

FORTUNE

**“A DISASTER
WAITING TO
HAPPEN”**



HOW BOEING BROKE DOWN
BY SHAWN TULLY

**AND... HOW RELYING ON EXCEL, A 30-YEAR-OLD
TOOL, USING A DETERMINISTIC APPROACH, WILL
CONSTRAIN THE ENERGY TRANSITION PROCESS**

SUPPORTING THE ENERGY TRANSITION WITH AN ENHANCED FINANCE FUNCTION



“As we seek to optimize the efficacy of the energy transition, enhancing the finance function using a probabilistic approach will play a critical role in making value-accretive decisions for the strategic, investment, financing, capital allocation, transaction and ESG choices required.”

The global energy transition is driving the decision-making process for both traditional and renewable energy companies. Yet the primary financial tool used to model these decisions – Excel; a 30-year-old, 2-dimensional technology – does not generate materially meaningful insights into the dynamic and volatile nature of today’s energy world.

“This results in sub-optimal risk/return analyses across all business functions, for investors, executives and Boards,” recognizes Lachlan Hughson, Founder of **4-D Resources Advisory LLC**, “putting billions of dollars of investment at risk while increasing the strategic, legal, environmental, societal and governance costs of inherently avoidable mistakes.”

Fortunately, a tool now exists to convert our static financial models into dynamic models – an Excel add-in – which uses Monte Carlo simulation to facilitate (i) a more realistic inclusion of real-world data, and (ii) an order-of-magnitude greater insight into financial outputs and decision variables at a far lower dollar and time cost than we incur today.

@RISK software from Lumivero, one of the leading probability-based Excel add-ins available, is that unique tool. With 150,000 subscribers across 24 industries in 95 countries, it represents a critical link to upgrading our financial models to facilitate more dynamic/objective analyses and more efficient data on which to base our decisions.

This approach can be applied to the budgeting process, valuation, M&A, capital raising, investment and strategic decisions, and Board risk analytics. And is equally insightful for executives, bankers, analysts and investors.

Fortunately, as both finance and management professionals seek to educate themselves on how a probabilistic approach would upgrade the finance function, quality online tools exist to help develop the knowledge required to implement such an approach across a wide range of corporate finance applications.



Saga Wisdom is an example of how modern media technology is making this knowledge available for all – it recently included a video-based course focused on how to understand and apply this new probabilistic approach to the finance function. Plus, it also provides a comprehensive range of related videos enhancing the knowledge required for effecting the energy transition.

With a probabilistic add-in to upgrade Excel, training support and skilled professional users, the finance function can now be materially upgraded to a more dynamic approach – one that will only enhance its critical role in effectively facilitating the global energy transition.