

Talking Heads podcast with Ulrik Fugmann

Andrew Craig: Hello and welcome to this week's BNP Paribas Asset Management Talking Heads podcast. Every week, Talking Heads will bring you in-depth insights and analysis through the lens of sustainability on the topics that really matter to investors. In this episode, we'll be discussing the energy markets in the wake of the conflict in the Middle East. I'm Andy Craig, Co-Head of the Investment Insights Centre, and I'm joined today by Ulrik Fugmann, Co-Head of the Environmental Strategies Group at BNP Paribas Asset Management. Welcome, Ulrik, and thank you for joining me today.

Ulrik Fugmann: Thank you so much for having me.

AC: We're talking on March 18. We're almost at the end of the third week of the conflict in the Middle East, and last week, the International Energy Authority described the closing of the Strait of Hormuz as the largest oil supply shock in history. Now we know that the world today is less dependent on oil than it has been in the past, and there is still some hope that the supply interruption will not last long. But we cannot get away from the fact that the Gulf region is the world's most important energy supplier. According to the 2025 Statistical Review of World Energy, it contains 48% of global proven oil reserves and produced 31% of the world's oil in 2024. Moreover, according to the US Energy Information Administration, one fifth of world oil passes through the Straits of Hormuz. It's the choke point of world energy supplies and a prolonged war that disrupts exports from the Gulf or even worse, damages its supply capacity would be hugely costly.

So, if we think about the economic lessons from this shock, the first is that we need to reduce our vulnerability to shocks in the availability of fossil fuels. The need to invest in renewables is clear. Can you begin by talking us through the implications you see from this energy shock for energy security and renewable energy?

UF: It's been a key motivation behind the story around renewables for some time. Put very simply, the cost, and certainly prolonged cost, of a fossil fuel shock far outweighs the investments needed to continue to build out renewables. And hence the best form of energy security is to onshore and internalise your energy systems. Let's take the example of China. China has over the past 20 years invested heavily in their clean energy sector. And that hasn't just been because of a motivation to decarbonise. No, it's been a motivation to become energy secure and reduce dependency on fossil fuels, on the Middle East and other oil producing nations. The relation between renewables, energy security and geopolitics has motivated real shifts and accelerated with the war.

AC: It's clear that there'll be a pre and a post the Iran war energy security paradigm. Previously, the closure of the Strait of Hormuz was almost inconceivable. What are you seeing as the reaction to this event in Europe?

UF: We've seen tectonic shifts for energy transition. Within European energy policy, what we've seen are two extraordinary things. The first one is the European Commission pushing for revisiting nuclear [energy] across Europe and that comes in the face of Germany and Italy saying that they now want to reopen some of their nuclear plants.

The second thing that's gone largely unnoticed is the initiative of starting what was called the European Strategic Infrastructure Investment Fund aiming at addressing a cost of about €700 billion annually over the next 15 years in building a much more resilient environmental infrastructure to become much, much more energy secure.

And that doesn't just relate to clean power, but also water and transmission sectors. So, those are some very tangible initiatives that we've seen in Europe and that should drive equity performance in companies in Europe that are exposed to these interesting themes.

AC: Now there are also clearly major implications for the US political situation and the sitting US administration. How do you see the implications for the political situation in the US?

UF: So, the US is really interesting at the moment because we're seeing approval ratings for the sitting administration coming down. Power prices is a key element in why a lot of people, particularly in low and middle income households, are getting very unhappy with the administration with power bills being one of the biggest household items for this cohort.

To address these power prices, we've seen some quite interesting initiatives. In fact, we have recently had the US Republican Brian Fitzpatrick, who is the chairman of the Ways and Means Committee, pushing to reinstate wind and solar tax credits. He's doing that because the Republicans are starting to understand the implications of these power prices and what could potentially happen going into the US midterm elections. The elections could be a real shot in the arm for US power markets and renewables. If we have a Democratic House or Senate, there will be a revisiting of these wind and solar tax credits, if the Republicans don't front-run that and actually try and reinstate that before even the midterms. And that clearly is unbelievably supportive for clean energy in the US.

AC: We mustn't lose sight of the what's happening with artificial intelligence and the consequences for power demand. Can you talk us through that and how that fits in the current developments?

UF: What is clear is that AI isn't an industrial bubble, meaning that AI is going to continue to be adopted and continue to grow. We know that we're going to need a tonne of power to build out this digital infrastructure that's going to support the developments and the adoption of AI. AI isn't measured in bytes or gigabytes, it's measured in units of power. It's cheap and readily available power that is going to win in terms of powering this infrastructure. That was evidenced on the 10th of March, where one of the largest US developers of solar announced that they're going to develop more than one GW of solar generating capacity over the next 18 months to support one of the largest AI hyperscale datacentre developments in the western US.

Renewables and clean energy are being used as well as energy storage to support the build-out of AI. In fact, in 2025, 98% of net power additions came from solar, wind and energy storage, with only 2% coming from gas, and other fossil fuels seeing a net decrease. This is something that we're seeing continuing well into 2030.

So, to round that up, what we're seeing now in terms of energy security, the initiatives both from the US and Europe with the political landscape that is creating some real wind in the back for the thematic with valuations still being very attractive in a historical perspective. We think the thematic around clean energy power and the related infrastructure is going into a multi-year renaissance.

AC: Thank you very much for taking us through your analysis of what's happening and what the consequences will be for renewable energy.

UF: Thank you, Andy.

AC: That's it for this week's episode of Talking Heads. If you'd like to learn more about our

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You've been listening to the BNP Paribas Asset Management Talking Heads podcast with me, Andy Craig, and Ulrik Fugmann, Co-Head of the Environmental Strategies Group. Please do join us again next week. Until then, take care.