

WHY HAS THE UKRAINE WAR PUT A SPOTLIGHT ON CYBERSECURITY AND THE ENERGY TRANSITION?

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The war in Ukraine has catalysed two important megatrends – the growing need for cybersecurity, and the transition towards green energy.

Why cybersecurity? Why now?

The guidance from the United States Cybersecurity & Infrastructure Security Agency (CISA) for organisations, since the conflict started, is ‘shields up’ (see figure below). CISA believes that every organisation, large and small, needs to be prepared for disruptive cyber incidents. Now, more than ever before.

Figure 01: US Cybersecurity & Infrastructure Security Agency guidance for all organisations



Source: US Cybersecurity & Infrastructure Security Agency (CISA), as of 31 March 2022.

Rating agencies Moody's and Fitch have echoed these concerns raising the risk of cyber-attacks against critical infrastructure across public and private organisations. President Biden has repeatedly voiced his concerns about elevated cyber risks emanating from the conflict urging businesses to ensure they have robust guardrails in place.

Most recently, the Australian government has been mobilised on the issue and is seeking to introduce strict cyber security laws to bolster the defence of its infrastructure across 11 key sectors including telecom networks, utility companies, financial services, defence, healthcare, education, and research

among others.

Now, it may seem that the war in Ukraine is being fought via the military and cyber-attacks have not necessarily picked up. But this is precisely the point. Tanks and missiles cause unimaginable human suffering, which they are doing right now. Cyber-attacks are more covert in nature – you don't hear or see them coming. But they too have the potential of causing immense damage.

The hacking of critical national infrastructure like communication networks, or supply of water and electricity can cripple a country. For businesses, the theft of customer data can result in irreparable financial or reputational damage.

Cybersecurity, therefore, is like a necessary guard post that fends away intruders, like the lock on the front door that keeps your house safe. It can sometimes be hard to recognise its importance because when it does its job, nothing happens. But when it doesn't, the outcome can be catastrophic.

In an increasingly digital world, the need for cyber defence has become all the more important and the war is spurring both policymakers and businesses into action.

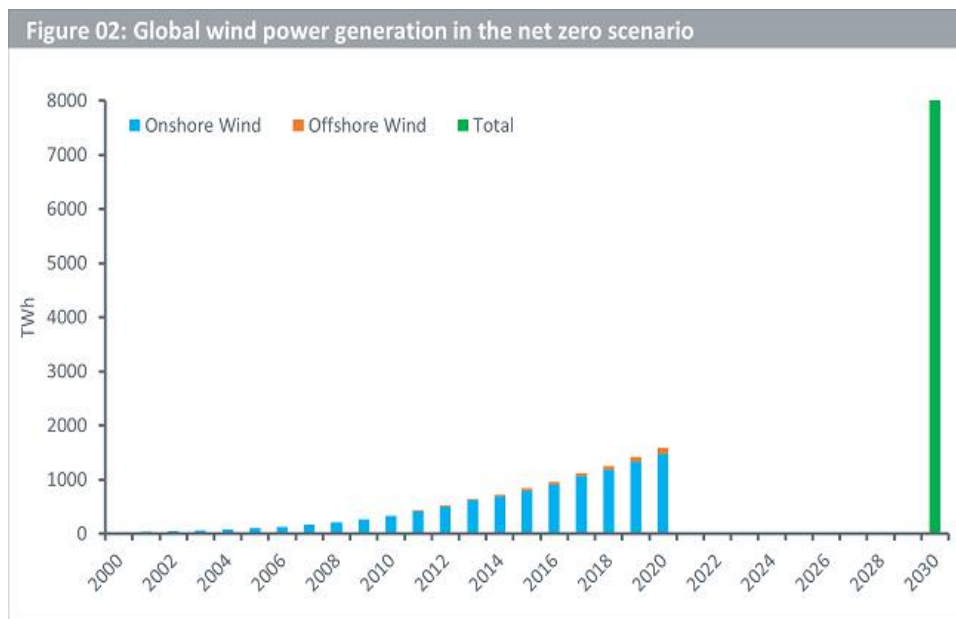
Energy transition or energy security?

The first reaction to the conflict on the energy policy front came from Germany when it announced its intention to turbocharge its transition to 100% renewable energy by 2035 – 15 years ahead of what was previously envisaged. Now, 2035 may be 13 years away but for such an audacious goal to become reality, significant investment will be required in both renewable power generation and energy storage.

The UK Prime Minister, Boris Johnson, has also announced plans to increase Britain's offshore wind power capacity fivefold to make 95% of the country's electricity low carbon by 2030. In 2021, wind energy generated 21.4% of UK's electricity despite many energy companies complaining how it can take years to obtain the necessary licences and permissions – something the UK government has now been prompted to address.

While these policy actions appear to have been ignited by the Ukraine conflict and Europe's desire to reduce its energy dependence on Russia, ultimately it is about reducing dependence on fossil fuels. Geopolitics aside, these are steps in the right direction anyway.

But while offshore wind is being touted as among the most promising forms of renewable energy due to its scalability, growth needs to be exponential in the coming years for the world to achieve net zero by 2050 (see figure 02 below). This would have profound implications for investors in battery technology and industrial metals – the enablers of renewable power.



Source: International Energy Agency (IEA), Wind power generation in the Net Zero Scenario, 2000-2030, IEA, Paris <https://www.iea.org/data-and-statistics/charts/wind-power-generation-in-the-net-zero-scenario-2000-2030>.

Forecasts are not an indicator of future performance and any investments are subject to risks and uncertainties.

What about current market conditions?

Naturally, investors are disappointed when strategies aligned with such megatrends pull back during market downturns. It is helpful to remember that such high growth strategies aren't immune to market dips even if they are caused by pandemics, geopolitics, or monetary policy tightening. Such headwinds, however, cannot derail the megatrend and the merits of taking a thematic approach to investing are expected to become apparent over time.

The war in Ukraine has caused markets to retreat but set these underlying megatrends in motion. We recently identified this as [one of the four key investment shifts from the conflict.](#)

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