

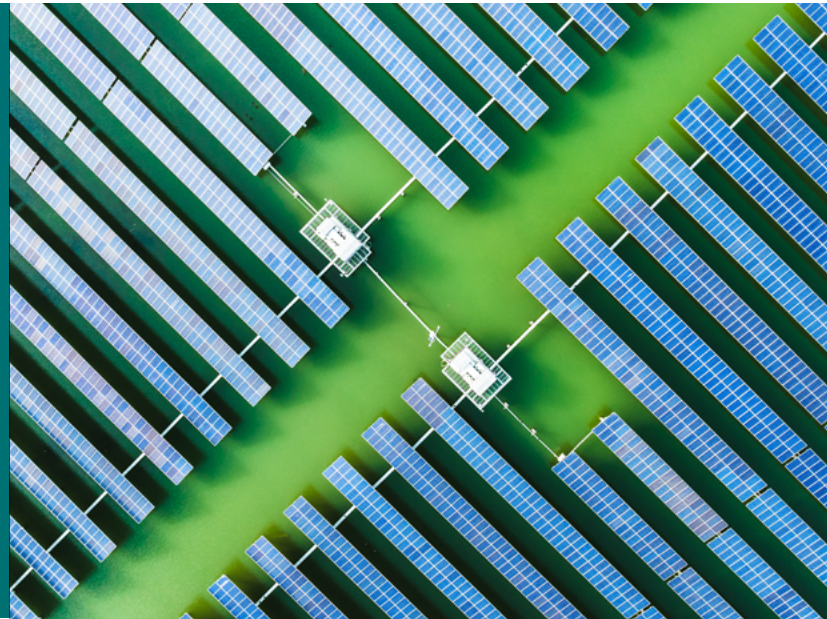
The trillion-euro bet

De-risking European energy and utilities investments

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Highlights

Europe's energy sector is shifting dramatically as wind energy overtakes coal in Q4 2023, marking a pivotal moment in renewable energy adoption.

It's estimated energy companies will invest €584 billion in modernization and transformation programs to meet EU laws on electric vehicles and improve the performance of aged assets.

E.ON and other energy giants are committing billions to grid modernization, digitization and decarbonization, aiming for a substantial impact on service and sustainability.

Organizations should allocate funds for software and IT services to reduce risk in these investments, focusing on integrated project management tools to enhance transparency, decision-making and risk management in the energy sector.

Europe's energy and utilities sector faces a period of unprecedented change and disruption.

Seismic shifts are playing out at every level. The transition to renewable energy sources is a strategic priority for all businesses, and the region passed a new landmark in the fourth quarter of 2023, with wind energy surpassing coal as the main source of electricity for the **first time**.

At the same time, energy and utilities companies are having to adapt their services to meet changing demand patterns. The European Union recently passed a new law to cover the continent in fast-charging stations at **every 60km** on major transport corridors by 2025 to meet the growing demand for electric vehicles.

Energy and utility companies are also under growing pressure to improve the performance and resilience of existing assets, key stretches of which are often several decades old. In markets such as the U.K., multimillion-euro fines have been imposed on operators in the water and electricity retail sectors for poor waste management, leakage and customer **service performance**.

As a result, the sector is embarking on a new phase of asset modernization and transformation programs backed by unprecedented levels of investment. The European Commission has stated that this initiative will cost as much as **€584 billion**. The goal is to ensure that by 2030, the region's 11 million kilometers of electricity power transmission and distribution networks can support trends in electrification, energy storage and the emergence of new hydrogen infrastructure.

For many organizations, the latest cycle of asset investment will go far beyond legacy infrastructure modernization or replacement – it will be transformational. German energy giant E.ON is executing a five-year €27 billion investment program focused on grid modernization, expansion, digitization, decarbonization and improving its level of service to its 50 million customers. The company, which operates the continent’s largest energy distribution network, is investing €2 billion in digitalizing its network infrastructure to improve the management of distributed energy resources and customer experience.

The success of these investment programs will be critical to energy and utility businesses. It ensures they keep pace with the changing demands of their customers while meeting regulatory and strategic business targets relating to operational performance and sustainability.

Increased costs and the lasting financial impact of the pandemic mean that many companies are embarking on these spending cycles with challenging debt and financing positions. For example, the water regulator Ofwat recently expressed concerns about the long-term financial position of 50% of the **UK’s main water utilities**. There is little margin for error regarding how effectively these programs are delivered.

So, how can strategy leaders remove as much risk as possible from these investments? Transparency will be crucial, and there is a renewed effort from energy and utility companies to explore how they can better harness project, spending and asset data to support more-effective planning, execution and management.

Europe’s energy and utilities companies will invest more than €23 billion in software and IT services to accelerate digital transformation in 2024, according to **the latest figures** from PAC. One key focus area for this spending will be the systems and tools to manage the millions – or billions, for the larger players – of euros tied up in these massive infrastructure projects.





Project and investment management software is nothing new in this sector. While some smaller companies continue to make do with homegrown, spreadsheet-based tools, others have implemented more-robust tools designed to provide a more enterprise-level data insight for reporting and risk management purposes.

Yet, according to PAC's observations, companies are increasingly adopting a more integrated approach to provide a unified view of operating expenses and capital expenditures. This objective is to facilitate closer collaboration between finance and line-of-business leaders and departments by establishing a shared perspective on current progress. This, in turn, encourages more informed and dynamic decision-making.

Many energy and utilities companies aim to become more data-centric. Project and investment management is one area where using the correct data management and analytics tools can potentially drive considerable gains in team and leadership efficiency, risk management and financial planning.

The transformation of Europe's energy and utilities sector to a future-proof infrastructure depends on the success of the current cycle of asset investment. Organizations must take every step possible to manage their spending effectively.

Please visit unisys.com/IPIM to learn more about how energy and utilities organizations are redefining investment and expenditure management.



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