutzscenario 2050, Greenpeace (2015) energy [R]evolution, IEA (2017) Energy Technology Perspectives 2017

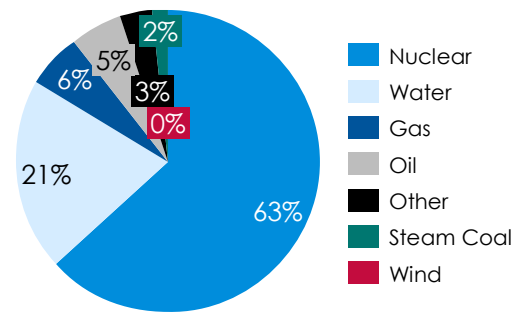
IS THE FINANCIAL IMPACT MATERIAL?



INDICATIVE ELECTRIC UTILITIES



Tech. mix

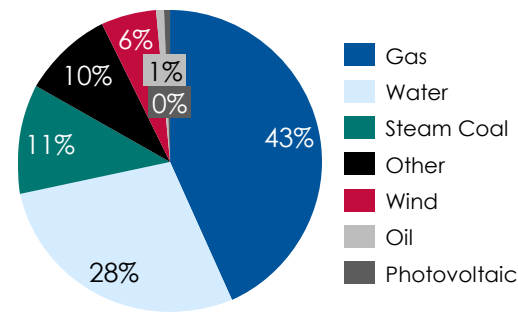


Geographic exposure



Installed capacity

Tech. mix

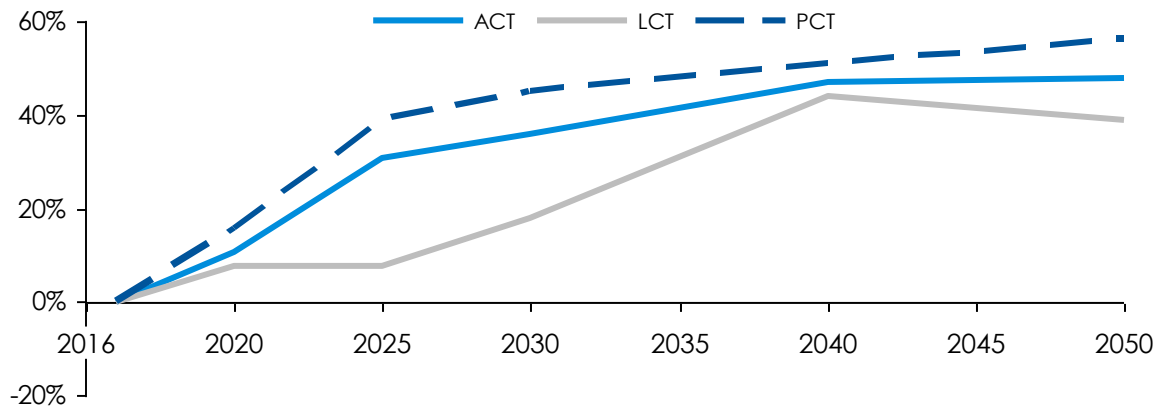


Geographic exposure

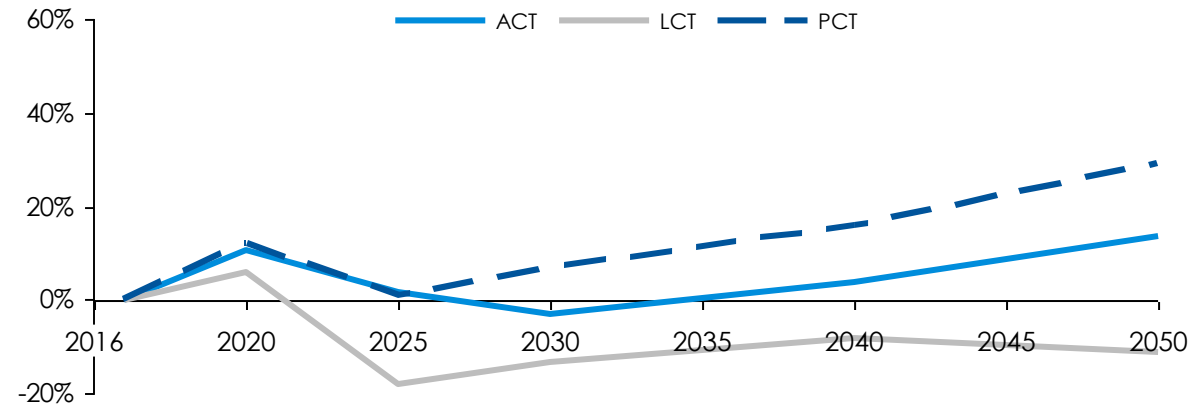


Installed capacity

EBITDA



EBITDA



Source: The CO-Firm

Automotive



- **Loss of revenue**, due to changes in overall demand and product portfolio mix
- Value chain configuration critical, esp. ownership of battery packaging, also for aftersales revenues.
- **Volume loss** in Germany is **overcompensated by global growth** – growth strategy to be defined

Refineries



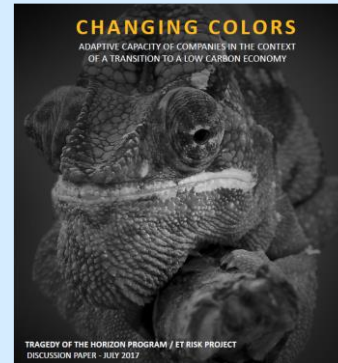
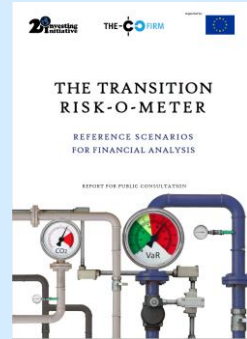
- **Substantial loss of revenue and assets**, due to loss in volume
- **Refinery configuration** can indicate „winners“
- Additional stress on revenue base, as oil revenues are also likely to decrease; **alternative business models** to be analyzed

Utilities



- **Future profitability of assets depends** on scenario, location and technology
- **Renewables are not necessarily winners:** In a 2 °C scenario, these benefit strongly in carbon-intensive and emerging markets; however, in low carbon markets, they depend on supplemental financing mechanisms
- **Grid management options can substantially impact** all players' revenues

So what?



WP3-rep.

Business dynamics

Impact

Adaptive capacity

Financials

Margins



Earnings

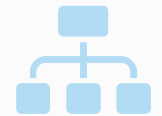


Capex



Strategy

Business models



Business segments



Assets



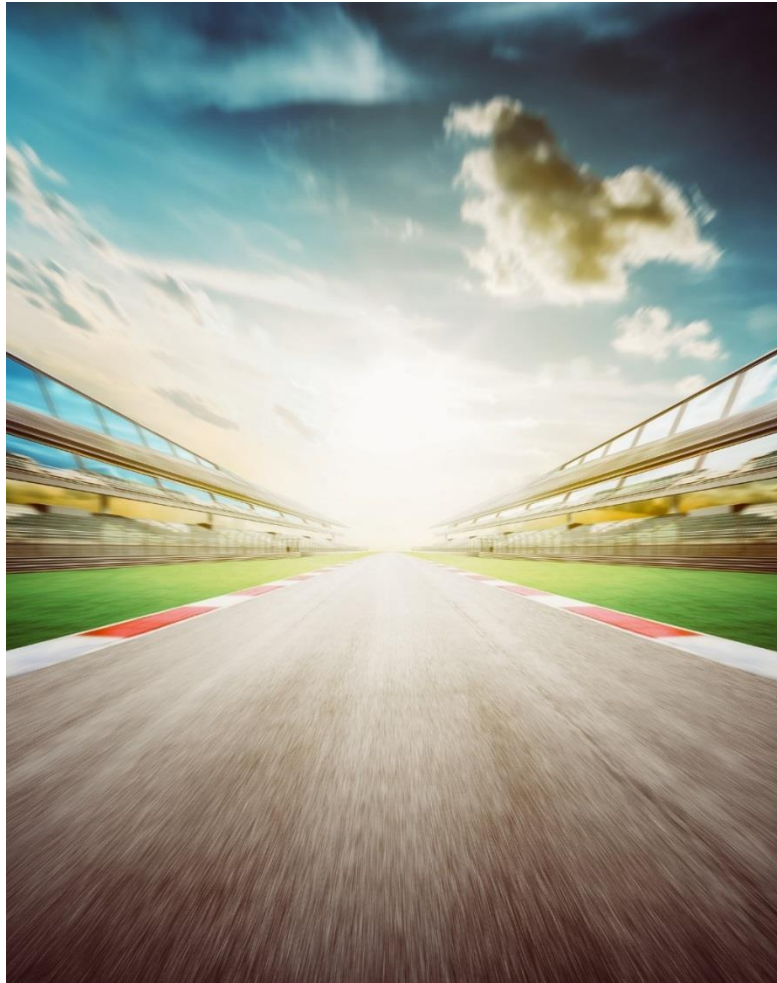


CLIMATEXCELLENCE

THE-CO FIRM

- Energy-efficiency expertise
- Risk management experience
- Strategic consultancy background

3		 	 	 	
2					
1					



We invite you to participate in a CLIMATE XCELLENCE roadtest

First round focus sectors are

- Utilities
- Automotive
- Steel
- Cement

Contact us!



Jean-Christian Brunke

Further information is available on:

www.climateXcellence.com

climateXcellence@co-firm.com