

The energy crisis as a catalyst for green transformation

BSI-EIB conference 2022

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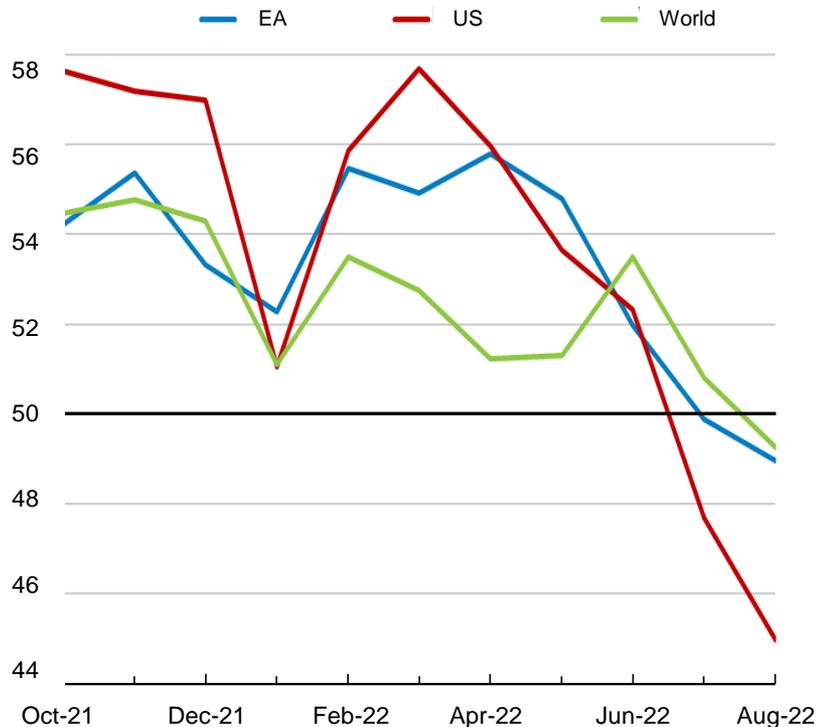
Ljubljana, 29 September 2022

Key messages

- The macroeconomic context has drastically changed following Russia's occupation of Ukraine – diffuse inflationary pressures, risks of recession, mounting uncertainty, social tensions
- Investment needs remain significant, but the economic environment is not supportive
- As the pandemic was a wake up call for digitalization, could the energy crisis be a catalyst for the green transition?
- EIBIS evidence shows that the performance of Slovenian firms is rather mixed:
 - Awareness regarding green transition related needs might have to increase
 - Energy costs and energy efficiency investment go hand in hand
 - Investment in skills is a crucial ingredient for a successful transition

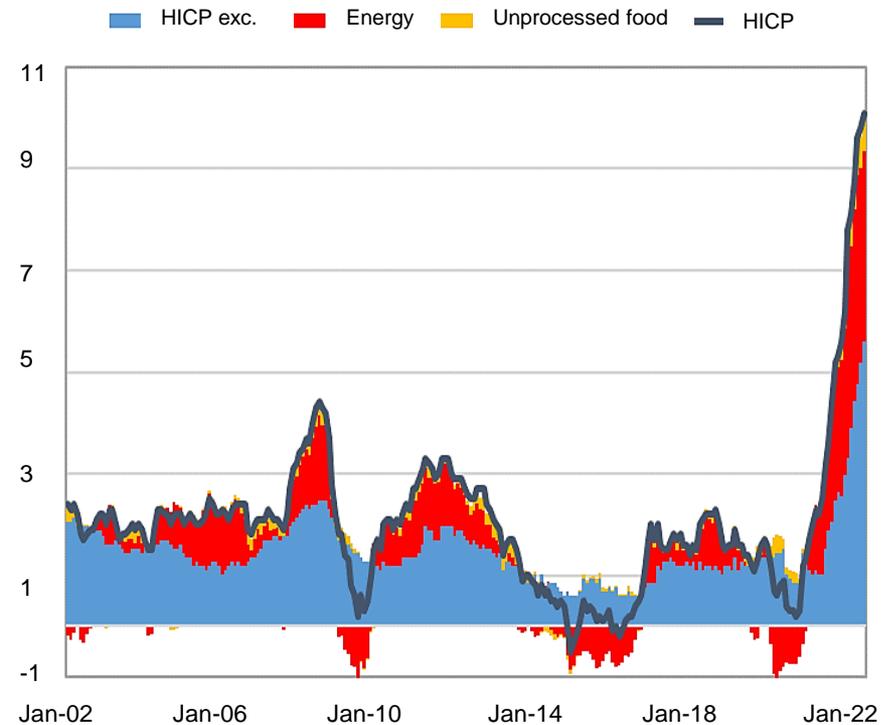
A new major shock for the Global and European economies

PMI composite index



Source: ECON calculations based on Eurostat and OECD.
Notes: Manufacturing and service survey – value below 50 indicates a decline. Last observation refers to August 2022.

EU HICP and contributions (Annual % change; percentage point contributions)

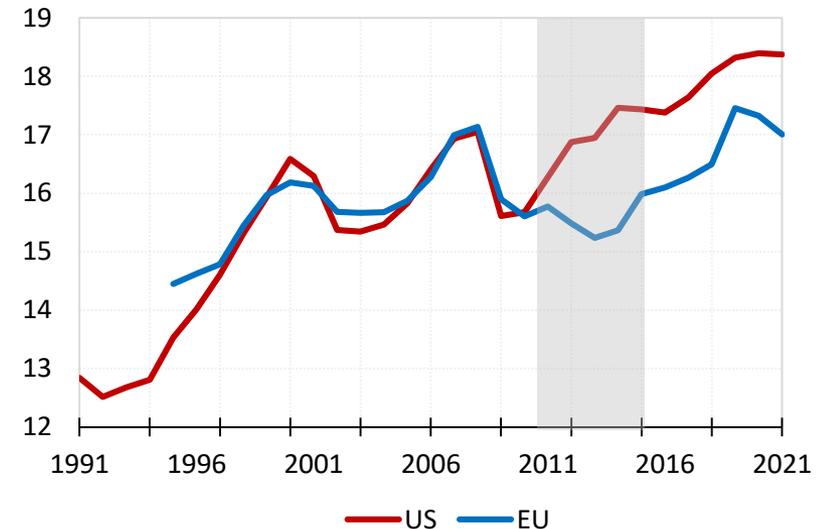


Source: ECON calculations based on Eurostat and OECD.
Note: Last observation refers to August 2022.

Challenging environment for investment, while investment needs are significant

- **Short-term energy security challenge** combined with **long-term need for energy transformation** requires substantial investment – adding to pre-existing gaps
- **Private investment** facing impetus to frontload energy efficiency
 - Firms recovering well in first half of 2022
 - Growing constraints due to uncertainty, tightening financial conditions, recession risk and energy price volatility
- **Public investment** under pressure
 - Additional demands for energy, security, firm and household compensation
 - Potential for high indebtedness to squeeze budgets, particularly at local government level
 - RRF supports public investment, but emerging administrative capacity bottlenecks

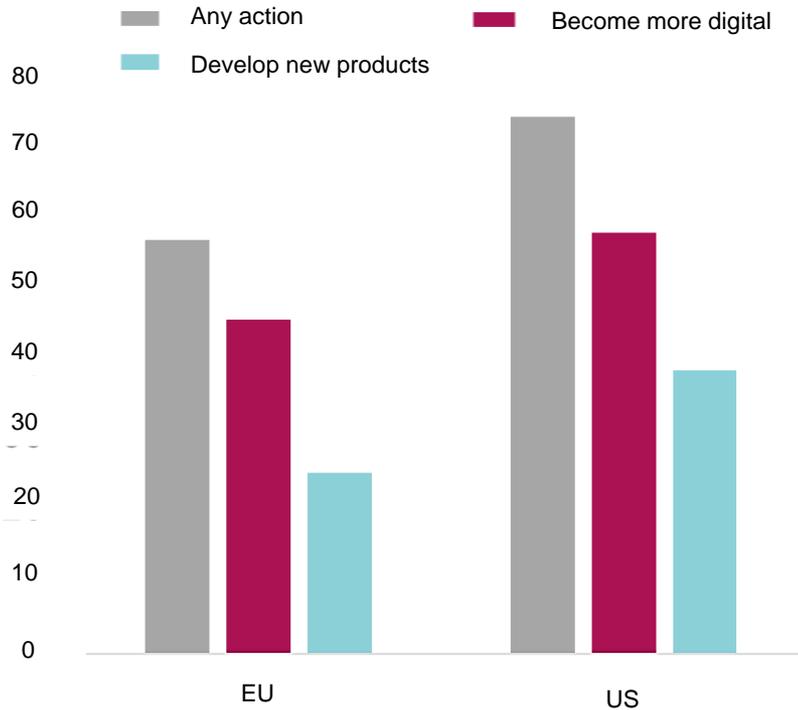
Productive investment
(% GDP)



Source: ECON calculations based on OECD.

Recovery from the pandemic was supported by strong policy action, which allowed business continuity and transformation

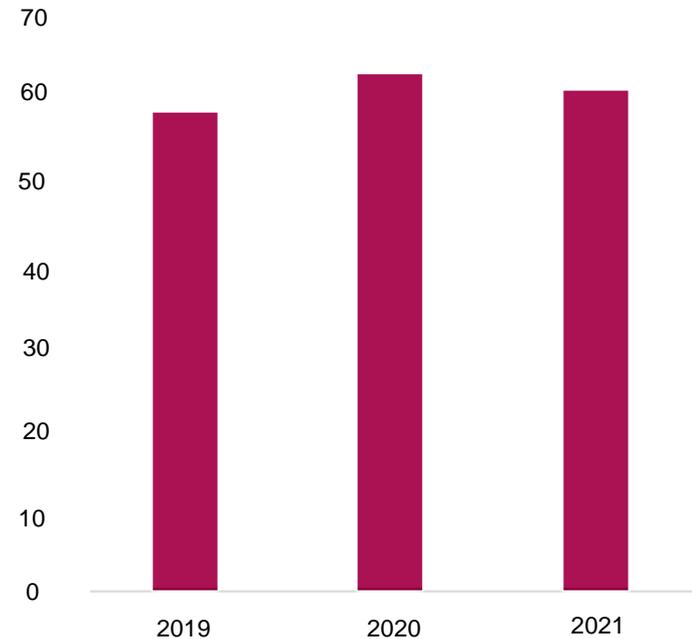
Firms' short term reaction to Covid-19 (Share of firms, %)



Source: EIBIS 2021.

Notes: Question posed to firms - "As a response to the COVID-19 pandemic, have you taken any actions or made investments to...?". Base: All firms (excluding don't know/refused responses).

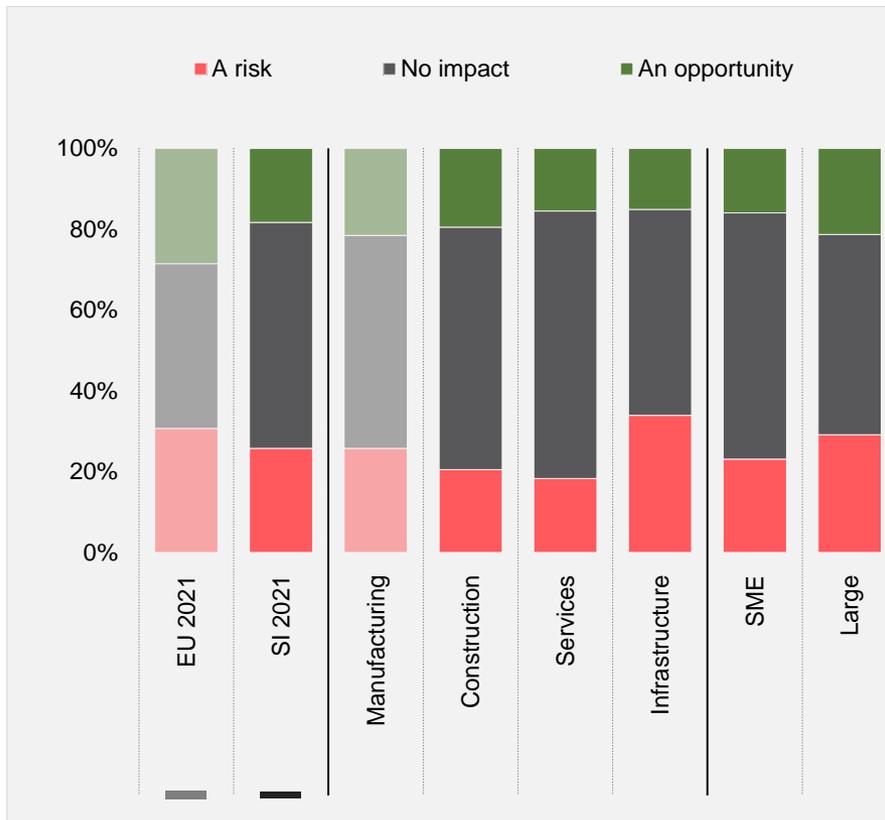
EU firms using advanced digital technologies (Share of firms, %)



Source: EIBIS.

Awareness associated with climate risks remains rather low in Slovenia

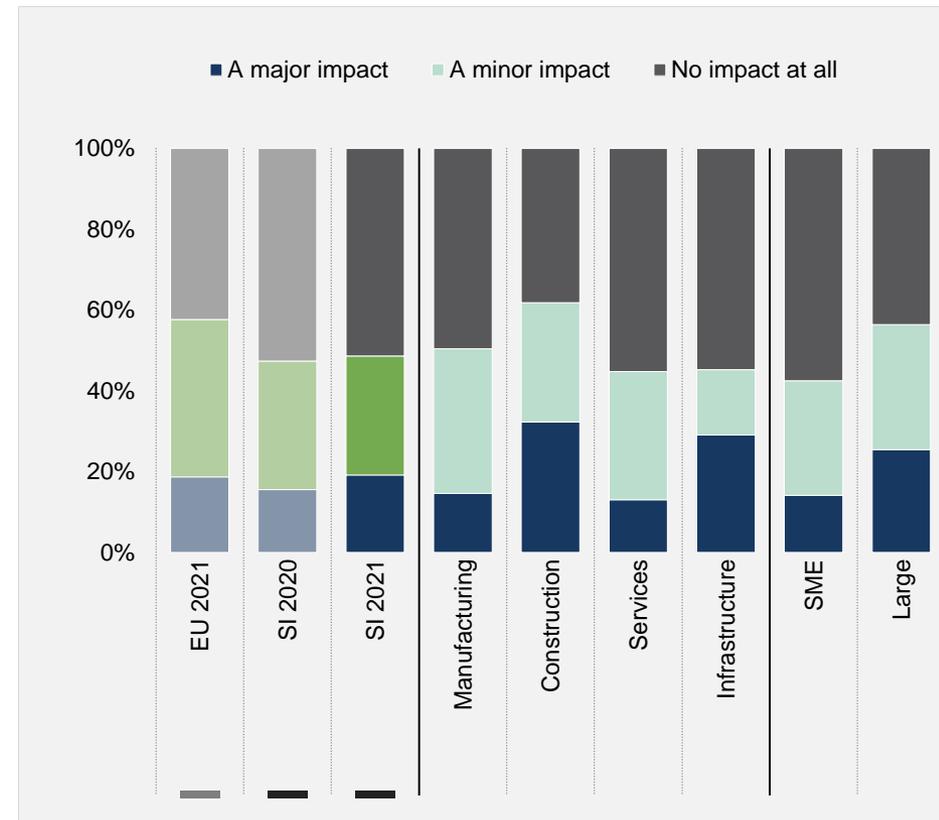
Impact of climate change – Transition (Share of firms, %)



Source: EIBIS 2021.

Notes: Question posed to firms - "Thinking about your company, what impact do you expect this transition to stricter climate standards and regulations will have on your company over the next five years?". Base: All firms (excluding don't know/refused responses).

Impact of climate change – Physical (Share of firms, %)

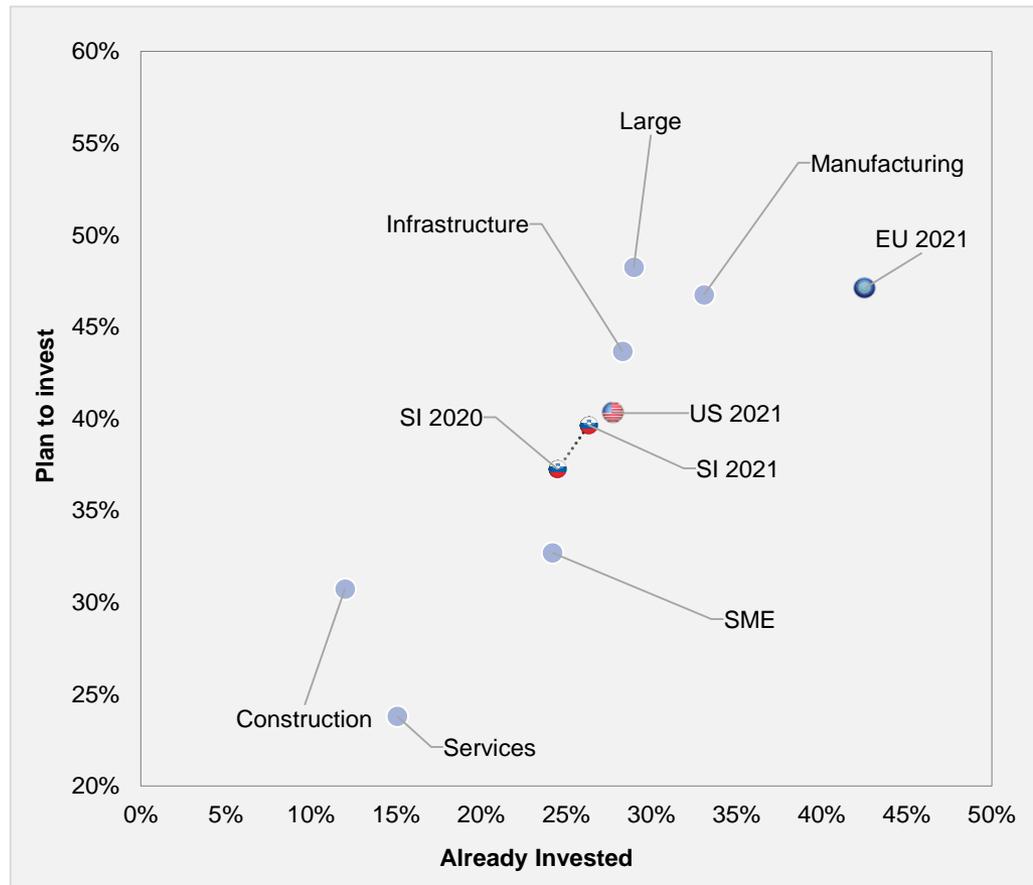


Source: EIBIS 2021.

Notes: Question posed to firms - "Thinking about climate change and the related changes in weather patterns, would you say these weather events currently have a major impact, a minor impact or no impact at all on your business?". Base: All firms (excluding don't know/refused responses).

In Slovenia, investment in green is generally lagging behind...

Firms' investment in tackling climate change impact (Share of firms, %)

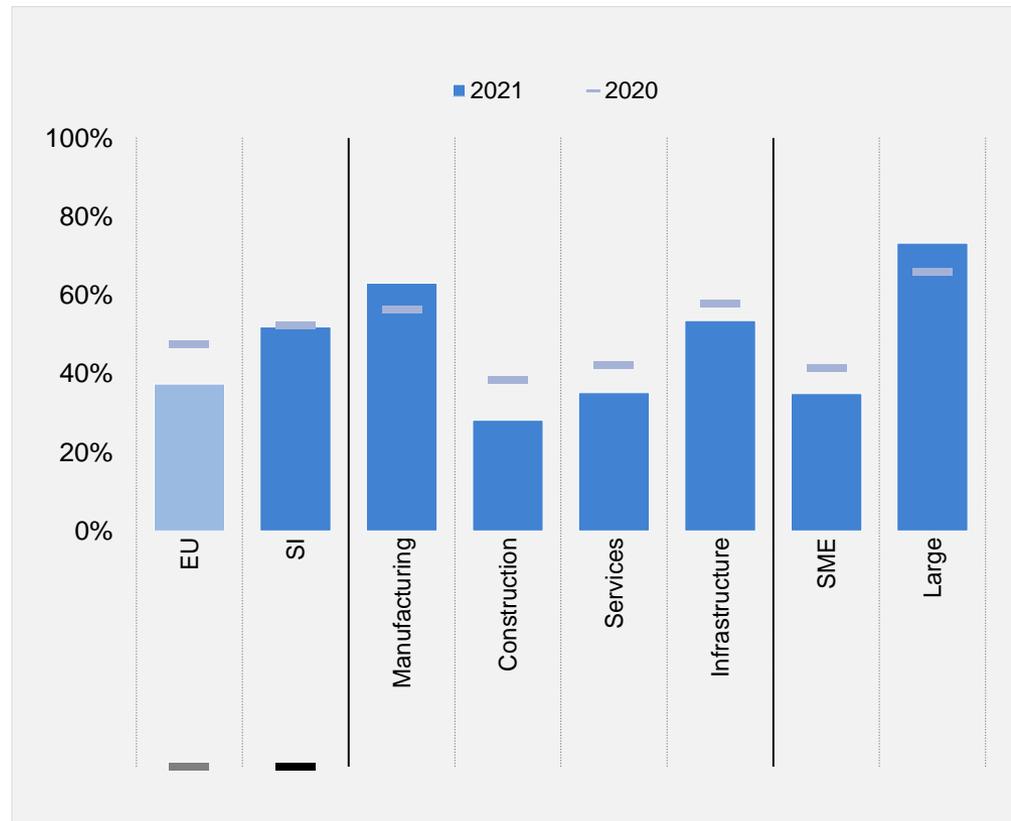


Source: EIBIS 2021.

Notes: Question posed to firms - "Now thinking about investments to tackle the impacts of weather events and to deal with the process of reduction in carbon emissions, which of the following applies?". Base: All firms (excluding don't know/refused responses).

...but investment in energy efficiency is stronger than in the EU

Firms' investment in efficiency improving energy measures (Share of firms, %)

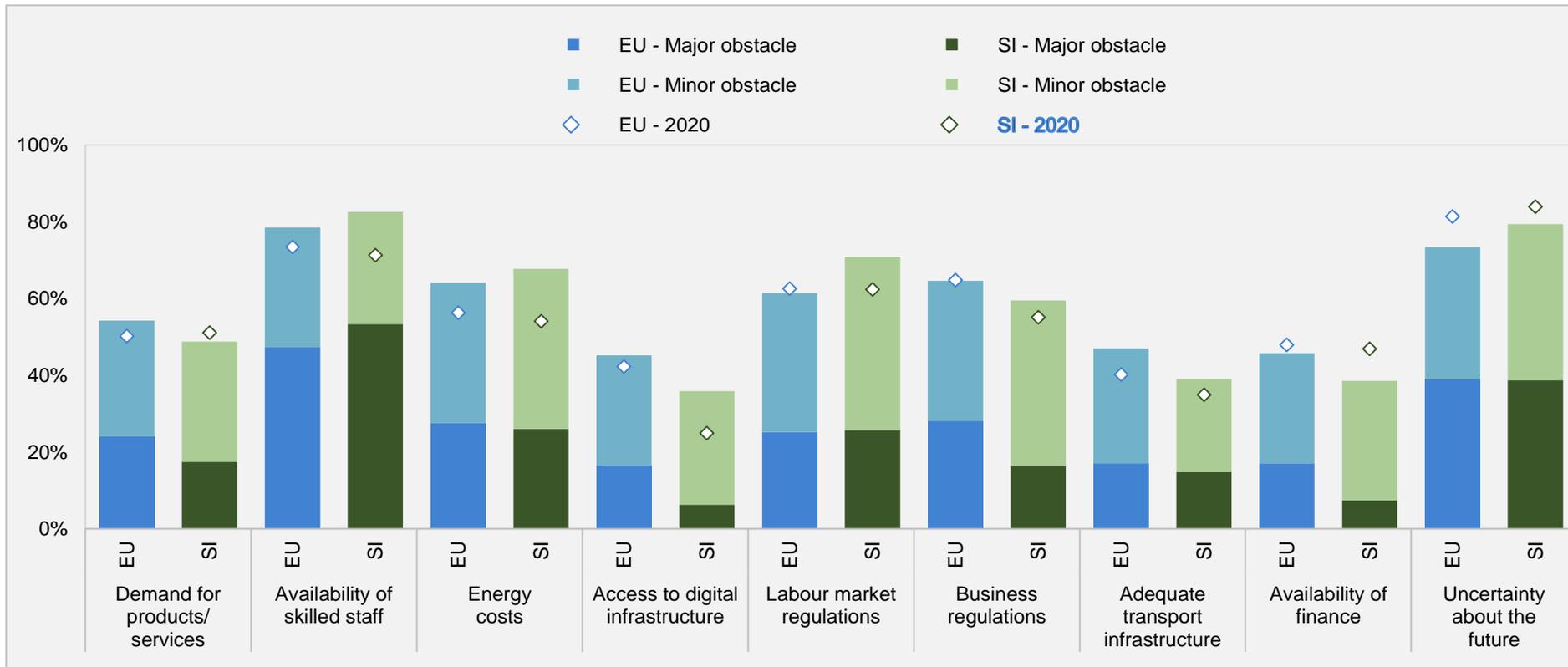


Source: EIBIS 2021.

Notes: Question posed to firms - "What proportion of the total investment in the last financial year was primarily for measures to improve energy efficiency in your organization?". Base: All firms (excluding don't know/refused responses).

Unlocking private investment by addressing barriers: lack of skills, energy costs and uncertainty

Barriers to investment (Share of firms, %)



Source: EIBIS 2021.

Notes: Question posed to firms - "Thinking about your investment activities in Slovenia, to what extent is each of the following an obstacle? Is it a major obstacle, a minor obstacle or not an obstacle at all?". Base: All firms (excluding don't know/refused responses).

Key messages

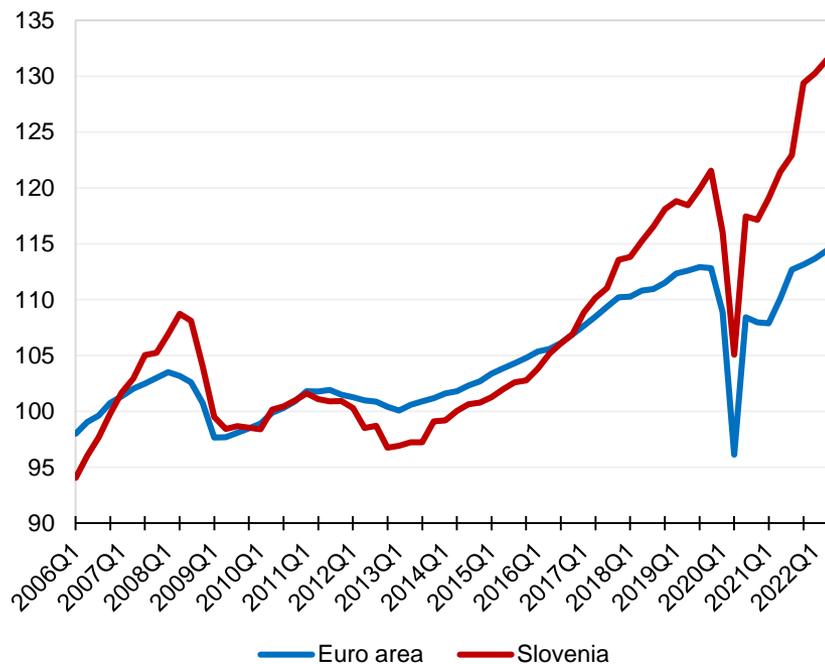
- Investment needs remain significant, but the economic environment is not supportive
- The pandemic was a wake up call for digitalization – can the energy crisis be a catalyst for the green transition?
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Reserve slides

In Slovenia, recovery very strong, but with elevated uncertainty for the future

Real GDP

(base year 2010 = 100)

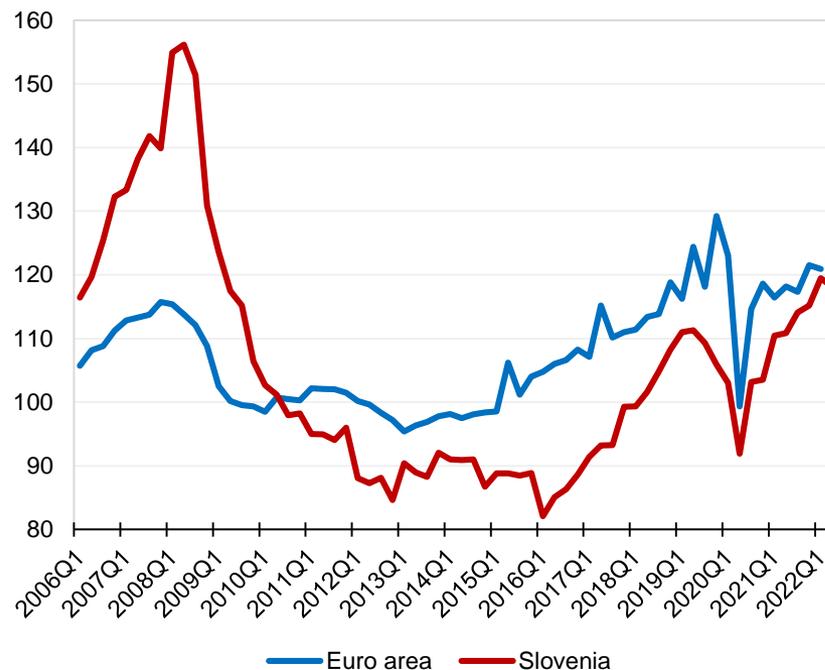


Source: Eurostat

Note: Last observation refers to Q2 2022.

Real gross fixed capital formation

(base year 2010 = 100)



Source: Eurostat

Note: Last observation refers to Q2 2022.