



Finding Light in a Dark Winter

To BCG's network around the world,

As winter approaches in the Northern Hemisphere, energy challenges—especially in Europe—are top of mind. Here in Germany, we see countless messages about the need to conserve electricity and keep the heat low. Countries such as Portugal are preparing for the possibility of occasional blackouts. In Paris, the Eiffel Tower will go dark an hour earlier than usual every night.

Over the past six months, prices of energy and related commodities have been extremely volatile—and risen sharply. Business leaders want to know how they should plan for this winter, next winter, and beyond. The good news is that in the medium term there are strategies that business leaders can employ to address looming energy gaps and emerge from this period better prepared for what comes next.

The Impact of an Energy Supply Gap in Europe

In 2021, nearly 40% of the natural gas used throughout Europe came from Russia. Recent events have made the significance of that dependence clear, and the results are far-reaching and complex. Monthly imports of Russian gas to Europe have dropped more than 80% in the past year, causing massive price spikes.

In Germany, for example, wholesale gas prices have increased more than ten-fold. End-supplier prices have more than doubled and are expected to increase further, hitting many households hard. Nearly one-third of the country's GDP has historically been driven by the industrial sector. Now, due to soaring prices and uncertain supply, the competitiveness of German industry is at risk. In several energy-intensive sectors, Germany is now one of the most expensive production locations in the world. Many ammonia-fertilizer and aluminum factories have significantly reduced

production.

And, just last week, amid historically high energy prices, natural gas hour-ahead pricing at the virtual trading point in the Netherlands actually went negative for the first time. This underscores the complexity of managing today's supply-demand balances.

In this tumultuous context, governments in Europe especially are pulling all levers to ensure energy supply and keep prices manageable—rapidly shifting to liquified natural gas (LNG) and other sources, conserving energy, subsidizing the costs to consumers, and investing for the long term in renewable energy and hydrogen.

Resilience for the Long Haul

As CEOs around the world figure out how to respond to the broader implications of this energy crisis, the most critical goal should be to invest in [business resilience](#). Leaders should understand the range of scenarios relevant to their industry and sector and pursue strategies that are proactive and adaptive.

When it comes to managing current energy instability, leaders should consider taking four specific actions to manage risks and prepare for the future:

1. **Develop a “control tower”-style perspective** on the organization's exposure to energy prices and volatility across the value chain, moving quickly to optimize production, sales, marketing, and pricing plans in order to protect margins.
2. **Assess and act on a whole-company, near-term [resilience program](#)**, depending on sector, footprint, and relative competitiveness based on energy exposures.
3. **Strategically review the portfolios** of supply sources, production locations, and products for mid-term resilience against the new normal of energy costs and the climate transition.
4. **Accelerate investments into sustainable energy solutions** with quick payback times, including energy efficiency in industrial operations, renewable electricity, building efficiency, and bio-energy.

Climate Action Turnaround

These last two actions are important. As Europe faces a fossil fuel energy crisis, with

cheap Russian supply a thing of the past, the need for a climate transition becomes more urgent than ever. The current energy crisis will force governments and businesses in Europe to invest in new technologies faster than planned, supporting the global push to combat climate change. Every renewable energy park commissioned, every industrial biogas application launched, and every energy efficiency measure adopted can offer affordable and secure energy solutions for the foreseeable future and are good for the planet at the same time.

Disruptive forces can be the lifeblood of tomorrow's opportunities—no matter how dark the winter ahead may look. As leaders, we can use this time to stake a claim for a more positive and stable future.

Until next time,



Christoph Schweizer
Chief Executive Officer

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The answer lies in cutting emissions and shifting the economic business model toward green solutions.

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Pay attention to immediate risks—but remember to look for the many opportunities to build long-term resilience and advantage. BCG experts describe today's volatility and how companies can turn from uncertainty to action.

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