

Transition Pathways: Energy

Fuels and Frictions: Surveying global sentiment towards the energy transition



In a global survey of 300 companies in the energy sector, we explored how they are approaching the transition to net zero and the fuels and frictions that are shaping the path ahead.

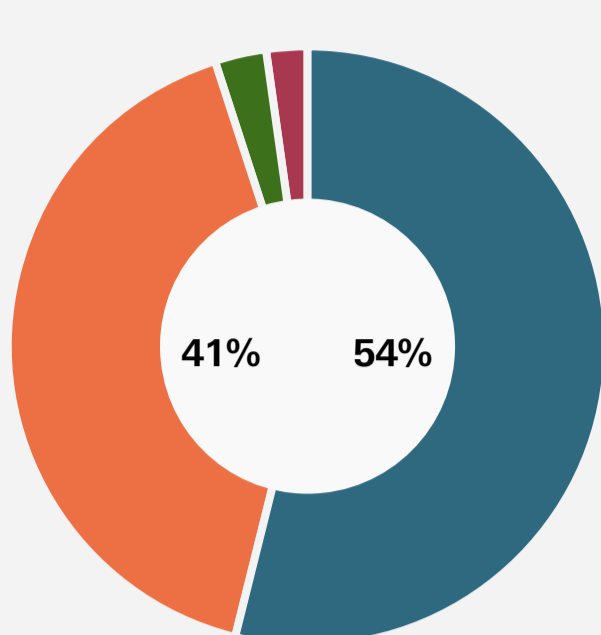
“The energy transition is now becoming a central part of business strategy. We can see that companies in the energy sector are pivoting in this direction. Those that aren't able to do so face a real risk of being left behind.”

Natalie Blyth
Global Head of Commercial Banking Sustainability, HSBC

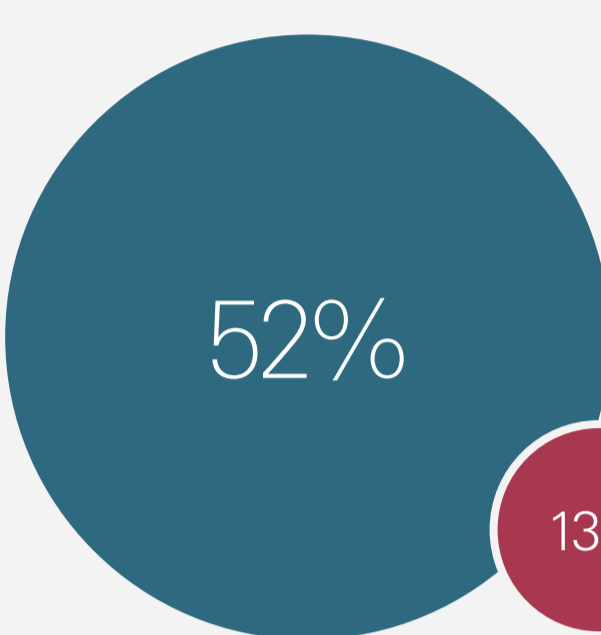
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Business sentiment

The energy sector is focused on net zero. The survey found a high majority of energy companies see a strong business case for investing in the transition. For most energy businesses, macro factors such as energy security considerations are speeding up the transition, rather than holding it back.

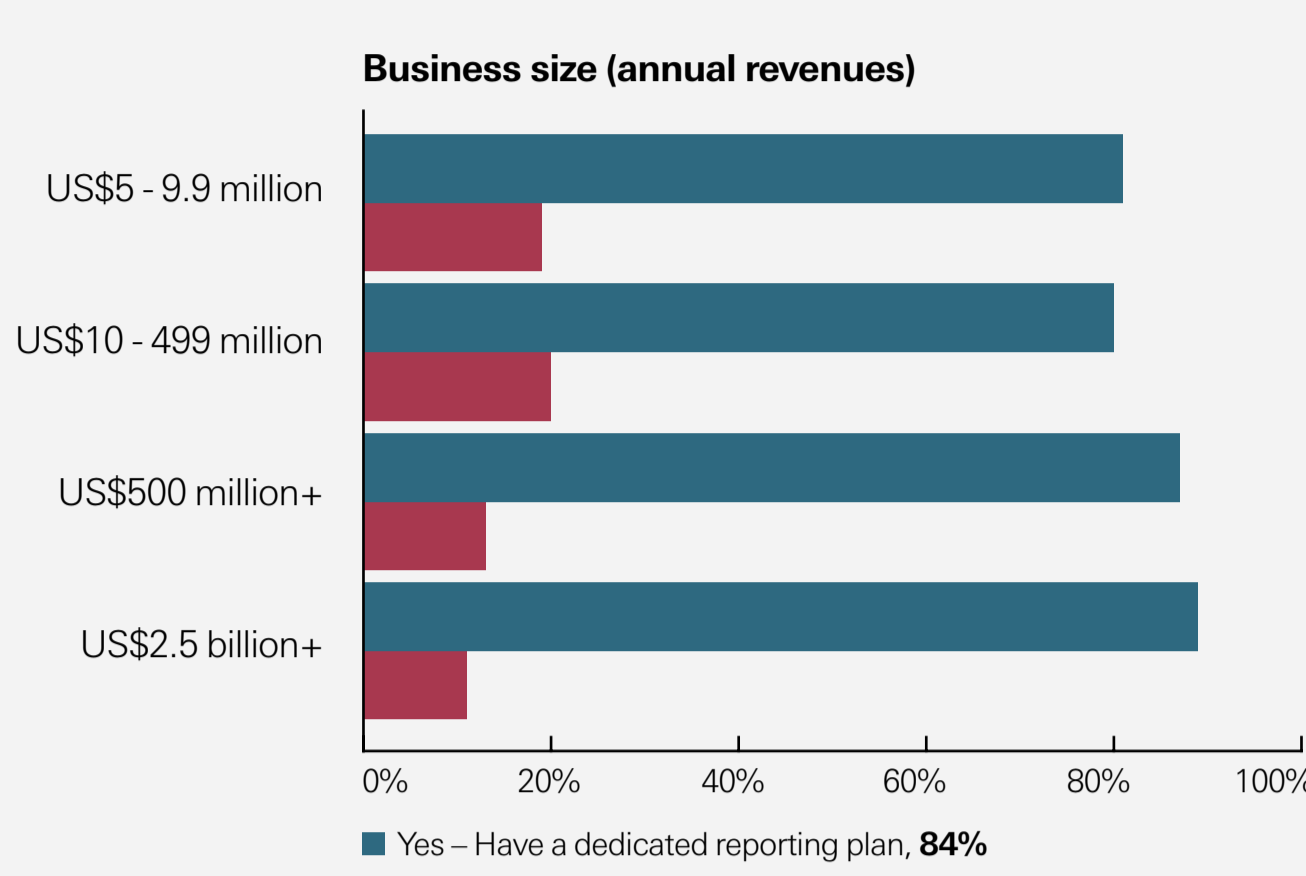


95% of energy companies believe net zero is a **significant contributor** to business growth.

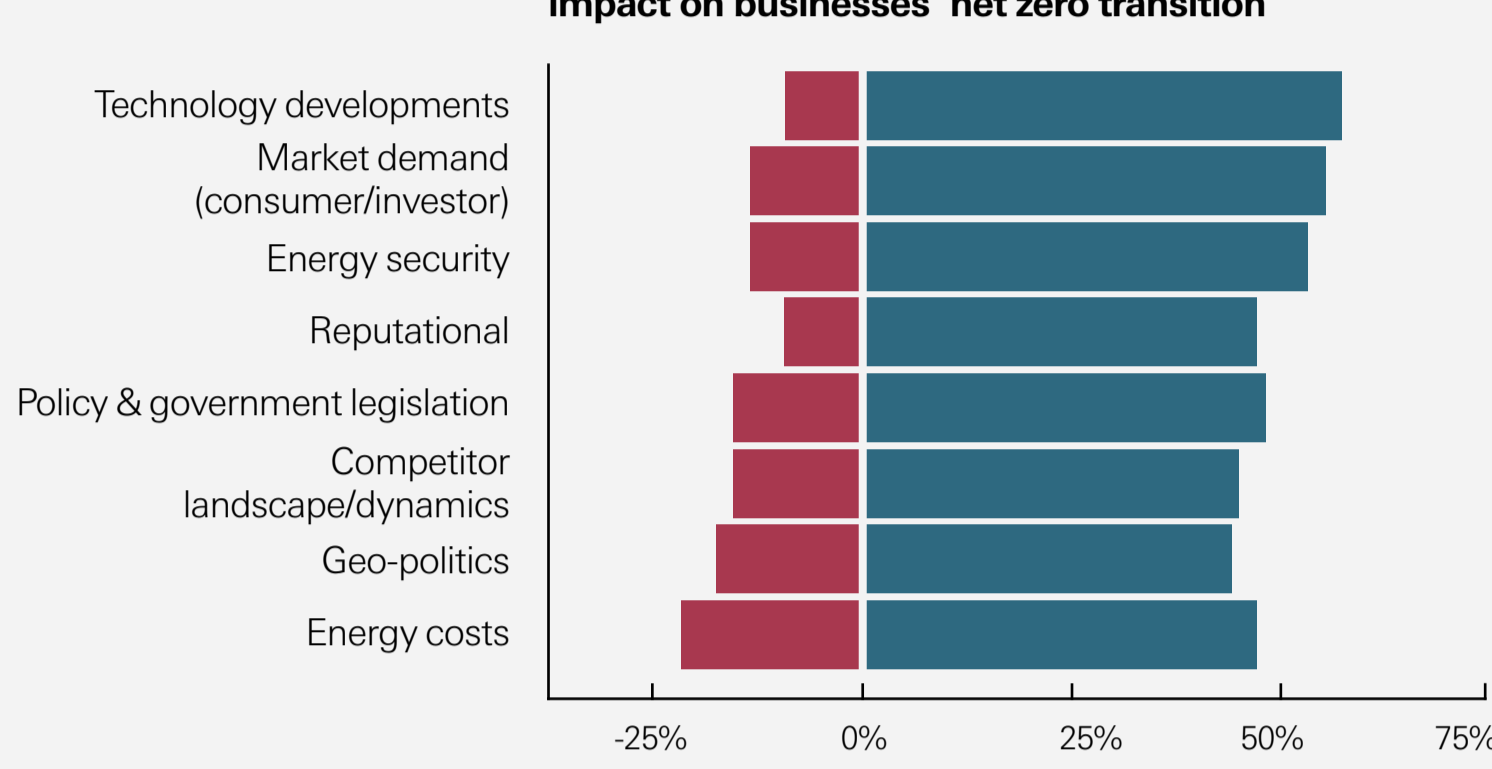


52% of energy companies say **energy security considerations** are accelerating their transition. Only 13% say energy security has slowed their progress.

Do you currently have a **dedicated reporting plan** in place for meeting your net zero carbon transition targets?



Macro, geopolitical factors and their impact on businesses' net zero transition

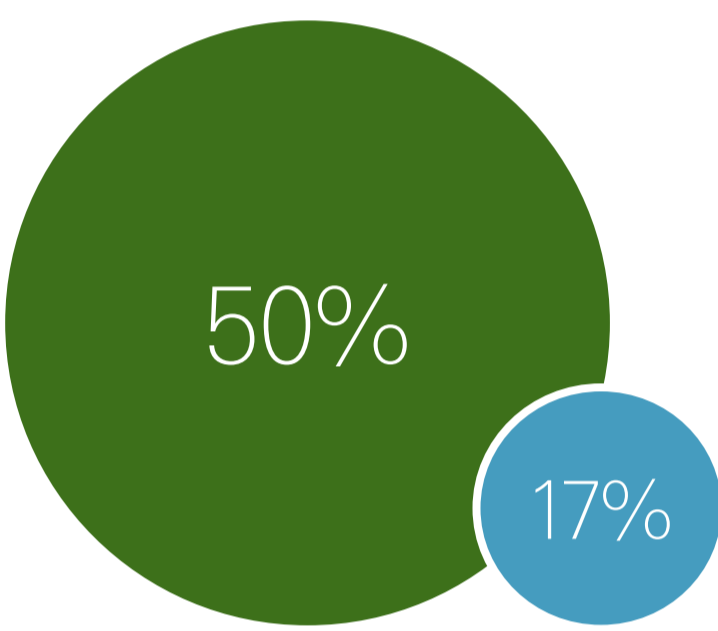


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Targets and drivers

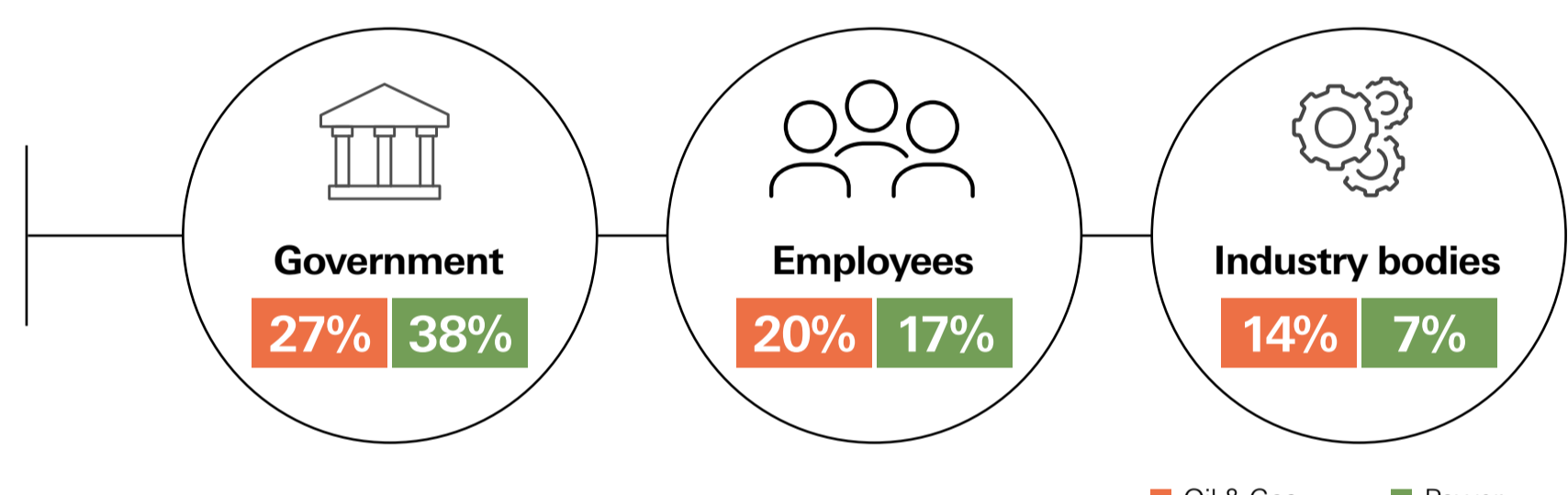
84% of companies in the survey say they have a reporting plan in place, and governments were identified as the biggest driver of net zero strategies. However, the survey showed that many companies have yet to commit to net zero, especially when it comes to scope 3 emissions.

50% of energy businesses already have **set net zero targets for scope 1 and 2** emissions, compared to only 17% for scope 3.

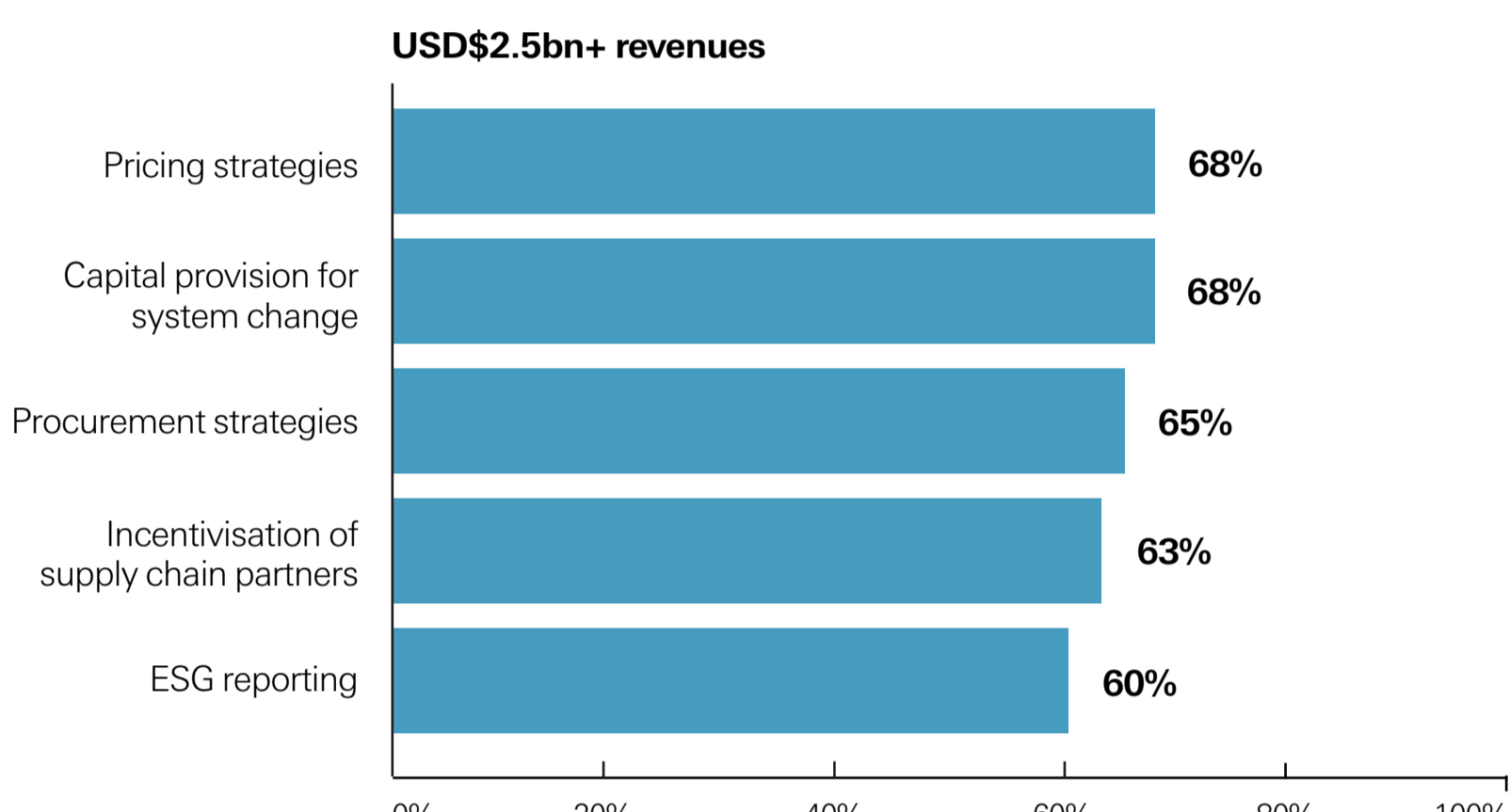


While this is encouraging, it underlines **the challenge** of understanding and addressing **scope 3 emissions** – which account for the bulk of emissions in an energy-related business.

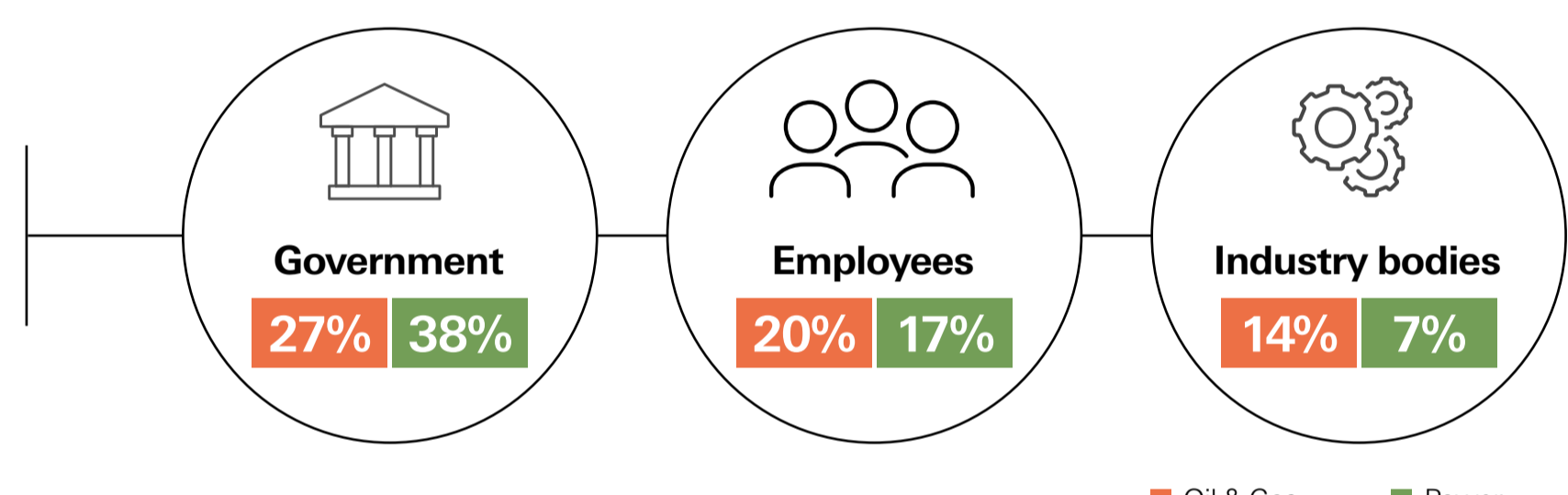
Government, employees and industry bodies are the top drivers of net zero strategies in the energy sector. Government policy is especially influential for power companies.



The biggest energy companies see **pricing strategies, capital provision and procurement policies** as the top ways to influence Scope 3 emissions.



% biggest driver of your energy transition



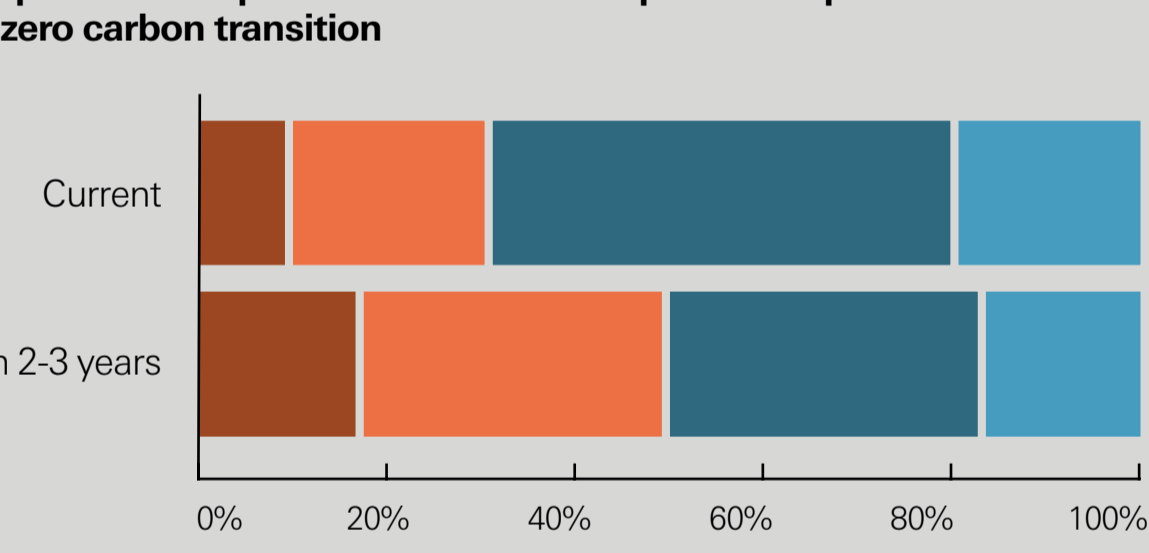
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Actions and investment

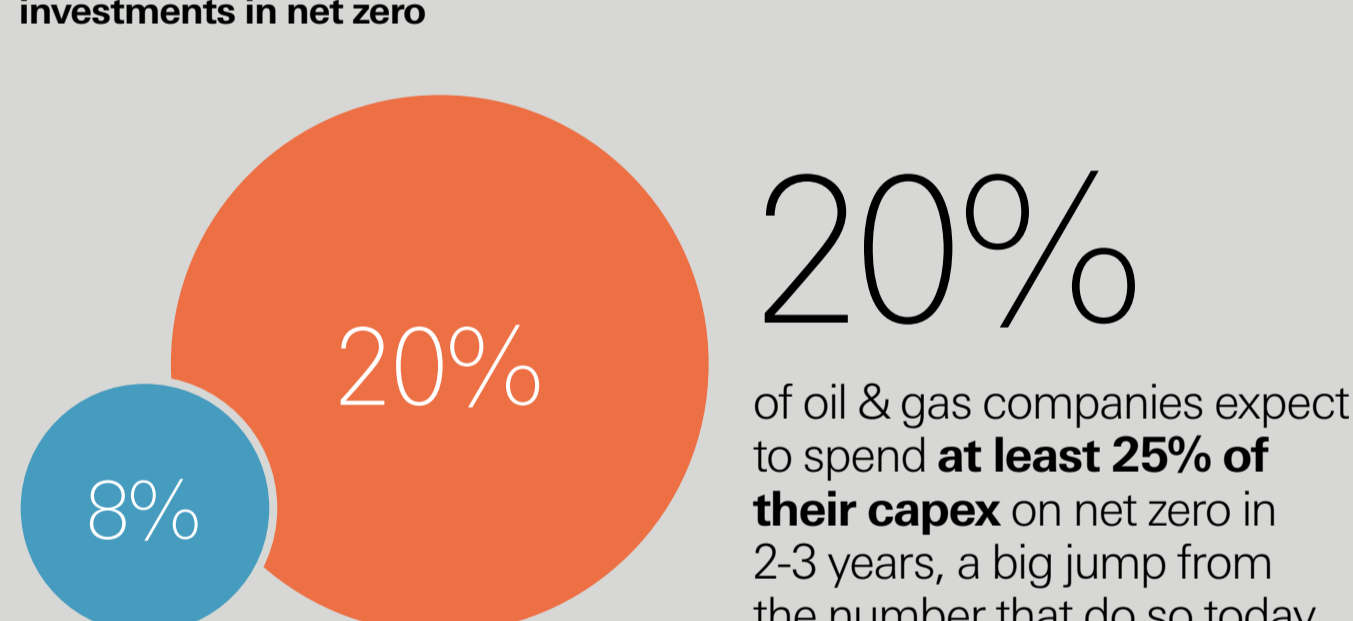
Energy companies are already investing a portion of their capital expenditure in decarbonisation. They are also expecting to scale up their investments in the coming years.

Almost a third (31%) of energy companies are already investing more than 10% of their capex in the pursuit of net zero, and **49%** plan to do so within 2-3 years.

Proportion of capex allocated to developments in pursuit of zero carbon transition

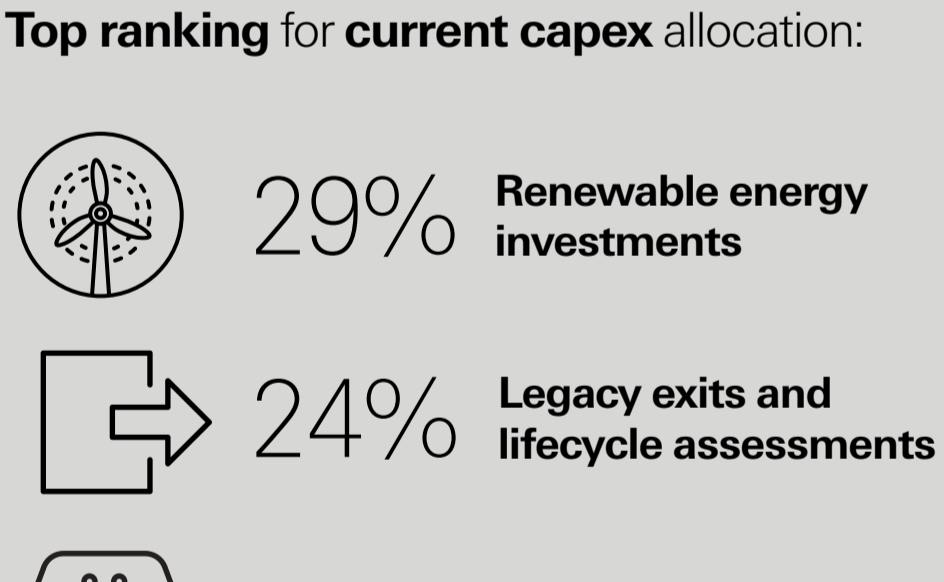


A significant number of oil & gas companies are planning major capex investments in net zero

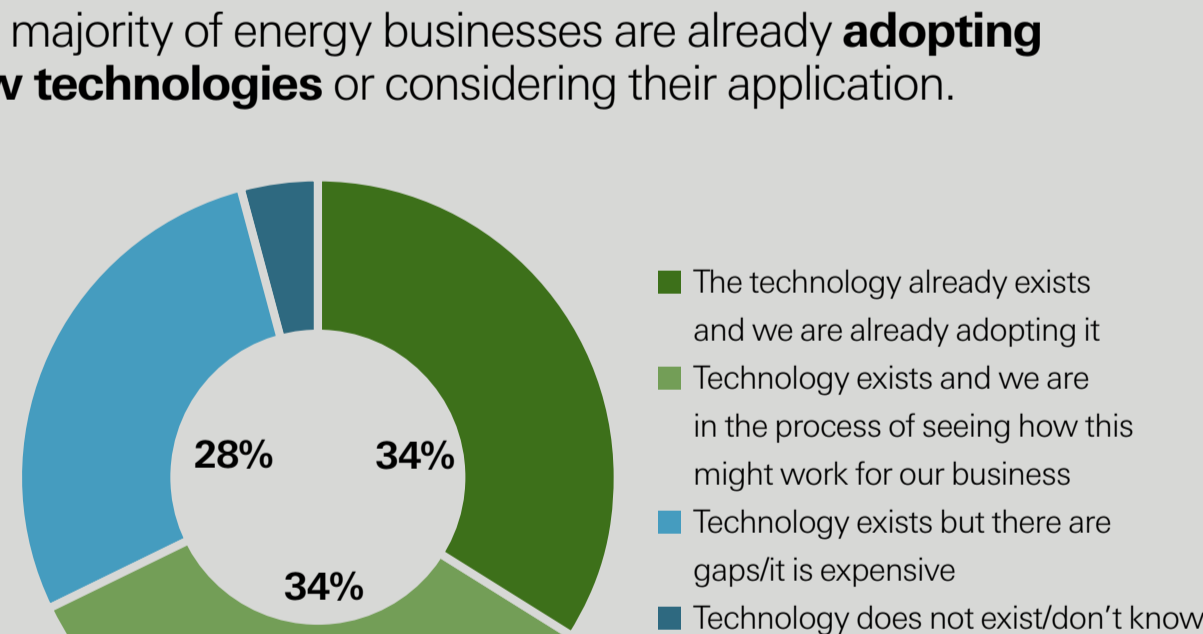


20% of oil & gas companies expect to spend **at least 25% of their capex** on net zero in 2-3 years, a big jump from the number that do so today.

Top ranking for current capex allocation:



The majority of energy businesses are already adopting new technologies or considering their application.



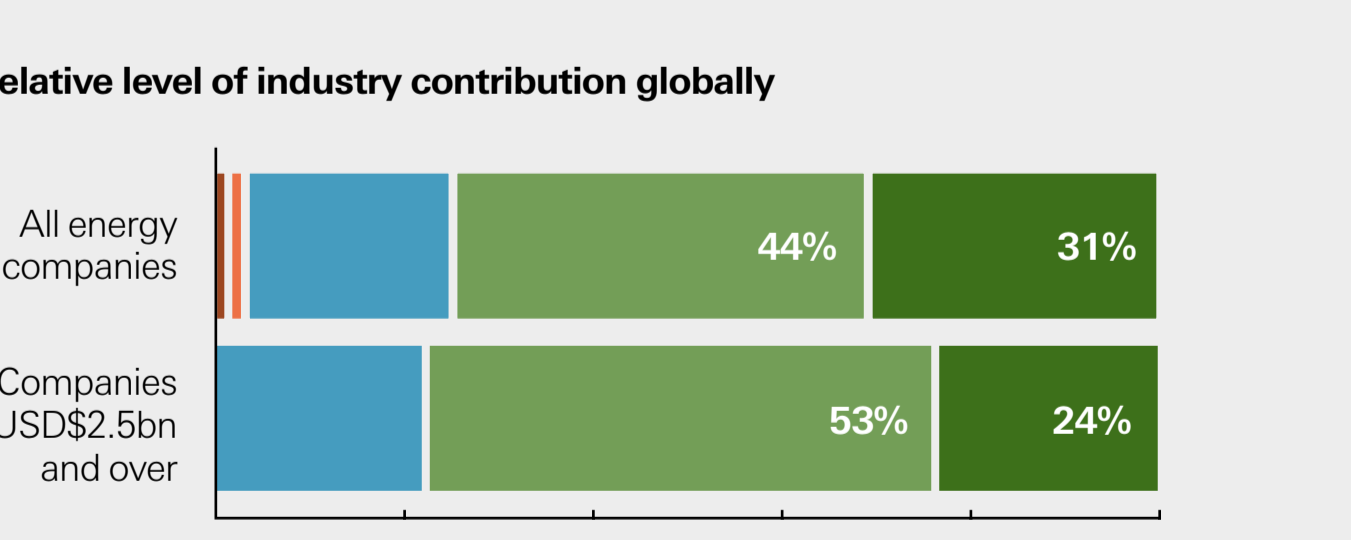
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Partnerships for progress

Energy companies also recognise that collaboration across the value chain and with a range of partners – both financial and technical – will be critical to scaling up their energy transitions.

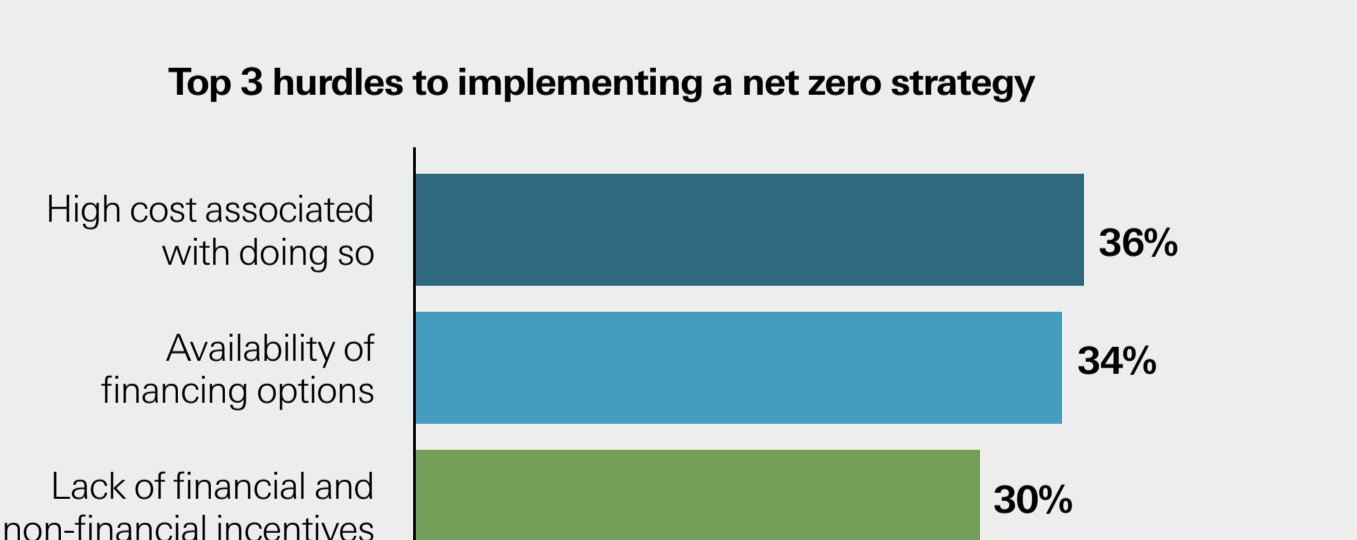
Three quarters of energy companies believe the sector is making a **larger contribution** towards the global net zero transition than other sectors.

Relative level of industry contribution globally



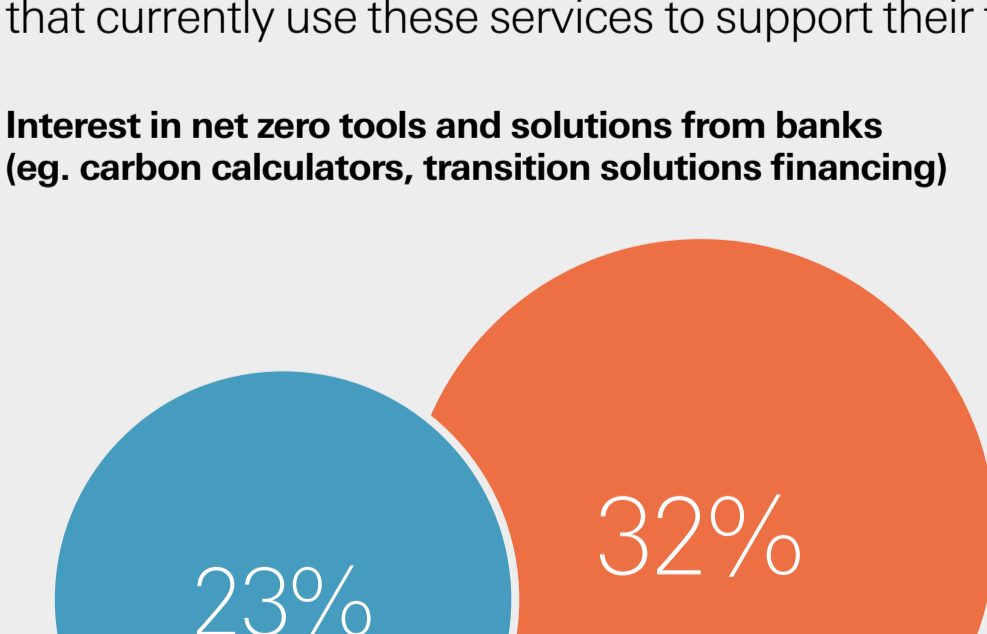
Across the board, **high costs** are the **single biggest hurdle** to the energy transition.

Top 3 hurdles to implementing a net zero strategy

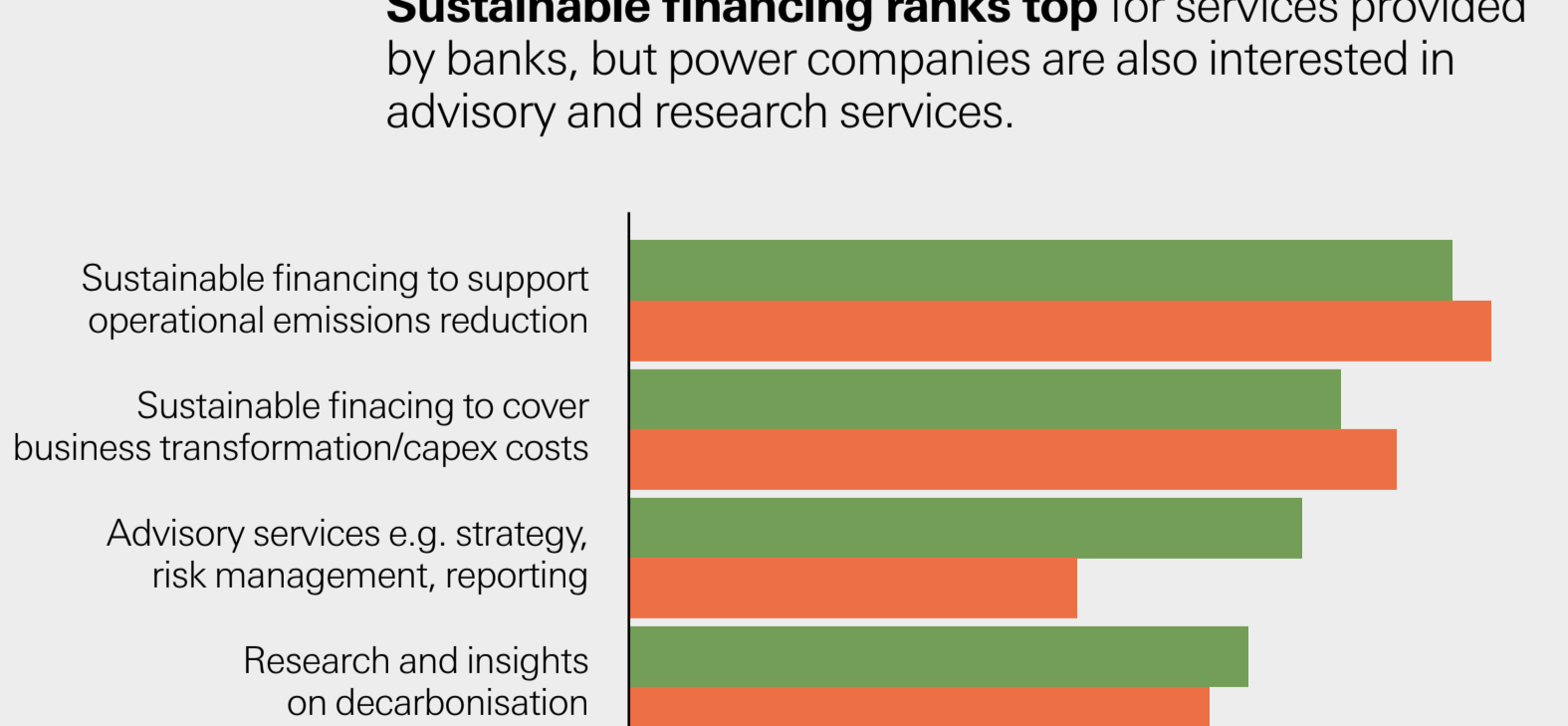


32% of energy companies expressed an interest in **tools and solutions from banks** to support their transition.

Interest in net zero tools and solutions from banks (eg. carbon calculators, transition solutions financing)



Sustainable financing ranks top for services provided by banks, but power companies are also interested in advisory and research services.



Methodology

For HSBC's Transition Pathways survey, HSBC has worked with Kantar. The survey is not wholly-representative of HSBC's customer base and covers respondents across 300 key financial decision makers from businesses operating in the energy sector, comprising Oil & Gas (135 businesses), Power (141 businesses) and Coal (24). The survey findings and responses have not been independently verified. Renewables were the primary energy source for 132 businesses. Businesses were located in Europe (120), Asia (101), the Middle East (43) and North/Central America (36). Overall 77 (26%) had a turnover between \$5 and \$10m, 70 (23%) had a turnover between \$10 and \$500m, 153 (51%) turnover in excess of \$500m, of which 65 (22%) had turnover in excess of \$2.5Bn. 135 (45%) had been established for less than 10 years and 165 (55%) for more than 10 years. Data was collected through an online questionnaire and the survey ran for three weeks from 26 September to 18 October 2022.

In preparing this survey, HSBC has relied upon appropriate data, information and responses given at the time of writing. This report should not form the basis of any third party's decision to undertake, or otherwise engage in, any activity and third parties do not have any right to rely on it. Neither HSBC nor Kantar accept any duty of care, responsibility or liability in relation to this research or its application or interpretation, including as to the accuracy, completeness or sufficiency of it or any outcomes arising from the same.

Find out more

For more information about this research and to explore industry insights from the Energy sector [click here](#).

Today we finance a number of industries that significantly contribute to greenhouse gas emissions. We have a strategy to help our customers to reduce their emissions and to reduce our own. For more information visit www.hsbc.com/sustainability.