

# Arun Mani Interview

Length: 4:46

## SPEAKERS

Don Pagach, Arun Mani

### **Don Pagach** 00:00

Hi, I'm Don Pagach. I'm the director of research for the Enterprise Risk Management Initiative at NC State. And today we're going to be speaking about a risk that's facing all organizations. And that's energy transition. I couldn't have a better person to speak with than Arun Bonnie from KPMG. Can you tell us a little bit about your background Arun?

### **Arun Mani** 00:18

Sure, Don, first off, it's a pleasure to be here. Beautiful day you have picked in, in Raleigh. I'm Arun Mani, I'm a partner with KPMG. I actually sit in the firm's infrastructure and capital advisory practice. I've largely focused on power and utilities. I've been in the sector for almost 30 years. But really, as an energy transition strategist at KPMG. I focus on clients, both utilities, as well as consumers of utilities, be electricity or gas companies really navigate the energy transition maze.

### **Don Pagach** 00:50

'Okay. Well, let's level set and just why don't you tell us what you mean by energy transition?

### **Arun Mani** 00:55

Sure. So when you think about the infrastructure that's built in this country, a lot of it was developed over the last 200 years, sometimes, you know, think about the transmission lines, the distribution lines, the oil and gas pipelines, that type of infrastructure. Really, what we're talking about energy transition is take what's taken us 200 years really change that in the next 20 to 30 years, which is a pretty aggressive and ambitious goal. So that's really is what energy transition is. It's really aimed at three things. It's aimed at decarbonisation. It's aimed at climate change. And it's really aimed at aging assets.

### **Don Pagach** 01:33

So this sounds like it's really just for energy companies and utilities. But shouldn't this be on everyone's radar?

### **Arun Mani** 01:40

It is, it's a topic, I would say, that is top of mind, beyond just the energy sector itself, also, as I said, by the consumers of energy, and the reason it is important is that if you actually just think about the cost of energy to any business, on average, we're talking about 25 to 35% of their total cost. So that's why energy is a pretty important topic.

## Enterprise Risk Management Initiative

**Don Pagach** 02:03

So what kind of risks are being triggered at other organizations by this energy transition?

**Arun Mani** 02:09

So there's, there's a variety of risks, but let me just, you know, zone in a couple or hone in on a couple of risks. One is technology risk, if you look at the last decade, there's been just, you know, an infusion of new technologies, which is very, very exciting. But at the same time, they don't have the history of, you know, being operating for 30 years, 40 years or so. So a lot of it is new technologies. So you know, along with new technologies really comes in the risk of uncertainty. The second big piece is actually the policy risk. If you think about just some of the climate related policies, some of the emission reduction policies, there's still a lot of uncertainty at the federal level at the state level, also, from an implementation by the corporation exactly when these targets will be met. So it's really a combination of those two, I would say, creates a lot of, I would say risk and uncertainty as far as companies are concerned.

**Don Pagach** 03:01

And so when you go out and speak with organizations, what advice do you have for them as they start thinking about energy transition, and the risks associated with it?

**Arun Mani** 03:12

So I'd say, when I talk to, especially companies outside the power and utility sector, who are consumers of energy, be it electricity or gas, my first advice for them is first, take a stock to get a sense of your your as the state your current state, you know, the basics of how much energy are you consuming? What portion of that energy is can be really considered green are clean energy, how much of that is coming from fossil based fuels? Third is of course, the cost associated with your energy consumption could be electricity, it could be gas, again, having a sense of what's your baseload consumption? What's your peak consumption? How does it vary based on seasonality? Again, a very basic understanding of, you know, what is it? What is it that you're really consuming? And what is the opportunity for you to really optimize this from an energy transition or decarbonisation perspective?

**Don Pagach** 04:04

That's really great advice for a lot of companies that need to do the need to put this higher on their risk register.

**Arun Mani** 04:11

Absolutely. And again, different companies have come at it ran across multiple angles that talked about from a risk register perspective, the two big ones are always policy risk and technology risk. A third one is it especially for those companies that are implementing an embracing some of these technologies is operational risk. So again, those would be the angles that I would say energy transition manifests into a risk register.

**Don Pagach** 04:35

Thank you very much. I really appreciate this and really good advice.

## Enterprise Risk Management Initiative

**Arun Mani** 04:38

Okay. Thank you so much.