



ODDO BHF

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Energy revolution: Don't be lost in transition



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Every conversation today seems to revolve around the disruptive impact of artificial intelligence. And rightly so. We are witnessing a profound technological revolution that has the potential to reshape not only our daily lives but also the way we invest, allocate capital, and position portfolios. Yet beneath the surface of the AI narrative, another major transformation is unfolding—one that may prove equally consequential: the emerging energy revolution.

The surge in electricity demand driven by data centers is creating significant challenges but also opening up tremendous investment opportunities. It is therefore worth exploring this theme in greater depth, particularly at a time when much of the world is experiencing extreme heatwaves and confronting the reality of a structural increase in global temperatures.

Electrification as a new dimension of energy security

Historically, energy security has been synonymous with securing reliable access to fossil fuels through stable imports and diversified supply routes. Recent geopolitical developments, however—most notably Europe's dependence on Russian gas prior to 2022—have exposed the limitations and vulnerabilities of this model. The disruption of gas supplies triggered sharp price increases, strained industrial competitiveness,

and forced a costly reconfiguration of energy supply chains. More importantly, it highlighted the strategic value of controlling energy systems rather than simply diversifying energy sources.

As a result, electrification is increasingly viewed not only as a key component of the energy transition but also as a strategic imperative. Domestic electricity production from renewable and nuclear sources enhances national sovereignty by reducing dependence on imported fuels and volatile commodity markets. However, this transition introduces a new set of challenges. Unlike oil and gas, electricity cannot be easily stored or transported over long distances at scale. Consequently, energy security becomes increasingly dependent on the resilience and efficiency of a highly interconnected infrastructure encompassing generation, transmission, and distribution networks.

Infrastructure challenges and investment opportunities

Rising electricity demand is reshaping energy systems across the globe. Growth is being fueled by the expansion of data centers, the adoption of electric vehicles, the electrification of heating, and the broader transformation of industrial processes.



At the same time, renewable energy sources account for the overwhelming majority of new power-generation capacity.

Yet electricity networks are struggling to keep pace. Much of the existing infrastructure was designed decades ago around centralized production models and now faces the dual challenge of accommodating rising demand while integrating intermittent renewable energy sources. Ageing assets and underinvestment in grids further compound these issues.

This creates a fascinating paradox. Electrification strengthens long-term energy independence while simultaneously increasing reliance on complex and capital-intensive infrastructure. As a result, value creation is gradually shifting away from the ownership of energy resources themselves and toward the ability to operate and optimize electricity systems efficiently.

For investors, the opportunity extends far beyond power generation. It encompasses the entire ecosystem that enables reliable electricity delivery: transmission and distribution networks, electrical equipment, energy storage solutions, and the software systems that manage increasingly complex grids. Importantly, these investments remain essential regardless of political cycles or policy shifts. Electricity networks must continue to operate safely, efficiently, and reliably. Ultimately, economic competitiveness and national resilience will increasingly depend on the strength and autonomy of electricity infrastructure.

How should investors position themselves?

My recommendation is relatively straightforward.

In the current environment, highly concentrated stock-picking strategies have become increasingly challenging. The short-term behaviour of many stocks appears less connected to fundamentals than in the past. Single-name volatility continues to rise, and we have all seen examples of companies moving 20% or more in either direction for reasons driven primarily by flows, positioning, or speculation rather than underlying business developments. The widespread availability of leveraged investment strategies only amplifies these dynamics.

In such an environment, diversification is simply common sense. Investors should seek broader exposure—not only across a larger number of companies, but also across industries, subsectors, and geographic regions—to reduce idiosyncratic risk. From this perspective, ETFs and actively managed funds represent compelling tools for gaining exposure to long-term structural themes.

However, when it comes to electrification, I believe investors should look beyond passive benchmark exposure and favour active management. As discussed above, the investment universe is broad and multifaceted, encompassing everything from asset ownership to operational efficiency, infrastructure development, equipment manufacturing, software solutions, and energy storage. Capturing the most attractive opportunities requires a selective and flexible approach that broad market indices cannot always provide.

Themes continue to be among the most powerful drivers of long-term performance, whether AI, electrification, or the broader infrastructure transformation they are enabling. More fundamentally, the global economy appears to be entering a new phase—one characterized less by consumption-led growth and more by investment and capital expenditure-driven expansion.

Investors must adapt accordingly. Success will depend on identifying the right structural themes, allocating capital to the most promising regions, selecting the sectors best positioned to benefit, and ultimately choosing the companies with the strongest competitive advantages.

This is undoubtedly a demanding task. But it is precisely the challenge we are committed to addressing every day.

I wish you all a lovely summer break

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