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PLENARY SESSION –

RISKS IN THE MODERN WORLD OF ENERGY AND THEIR GOVERNANCE

**2nd International BSEC Conference – Risk Management
in Energy, Istanbul, 27 & 28 May 2019**

*Creating Strategic Value
for Global Enterprises*

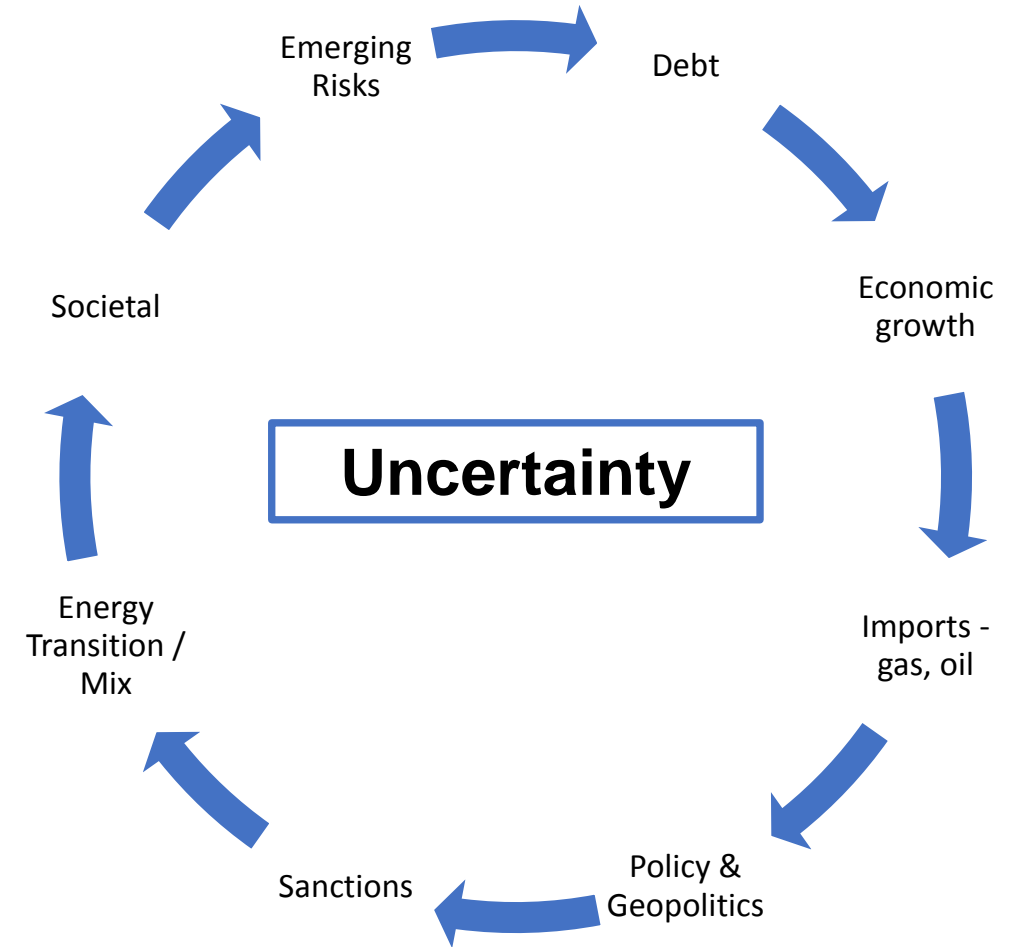
*Offices: UK, Australia,
Turkey, Middle East,
Ireland*

A Risk Manager's Perspective



(Global) Common themes:

- Political landscape
 - Brexit & EU
 - Geopolitical changes in Europe
 - US foreign policy
- Societal
 - drive for greener energy, activism, drives political agenda
- Are the targets / objectives achievable, realistic?
- Emerging Risks.



Key issues - Turkey

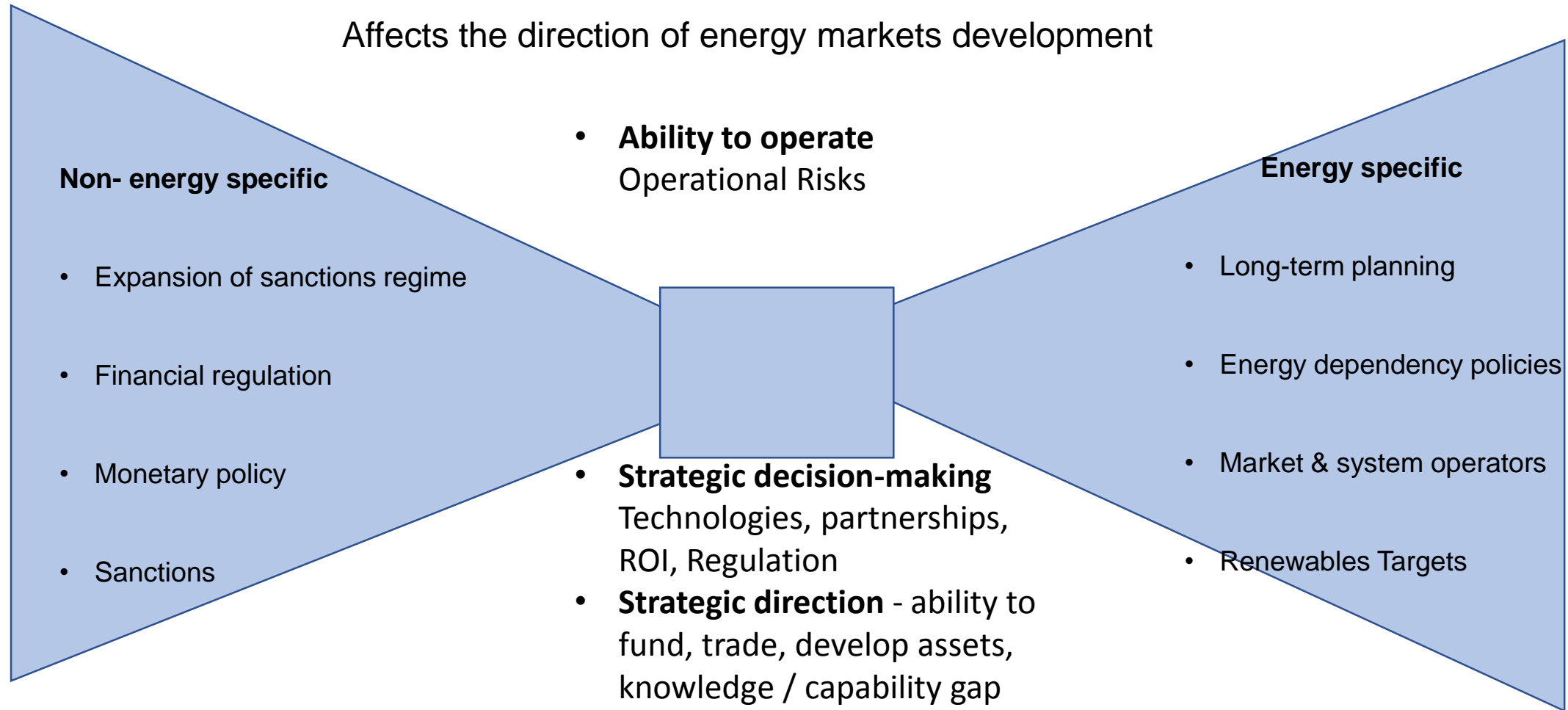
- Energy sector debt
- US\$12-13 Billion of loans require restructuring (of a total US\$70Bn)
- Economic growth / economic outlook (impact on demand)
- Renewables
- Dependence on energy imports – gas, oil
- Middle East relationship
- Eastern Mediterranean Gas
- Depreciating Lira (FX risks, refinancing) / Country Risk profile
- Regulatory Risks – identified by many market players as a Top 3 Risk.

Economic, Social & Environmental



- Current drive toward green / low carbon economies underpinned by several international treaties, national laws
- Energy transition challenges
 - Policies enacted aimed at reducing reliance on fossil, but are these realistic?
 - Costs to consumers and business are high
 - Natural gas will play a defining role in the transition to cleaner fuels, flexibility benefits
- Political backdrop – ‘Gen Y’ demanding greater action, reality is different:
e.g. Australia: economic reality trumps green agenda, government re-elected with an increased majority, “the environment as **the** election issue failed to happen”
- ***Is the Environmental agenda credible?*** Fact or fiction?

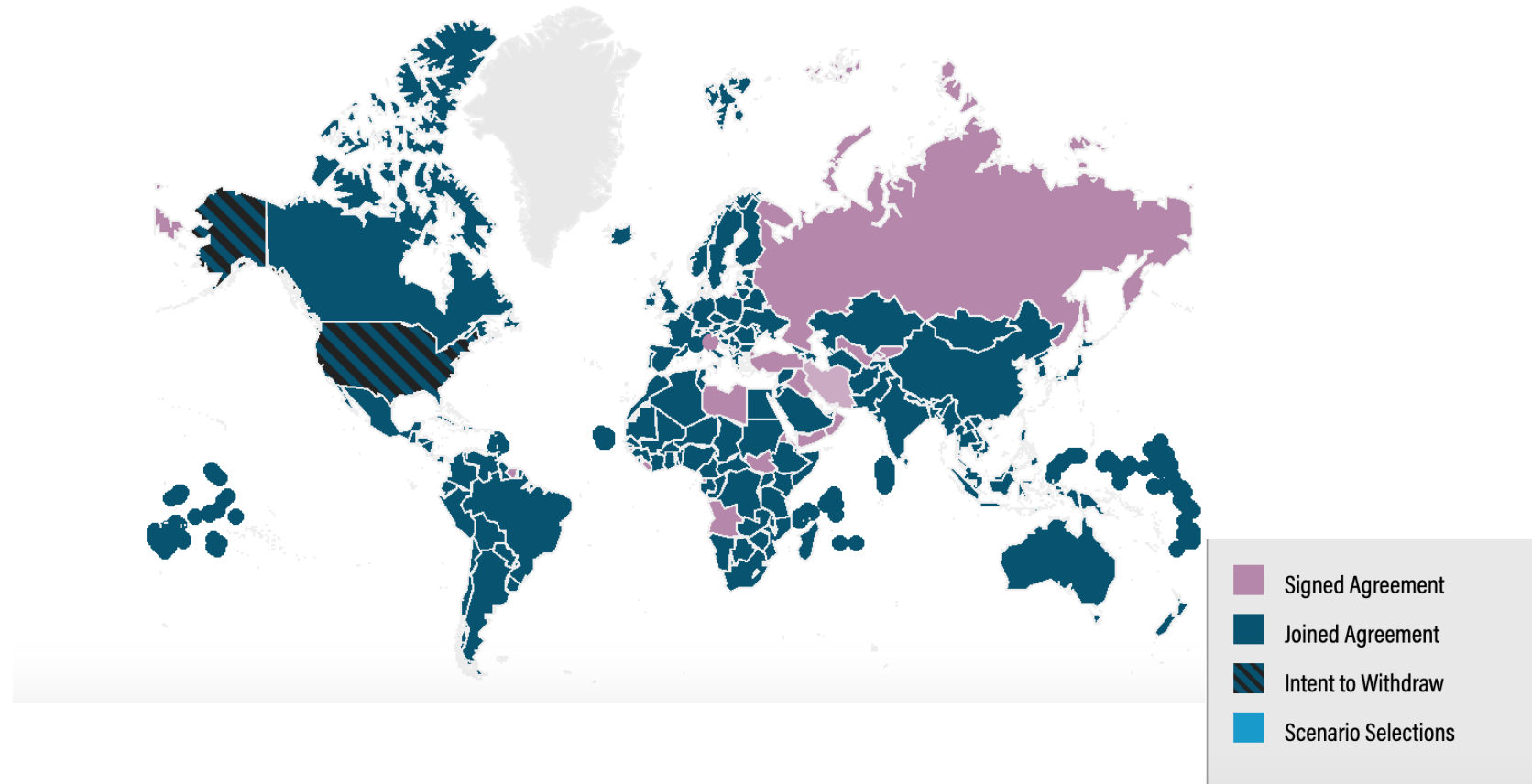
Impact of Regulatory Restrictions



Paris Accord

Key points

- Defines temperature targets as objective
- Developed countries commitment to mobilise \$100 Billion a year in climate finance by 2020
- Agreed to continue mobilising finance at the level of \$100 Billion a year until 2025



Paris Accord (& others)



- EU - three key targets:
 - 20% cut in **greenhouse gas** emissions (from 1990 levels)
 - 20% of EU energy from **renewables**
 - 20% improvement in **energy efficiency**
- EU Renewable energy National Targets (2020) (Renewable Energy Directive),
 - the overall effect will enable the EU as a whole to reach:
 - its 20% target for 2020 (more than double the 2010 level of 9.8%)
 - a 10% share of renewables in the transport sector
- EU's aim is to de-risk energy imports by reducing demand

Paris Accord & Others – Key Risks



- Paris Accord: Temperature as the measurement criteria, lack of scenario analysis...
- Exactly what is meant by “climate financing”?
- Are countries and regulators positioned to meet the needs – and realities - of?:
 - Electricity grids, gas transmissions networks
 - Stranded costs
 - Settlements (given the impact of financial regulations and in some cases, sanctions)
 - Non-financial Reporting
- Required skills, experience and competencies

Role of the Black Sea Region

- Ongoing uncertainty, factors (today):
 - EU
 - NATO
 - Russia's aspirations
 - Turkey's role ...
- Unique location to:
 - Facilitate interconnectors
 - Supply & Trading hubs
 - Develop liquidity & market transparency





Risks in Oil & Gas

- The next 2 to 5 years – the question of “what is the greatest risk to your organisation?” was posed to oil & gas companies

	1	2	3	4
Oil price	3.33%	10.00%	6.67%	80.00%
Global economy	6.67%	16.67%	53.33%	23.33%

Citing the two biggest risks, taken from IRM O&G SIG research “Fuelling the Debate”
 1 = “not at all”, 4 = “major”

Risks in Oil & Gas

- Risk - Where do your biggest risks come from? (1 low and 5 high)

	1	2	3	4	5
Strategic	2.94%	5.8%	11.76%	17.65%	61.76%
Operations	0.00%	0.00%	17.65%	41.18%	41.18%
Financial	0.00%	3.03%	33.33%	45.45%	18.18%
Compliance	6.06%	30.30%	30.30%	15.15%	18.18%
IT	3.03%	15.15%	36.36%	33.33%	12.12%
People	5.88%	5.88%	32.35%	29.41%	26.47%
Geographical	5.88%	23.53%	47.06%	5.88%	17.65%

Extract from IRM O&G SIG research “Fuelling the Debate”

Risk – Addressing the Energy & O&G Issues



- IRM Research findings – key take-aways

Risk Maturity across the industry: The Oil & Gas sector scored only three out of five

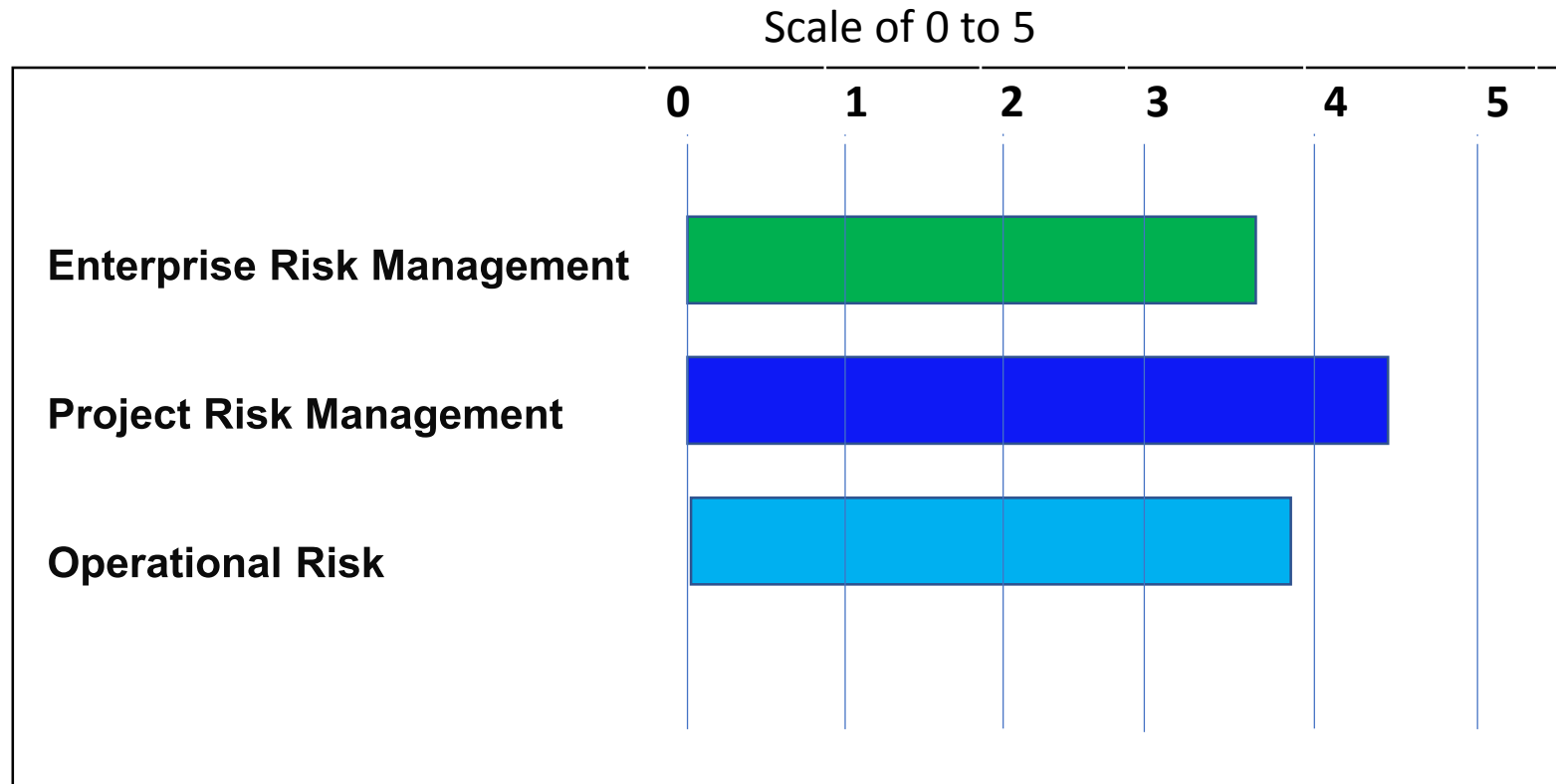
“... as problematic a lack of resources and a failure of the board to provide the right tone at the top.”

Extract from IRM O&G SIG research “Fuelling the Debate”

Risk – Addressing the Issues

- Anticipate response to changing risk drivers and events
- Understanding change and how to deliver successful change programmes
- Challenges:
 - Unpredictable geopolitical risks and inconsistent policy positions
 - Developing effective mitigation strategies due to uncharted waters / rate & type of changes, and broader stakeholder community (not just shareholders & staff, nor local or regional, debate has widen).

Risk - Focus Areas, next 3 years



Extract from IRM O&G SIG research “Fuelling the Debate”

Risk & Governance – Role



- Anticipate response to changing risk drivers, enhance capabilities
- Board oversight and enhanced corporate governance & risk governance
- Ensuring adequate ROI
- Energy mix optimisation
- Value chain – develop strategies to get ahead.

Risk & Governance – Role



How?

- Development of the risk profession
- Enablement / up-skilling of industry professionals as champions of risk
- Greater accountability – **and risk & governance skills development** – for Boards
- Closer alignment with stakeholders, lead change on a more global scale.



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