

# GLOBAL MARKETS FORUM

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## Q&A-Renewable energy needs to be deployed three times faster: Solar, wind, storage to dominate by 2030: Assaad Razzouk, Sindicatum Sustainable Res.



Deployment of renewable energy needs to accelerate three times faster over its pace in 2020 to limit global warming in line with the Paris Agreement, **Assaad Razzouk, Chairman and CEO at Sindicatum Sustainable Resources**, told the Reuters Global Markets Forum on Thursday, May 6.

Razzouk, who is a clean energy entrepreneur, investor and commentator, said he expected this acceleration to begin showing in the next two years.

Solar and wind power along with storage of energy from renewable sources will dominate by 2030, Razzouk said, adding that the three together could account for up to 50% of energy capacity in key countries.

"In other words, renewables will surprise on the upside," he said.

Razzouk said corporations aren't accounting for potential climate-related policy changes even though they cause \$7.6 trillion of damage to the environment every year that they don't pay for.

"It's inevitable that carbon pricing is coming everywhere," he said, which he expected to get implemented in most big economies by 2025.

Following are edited excerpts from the conversation:

**Q: How do you see the general progress of global digital energy transition targets, and if they are going in line with formal commitments that countries have made?**

A: Progress has been much better than it was a year or two ago, but we still need to vastly accelerate the energy transition in order to keep temperatures in check, i.e., to limit warming in line with the Paris Agreement. Renewables for example have to increase about three times faster - and I would expect this acceleration to begin to show in the next 24 months.

**Q: Do you think the Paris Agreement promises are too hard to achieve?**

A: No, I don't. The political will, however, needs to be there.

**Q: What would you be watching for in terms of milestones for achieving the zero-emissions goals?**

A: About a multiplication by three of renewable energy deployment compared to 2020, and a material decrease in deforestation worldwide.

**Q: What would be the fillip for that? And which parts of the world will move faster on renewable energy deployment?**

A: Well, Europe has to accelerate deployment, and it will. So will the U.S., China, and India - cost declines make that a no brainer, pretty much. Principals laggards in renewable energy deployment at the moment are North Asia -- Japan, Taiwan, South Korea, ASEAN.

**Q: Do you think the cause of clean energy has got a boost with U.S. President Joe Biden taking over from Donald Trump? And do you see the U.S. trying to wrestle back its position in the global climate dialogue?**

A: Yes, and yes. But it's probably more important that China's installed clean energy capacity will surpass that of coal power for the first time in 2021, for example.

**Q: How can developed economies help -- both by way of financial aid and other sops -- emerging ones to make the transition faster, alongside themselves? Should the obligation even be on developed countries?**

A: Yes, partly. In terms of deforestation for example, there needs to be a concerted effort worldwide. In terms of EVs (electric vehicles) or renewable energy, costs will speak for themselves, but what's needed is to remove the barriers on the way.

**Q: How much of a difference can big tech firms make?**

A: Big Tech's moves matter. At the moment the RE100 (global corporate renewable energy initiative), for example, have committed to about as much renewable energy as Australia's electricity capacity, which is a strong signal of change.

**Q: Of all the renewables sources, which ones do you think will eventually become the dominant? Could nuclear energy become more of a focus, or is its public perception too much to overcome at this point?**

A: Solar + wind + storage will prevail pretty much everywhere.

Nuclear is simply too expensive and takes too much time -- 10 years vs. one or two years for solar + wind + storage.

**Q: Any projections on what parts each will make up, say by 2030?**

A: Here's progress in just one week in April, in terms of announcements: UK to cut emissions 78% by 2035, including aviation and shipping; U.S. to cut emissions 50% by 2030; EU to cut emissions 55% by 2030; Japan to cut emissions 46% by 2030; California bans fracking from 2024.

To get there - all of them need more solar + wind + storage. By 2030, solar + wind + storage will dominate everywhere, and we can expect them to be up to 50% of capacity in key countries. In other words, renewables will surprise on the upside.

Keep in mind that as per a recent Carbon Tracker report, solar and wind potential is 100 times as much as global energy demand, and opportunity has only just been unlocked.

**Q: What does the future of EVs look like? Electric, hydrogen, or as Cognite's John Lervik told us, also clean hydrogen?**

A: EVs will be electric -- hydrogen can't compete except for big trucks.

**Q: How can EVs cost be minimised? There is a growing argument about the cost involved in maintaining an EV, which puts diesel and petrol run vehicles at a significant advantage -- is there a way to mitigate that?**

A: Green hydrogen will have a much bigger role in greening steel, cement, aviation, and other industrial activities. Not so much EVs. Cost of EVs will decline in line with their batteries. Expect rapid declines in the next 24-36 months.

**Q: How are companies accounting for potential climate-related policy changes, and how could this accelerate transition?**

A: Regrettably, they aren't. Corporations cause \$7.6 trillion of damage to the environment, per year, that they don't pay for - just from the emission of greenhouse gases, the disposal of unrecycled waste and the discharge of untreated water. We need carbon pricing to be embedded in accounting standards as soon as possible.

**Q: Isn't that just increasing consumer prices and still not changing corporate behaviour?**

A: I don't think so. It would re-allocate capital to less destructive activities. In other words, as an example, the cost of a plastic straw would become prohibitive, but a biodegradable one would become affordable and cheaper.

**Q: To what extent are companies' climate pledges dependent on carbon offsets? Do investors, like yourself, think carbon intensity targets are acceptable or should it all be about absolute carbon reduction targets?**

A: It's inevitable that carbon pricing is coming everywhere. The only question is when. Carbon offsets are also a device to do very little. Carbon offsets are basically a way for companies to pay \$2/ton CO2 for their pollution instead of the real price which is somewhere between \$50 and \$200.

**Q: When do you think that could happen?**

A: No idea when - completely dependent on political will. Hopefully by 2025 at the latest -- in most big economies.

**Q: Do you think disclosures on ESG (environmental, social and corporate governance) are woefully lacking, especially from big companies, in how they are moving forward to fulfil targets? How can companies be pushed to do more on that count?**

A: I have published several podcasts arguing that unless we price the "E" in ESG, ESG is basically just a climate con for now - buys companies time to do very little, while looking good. CO2 pricing would also re-allocate capital to less destructive activities. Just as it is doing in Europe at the moment. It just needs to be expanded to all corporate activities.

**Q: Do you agree with Berkshire Hathaway's assessment that its decentralized business model made it unreasonable to have one-size-fits-all standards for its operating units on climate change and diversity?**

A: No, I don't agree at all with Berkshire. If they were paying for their environmental destruction, through carbon prices for example, they would allocate capital much differently.

**Q: How can investors in stocks take advantage of the massive shift to clean energy? What sectors do you think hold the most promise for investors?**

A: An allocation should be made to - a) solar + wind + storage opportunities; b) green hydrogen plays; c) batteries; d) electrification.

**Q: Given the record inflows into clean energy funds, are you concerned by concentration risks?**

A: No. In fact, we need about four times more funds than we are deploying at the moment and concentration risk can be managed through diversified exposure to countries and technologies.

**Q: If private equity picks up stakes in fossil fuel assets that conventional corporates are looking to cut exposure in, could a transition to a greener world be delayed, even doomed?**

A: Not really, no. They probably should pick up stakes in fossil assets, then gradually close them down. I would guess you can make more money buying an oil company and stopping it from making new investments and turning it into a cash distribution machine, while gradually shutting it down, then having the oil company continue to invest in what will be stranded assets.

**Q: Do you see any ramifications for companies, especially energy majors, if they don't stay on track to meet the ambitious environmental goals that have been set?**

A: Yes, their stock prices will continue their secular declines unless they move to stop new oil and gas production, and start shrinking their footprint while distributing all their cash to shareholders.

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