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Maslow's Pyramid of Needs, Energy, and Defense in a New Geopolitical Reality

By Morten Springborg, Global Thematic Specialist.
C WorldWide Asset Management Fondsmæglerselskab A/S.

In situations of crisis as we have today with the horrendous Russian attacks on freedom and liberty in Ukraine it is natural for humans to collapse their time horizons and focus on the present situation and mourn the unavoidable loss of life. We are deeply disturbed about the future of Ukraine and the western liberal order. However, it is also a time to reflect and consider what has brought Europe into this calamity, a calamity there are no good forceful responses to – at least not in the short term. We are today seeing the reverse of the collapse of the Berlin wall more than 30 years ago. A new iron curtain is imposed on Europe. It's a dramatic reversal of history we have been closing in on since at least the financial crisis. Unfortunately, very few observers have seen it



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coming, and European politicians have been assuming we could outsource the supply of energy to Russia and defense to the US while the European Political Priority numbers 1,2, and 3 have been the moral high ground of climate change. But at the end of the day, it's down to Maslow's pyramid of needs. Energy is both in the top and the bottom of Maslow's pyramid; in the top as a "luxury" of having the choice of choosing decarbonization, and in the bottom as a basic need necessary for human and economic development, maybe best exemplified by Hans Rosling: [The magic washing machine | TED Talk](#). Energy in the upper echelons of a 'hierarchy of needs, being a luxury "good" surely will be discounted in times of harsh geopolitical and economic challenges. The bottom levels of the hierarchy – food, shelter, energy, and security get the upper hand.

A famous quote says that "Everyone has a plan 'till they get punched in the mouth". Putin's punch has forcefully – and perhaps unintentionally – readjusted Europe's Plan. Germany has 70 years after the World War 2 defeat finally come around to accepting that economic and political power requires military power, necessitating a significant increase in military capabilities. In the coming months most if not all countries across Europe will be bumping up defense budgets significantly. The Peace Dividend from the fall of the Berlin Wall will have to be

dialled back and reinvested into a defense of freedom and liberty in Europe.

It's become painfully clear that being dependent on gas and oil from savvy autocracies puts your energy sourcing front and center of discussion. On top of rearmament, Germany is starting to build strategic reserves in coal and gas (good luck with that) and Italy will be repowering previously closed coal power plants to reduce the dependency on imported Russian gas. On the margin, the consequence will be higher, not lower CO2 emissions in the 2020s in Europe. This is what happens when energy goes from being a "luxury good" to becoming a basic need, and decarbonization takes second place relative to national security.



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This will lead to a nuclear renaissance also in Europe. Even before the Russian atrocities, IPCC said decarbonization can't be done without nuclear power. Gas import capabilities in the form of LNG import terminals will have to be built on a massive scale but face the problem that investments into gas production have halved since 2015 because of the climate change agenda. This must change if we want to reduce our dependency on Russian gas. The world needs to massively increase investments into both nuclear and gas production, and therefore we support the inclusion of both as green technologies under the EU taxonomy. The only caveat should be that requirements of facing out gas by 2035 are unrealistic and risks detracting required investments.



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This will have significant consequences for capital markets, pension funds, and other institutional investors. We need to invest much more in resources as well as in our defense, as it has become a question of national security for the first time in generations. The financial sector and pension funds will be asked to do national service similar to how states have assumed that pension funds should finance the transition to renewable energies.

Renewable energies will see huge increases in investments. What is still not obvious to the broader public is that renewables are not going to be sufficient. As mentioned, the world has underinvested significantly in primary energy since at least 2015, and the imbalance in European energy markets will only expand further due to the decoupling from Russian gas and oil imports. Therefore, there will have to be very large investments going into energy conservation and substitution of Russian fossil supplies, in the form of nuclear, oil, gas production, and LNG imports, simply because renewable energy has very low power density and is not capable of compensating for the shortfall of Russian energy supply.

John Maynard Keynes is known to have said, "When the facts change, I change my mind." What do you do?

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C WORLDWIDE ASSET MANAGEMENT FONDSMAEGLERSELSKAB A/S

Dampfaergevej 26 · DK-2100 Copenhagen

Tel: +45 35 46 35 00 · Fax: +45 35 46 36 00 · VAT 78 42 05 10 · cworldwide.com

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