

Northern Light

 EUROPEAN BUSINESS LEADERS' CONVENTION

Northern Light 2021: Coming Out of the Dark: Technologies and Policies to Take Us Forward

Key Takeaways

The 2021 title of the conference (“Coming Out of the Dark”) captured the mood of the conference very well. The participants were convinced that the worst of the pandemic was over. It was time to concentrate on technologies and policies to take us forward.

The conference started on Thursday with an overview of the global economy and geopolitics. On Friday we discussed the green transition, building back better, ESG, the technologies of tomorrow (hydrogen, Carbon Capture Storage), our digital future, and the circular economy. In addition, the summit featured keynote speeches by HRH the Prince of Wales, and Ola Källenius, the CEO of Daimler. Both dealt with the green transition, and what is required of business to meet the global goals for climate change mitigation.

Global Economy: Inflation, Crash or Long Boom?

“Definitely not a long boom.”

The main conclusion of the session was that there is a danger of inflation, particularly in the US. However, some speakers felt that current elevated levels of inflation were temporary.

The situation in the US was viewed with some concerns, with the 2020’s described as a painful muddling through. Rising inflation was listed as a likely problem. A potential Fed increase in interest rates would also impact the financial conditions in emerging markets.

Some of the commentators viewed the outlook for Europe in a more positive light than the prospects for the US. The levels of public and private debt were seen as a concern also in Europe, and governments should not count on interest rates staying as low as they currently are. However, interest rates were not expected to rise in Europe in the short term.

Some of the speakers emphasized the effect of vaccines and stimulus programs on the economic recovery, others emphasized that Covid-19 has left some big legacies, such as big public and private debts, and more inequality. The recovery is likely be very uneven: while significantly stronger in the developed world, many developing countries were badly hit, and large parts of the developing world have hardly started vaccinating their populations.

Higher productivity was regarded as a possibility also in the longer term.

The New Cold War: Implications for Business

“ASEAN loves the U.S. but it does not want to be forced to choose between America and China.”

The term New Cold War was viewed as somewhat misleading, as there is no ideological struggle to the same extent as during the Cold War. There is also a large degree of interdependence in the economies. The speakers viewed that the US experiences intense competition from China, some with a military extent to it, but no cold war. The US was seen to be pursuing a competition strategy instead of a containment strategy regarding China. It was regarded that the superpowers have significant differences but can also find opportunities for co-operation. Xi Jinping’s patriotic speech at the Communist Party Centenary was not viewed as surprising. Some felt that the West should not continue to beat up on China, as it fuels Chinese nationalism and strengthens the communist regime. China’s strategy of expanding its global influence has been successful.

It was emphasized that countries particularly in the Asia Pacific region do not want to be forced to choose one side over the other, both markets are vital for them. Fortunately, the decoupling of the two competing systems was, at least so far, broadly viewed as more talk than a reality. Containing and isolating one side or the other was viewed as impossible in the current globalized environment.

A key issue for companies operating in China to consider is how strategic the industry is deemed to be from a national security perspective. Consumer goods were regarded as less prone to problems. A general rule for success for a foreign company might be a preparedness to manufacture things in China for China, which helps to make the company a valued member of society. It was viewed that China’s development of military capabilities makes it harder for the US to defend its interests in the region.

However, some of the speakers emphasized that there are valid concerns about decoupling in China. Some Chinese companies did get delisted on the US market, which could create some decoupling of the capital markets. The speakers also raised concerns about the Chinese model of data-sovereignty taking root in the west.

Driving a Green Future: The Daimler Approach

Ola Källenius spoke about sustainable mobility and the role of electric vehicles in it. He was optimistic about the role that European companies can play in the green transition.

Building Back Better: Are We Doing Enough?

”I have never seen capitalism move so fast. It makes me optimistic about the future.”

The general view of the speakers was that we are not yet doing enough, but that we are definitely on the right track. Especially the larger companies are already embracing ESG issues to a certain extent, but more work was deemed necessary to get SME's on board as well. The importance of developing a universal measurement system and standards was highlighted, as well as the need to invest more in research.

The panelists identified a positive side effect of the pandemic: reporting has really improved across the board, especially for listed companies. It was noted that companies had realized that there is a lot of money to be made via decarbonisation. Climate risk was viewed ultimately as investment risk, companies that ignore climate issues do so at shareholders' peril.

Regulatory and investment pressure were identified as methods to influence company decision-making toward greener alternatives. Other solutions could be rethinking financial sector solutions (such as full assessments on ESG factors) and developing long-term transition strategies. The situation was viewed as urgent because the crises are hitting people in a socially unfair manner: the panelists saw a real risk of fragmentation if the fruits of the labour were to be only collected by the developed countries.

Energy of the Future: What is the Role of Hydrogen and CCS?

“The Hydrogen Revolution is happening!” (After many false starts.)

Is Hydrogen all hype? Is Carbon Capture and Storage (CCS) a viable solution for the future? The speakers believed that both are important elements of the future energy mix. The cost of solar power and other renewable energy sources are falling much faster than expected, which made the panellists optimistic about the hydrogen revolution finally happening.

It was pointed out that the ambition level has also reached a new high: the world has gone from talking about reducing emissions to declaring zero emissions as the only worthwhile target.

Hydrogen was regarded as the best available net zero transportable fuel. In addition, it has been proven that hydrogen can be moved in gas pipelines, which gives great cost advantages. To reach net zero, the move to electric in the transport industry needs to continue.

Blue hydrogen and CCS were viewed as technologies that are increasingly needed in the future, to get hydrogen to scale. Electricity is already cheap enough to compete in a market without any support, but for hydrogen there is a need for support. Hydrogen is expected to be able to compete on its own after a transition period. All colours of hydrogen will continue to be needed.

A political decision to create a market and the necessary regulation for hydrogen power was seen as a key to speed up the transition. Creating a winning ecosystem requires combining technologies, smart regulations, educational efforts, and collaboration between business and

governments. The commentators had good confidence that the technological elements are there but expressed concerns about scaling opportunities.

Our Digital Future: Will the Acceleration Continue?

“Yes, the acceleration will continue.”

The long-standing promise of the fourth industrial revolution is about to come true. The pandemic accelerated the implementation of communication technology by six years. Combining IT and OT can significantly improve productivity. This was viewed as being very important also from a global perspective, as technologies are a part of how we deal with climate change, biodiversity, inequal access to healthcare and education. However, there are also threats such as cybersecurity and the troubling geopolitical development.

Comparing to North America and other locations, European regulatory hurdles were seen as extremely complicated. Europe was seen as falling behind also on AI. The point was raised that tech and AI seem to be empowering authoritarian systems while weakening democracies. Although AI has its dangers, there are also opportunities. Like it or not, AI is going to be part of our future in all walks of life.

According to the speakers, a reliance on digital accessorizing creates vulnerability. Addressing this requires a holistic view on the IT supply chain. This involves working across ecosystems of suppliers, providers, and public-private partnerships. Within organisations, culture and organisational change were seen as the top barriers to achieving desired digitization results. Industries must prioritize people, and talent should be viewed as the ultimate renewable resource.

Circular Economy & Biodiversity: The Role of Business

HRH the Prince of Wales

His Royal Highness provided a compelling vision for a sustainable world where people, business, and the planet can live in harmony. It explained why business leaders must take biodiversity seriously. It was an example of the ecological leadership that His Royal Highness has exhibited over the past four decades.

His Royal Highness's address is available on our website.