

تحت رعاية صاحب السمو الشيخ محمد بن زايد آل نهيان، رئيس دولة الإمارات العربية المتحدة

Under The Patronage of H.H. Sheikh Mohamed Bin Zayed Al Nahyan, President Of The United Arab Emirates



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ADIPEC Leadership Roundtable

2023 Output summary

Decarbonising. Faster. Together.

Cross-sector partnerships: Accelerated pathways to industrial decarbonisation through strategic collaboration

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The ADIPEC Leadership Roundtables play a pivotal role in the ADIPEC Strategic Conference programme. These sessions are held at the prestigious Middle East Energy Club (MEEC) and bring together ministers, top industry executives and policymakers from over 100 countries to engage in meaningful discussions and seek viable solutions to today's most pressing climate and energy challenges.

As part of an exclusive network of dynamic global executives, participants in the ADIPEC Leadership Roundtables are at the forefront of the energy sector, driving change with their insights and solution-oriented outcomes.

These roundtable sessions foster open and impactful conversations among influential decision-makers who are shaping the responsible energy industry's future and implementing innovative business strategies to create a cleaner and more secure energy landscape.

With a limited attendance of 30 delegates per session, each 90-minute roundtable is expertly facilitated by an experienced moderator and hosted by a thought leader in the industry. This format ensures highly interactive discussions and provides fresh, objective perspectives.



Foreword

Industrial decarbonisation is one of the biggest issues on the pathway to net-zero with the sector responsible for 40 per cent of global energy consumption and more than 30 per cent of global greenhouse gas (GHG) emissions. This makes it the second largest emitter of CO₂ after power generation.

The complex nature of the road to transition requires us to work across value chains, across industries and across new boundaries, as well as across existing boundaries that are increasingly subject to change.

With the potential to accelerate the elimination of CO₂ emissions across many of the hard-to-abate industries, future outcomes will therefore depend on an organisation's ability to collaborate with others on a common vision of a green future and alignment with related government policy to facilitate transition.



Hosted by:
Peter Parry

Chairman - Global Energy and
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Cross-sector partnerships: Accelerated pathways to industrial decarbonisation through strategic collaboration

A successful partnership is largely driven by discussions around economics and investment, closely followed by innovation. The rationale for forming a partnership in many cases is rooted in the need to bring different sets of capabilities together to create impact and – ultimately – foster a more innovative outcome.

While partnerships have been intrinsic to the energy landscape for decades, the challenge to future partnership models is the evolution of increasingly complex relationships in a transitioning world; one that will require different stakeholders seated around the table.

In order to ensure that partnerships deliver on ambition, investment and commitment, we must first establish what constitutes an effective partnership in the context of industrial decarbonisation.

The decarbonisation undertaking is so big that no one company, community or country will be able to solve a significant part of it alone, with partnerships a prerequisite to accelerating action going forward.

ROUNDTABLE THEMES

- What defines a strong partnership?
- What have we learnt from recently formed national oil company partnerships?
- How can partnerships drive and accelerate industrial decarbonisation?
- What makes a successful partnership, and is this changing?
- What are the considerations for developing effective early, mid- and long-term partnerships?
- What are the key challenges, opportunities and potential solutions?





Clear alignment from the outset

With technology and scale at the epicentre of decarbonisation, whether it's through carbon sequestration, electric vehicle solutions, hydrogen, biofuels, etc., success is contingent on effective partnerships. There has to be a mutual desire to want to work with a partner(s) to accelerate sustainable pathways for the greater good, as well as for bottom line.

A point echoed by the majority, it is imperative to have clear alignment on project vision and goals. There needs to be a clear understanding of each parties' objectives, long term goals, and how the agreement will deliver on mutual requirements.

Alignment also feeds into discussions around co-ownership of a project. For example, in the case of an oil and gas company working on investor-backed deployment of technology into the operation, it is critical the technology company have a vested interest in the outcome – other than financial - from the outset, so that all parties are fully aligned.

Overarching this are issues of credibility, transparency and openness. There can be no transition without partnership, but fledgling relationships must have credibility on all levels. It is also vital that the flow of information is correctly controlled to build trust within the relationship, for all stakeholders.

The stakeholder universe is expanding

Multiple stakeholder partnerships are changing the way we approach the decarbonisation challenge and the way we work. In Europe, for example, the idea that a major oil and gas power player and coal-fired energy utility can team up under a mandate to modernise coal production through a solar power venture supported by EU funding, is indicative of a new genre of multi-layered partnerships.

There has been a clear market shift in terms of relationship dynamics. It's no longer enough to sell a technology solution, shake hands and move on. Partnerships need to be truly collaborative in order to work through challenges as well as seize opportunity.



In cases where proprietary technology has been developed that promises industry-wide viability, the process of prototyping and commercialising needs partnership support that involves not only customers but also academia from the R&D side, consultants, hyper-scalers and an entire partner-focused ecosystem.

At times, however, there can still be a myopic mindset with a degree of ambivalence when it comes to making an effort to understand what other potential partners actually deliver across the value chain. This signposts the need for bridging when constructing partnerships and fostering opportunities for dialogue.

One way to do this is through forum hosting, whereby leaders from relevant sectors come together to challenge conventional thinking. In turn, this adds much-needed substance when addressing governance, with forum outcomes supporting more holistic solutions, particularly when it is all too easy to get buried by the sheer scale and complexity of transformation. Broad-based discussions that funnel into stakeholder unity make for a much stronger proposition.

With technological development picking up pace ahead of 2030 goals, coalition partnerships can be a forceful advocating voice for issues such as emerging regulatory frameworks. The regulatory environment is clearly lagging behind commercial development, so in forming a collective voice, this can drive much-needed momentum.

While broadening the partnership opportunity comes with clear benefits, this may not be the case for every business pursuing the decarbonisation agenda. For heavy industry legacy players such as cement plants, where a 24/7 365-day operation with narrow margins is the norm, introducing new technologies or innovating processes comes with an obvious asymmetry of risk. The tech company wins if integration is successful, but the plant stands to lose far more if it goes wrong; and this requires some serious upside sharing forethought.



Knowledge sharing is not without risk

What is also differentiating current and future partnerships is the fact that each customer has their own unique pathway based on business strengths, the market, regulatory environments, etc. Today's partnerships need to be resilient and adaptable in an emerging and dynamic world. Identifying and acknowledging the strengths and weaknesses of each party is also part of the trust-building process and should be openly shared across the entire value chain.

A key benefit of energy transition-era partnerships is access to opportunities that aren't possible when working in isolation. The 'ideal partnership' is one where complementary skills are brought to the table. Skillsets can often overlap so the allocation of responsibilities must be defined at the start of a partnership.

Insider knowledge, especially with regards to emerging technologies, is one such opportunity. Carbon capture and storage (CCS), for example, is primed to account for a significant number of partnership requirements on the net-zero journey and requires an oil and gas industry-dependent skillset. CCS businesses will play an essential role in gaining the trust and credibility of future customers, and this is a challenge that all investors should be aware of.

In some instances, partners can be competitors in other markets. When considering intellectual property (IP) rights, there appears to be a somewhat loose 'what's ours is ours, what's theirs is theirs' understanding, but what happens in the case of co-development? It is critical that this is discussed and formalised prior to the creation or implementation of any solution or technology, otherwise we risk sharing our 'secret sauce' recipe with competitors. The same issue applies with data ownership and sharing. Moving forward, multidimensional partnerships will require even more legal oversight.

Not all IP is in the form of a patent with an expiration date, and which instead only takes physical form when applied practically into a process or at the manufacturing stage. This makes it extremely hard to capture and protect.

From a funding perspective, a common hurdle to securing investment for small to medium-sized companies when presenting a new technology is the question: is this technology bankable? While it may be proven, the majority of technologies are still not scaled, which is an immediate investment red flag. Government funding is equally challenging due to the extended period it takes to secure.

Partnerships are more fluid than ever

Eight years on from the Paris Agreement and with the clock ticking down to 2030, there appears to be more openness to understanding the nuanced challenges that different partners are facing. This has seen partnerships become more fluid both in terms of duration and levels of engagement, and no longer confined to only transactional and long-term options.

Leadership must be responsible for embodying a top-down culture that considers partnerships – of all kinds – as part of the bigger transition picture. It is the role of leaders to cascade this mindset down through the organisation so that partnerships become embedded in the business.

The decision to engage with non-traditional partners, particularly in the tech space, requires a different engagement model and also a mutual preparedness to accept that failure is a possibility.

This reinforces the fact that partnership investment is a two-way street. In early-stage partnerships, when commercialisation a future phase, too much time is wasted leaping ahead to discussions on how to get to market. It is critical to validate the output of all partners before moving on to the next stage. In addition, the integration phase introduces the customer as a partner, and opens up a valuable opportunity for honest feedback. In this way, successful partnerships are built step by step, supported by thorough analysis at each stage, allowing for methodical and measurable scaling that can also fuel inward investment potential.

At the other end of the partnership spectrum, the net-zero goal is a spur for serious long-term planning. This has forced industry stakeholders to look beyond conventional five-, 10- and 15-year strategic visions. This type of extended long-term partnership presents an opportunity to share initiative, ideas and innovations, as well as explore investment potential, but requires the highest level of commitment and strategic agility. In tandem, partners need to be fully accepting that a long-term outlook includes unexplored layers of risk and reward.

In a rapidly changing world where new partnerships often require fast-tracking, despite the business case still being under deliberation, once the first flush of enthusiasm is concluded and the project moves into a more mature phase of operation, this may call for a different partnership approach. A more fluid partnership model with a short-term duration allows parties to work together on certain aspects of a project but not require end-to-end involvement. Or this could be a rolling partnership with expertise required for specific phases of the journey.


Thinking differently about engagement

The day-to-day deployment of work and partnerships at the industrial scale requires highly elevated levels of continued coordination and accountability. The establishment of special purpose vehicles, for example, could be considered a suitable fit for the industrial decarbonisation landscape as an alternative funding structure for early-stage, high perceived risk projects.

Early engagement with the public sector at local, regional and international level is critical for co-located industries or industrial zones who also need to connect with communities as well as environmental justice groups, regulators and policymakers, etc. This creates an optimised layer of support to drive the conversation and highlight opportunity. A secondary focus would be to establish a special purpose vehicle centre of excellence to enable continuous partner engagement and information sharing to cement any collaboration.

It is noted that partnership models that include civil society run the risk of delaying progress but, in the longer term, can support a smoother transition path.

ROUNDTABLE TAKEAWAYS

- We need to reinvent the way we structure and undertake partnerships for the specific challenges of industrial decarbonisation because the risk profile is very different.
 - Disrupting traditional industrial value chains comes with a high degree of risk and change to processes and operations, these need to be carefully evaluated and managed.
 - The stakeholder universe is expanding and the partnerships of today and tomorrow will bring different players to the table, with different roles to play in driving the decarbonisation agenda, engaging new voices (civil society) early in partnerships will help accelerate outcomes.
 - Embryonic to mature ventures may require different sets of partners and could also include customers, regulators and civil society representatives, prompting a more fluid partnership dynamic.
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