From Transaction to Strategic Value Creation:

Redefining Procurement's Role in the Energy Sector.

Prepared for Energy Procurement Supply Association

Prepared by MBB Group Pty Ltd

epsa Energy Procurement Supply Association

MBB GROUP

Contents

1. About EPSA

The Energy Procurement Supply Association (EPSA) is an Asia Pacific not-for-profit association made up of energy industry procurement and supply professionals. EPSA's value proposition is to enable a collaborative environment where supply chain and procurement professionals support and learn from each other to address common business challenges. It brings together members and often prospective members to network and collaborate for the purpose of sharing and creating tangible, sustainable business benefits to their respective organisations. This includes exploring contemporary issues and best practice opportunities that drive and enable procurement and supply chain optimisation.

EPSA Membership spans the Asia Pacific region with members based in Hong Kong, Macau, Malaysia and across most Australian States and Territories. EPSA activities are managed and delivered largely through the voluntary work of the membership.

2. Message from the President

The volume and pace of change facing utilities in the energy sector is evolving rapidly, with unprecedented opportunities for load growth and leading the transition to a decarbonised, healthy and prosperous future. To support the energy transition, the role of procurement and supply chain professionals requires a fundamental shift from a transactional, tactical support function, to one that focuses on optimising commercial outcomes from suppliers and fosters strong internal relationships to deliver long-term value, drive innovation and efficiency, manage risk and optimise supplier spend. Procurement and supply chain teams have a pivotal role to play in accelerating progress to a sustainable energy future.

This year's white paper reflects a critical shift in thinking: procurement and supply chain professionals must evolve from transactional facilitators to strategic value creators. The findings and case studies featured in this report confirm what many across the industry are already witnessing.

Organisations that enable and empower their procurement and supply chain functions are consistently outperforming those that do not. At EPSA, we believe this evolution is not only timely, but essential.

That is why we developed this white paper: to offer practical insights, spark strategic conversations, and champion the vital role of procurement and supply chain professionals in shaping the future of the energy sector.

We hope this paper serves as a valuable resource for industry leaders, practitioners, and policymakers alike. Whether you are building capability, navigating transformation, or driving innovation, we trust the ideas shared here will support and inspire your journey.

Thank you to all who contributed to this work and to those across our network who continue to lead with purpose, ambition, and vision.

Regards,

Charlotte Mulholland
President, Energy Procurement Supply Association (EPSA)

3. Executive Summary

The energy sector is undergoing seismic change, becoming faster, more complex, and more interconnected than ever before. The pressure to decarbonise, digitise, and de-risk is reshaping how energy organisations operate and what they expect from their procurement and supply chain functions.

Long gone are the days where procurement and supply chain practitioners sat quietly in the background. Today, they are expected to lead from the front, steering strategy, managing risk, and shaping the organisation's response to an increasingly unpredictable world.

This white paper considers traditional procurement approaches within the energy sector and makes the case for a critical transformation: from transactional procurement and supply chain to strategic value creation.

What does 'strategic value creation' really mean?

For the purpose of this white paper, we see strategic value creation as the process which delivers benefits to an organisation in such a way as to enhance the organisation's ability to attain its strategic goals. This paper looks at approaches which are not simply in place to create value, but do so in a way which finds new ways to leverage materials, goods and service, builds resilience and drives sustainable growth.

- **Value** is the benefit gained from acquiring goods and services, typically measured through cost savings, delivery performance or compliance.
- **Value creation** goes further by using procurement and supply chain decisions to drive efficiencies, mitigate risk, and foster innovation.
- **Strategic value creation** elevates this again. It means aligning procurement and supply chain strategy with an organisation's strategy and broader corporate objectives—whether that's growth, decarbonisation, operational excellence, or regulatory leadership. It is about ensuring every sourcing and supply chain decision contributes to long-term resilience, enables competitive differentiation, and fuels sustainable business outcomes.

Strategic value creation means going beyond what is being bought and how much it costs. It requires asking why something is being sourced, how it aligns with broader business goals, and what greater impact it can deliver. Effective procurement and supply chain decisions have the power to influence outcomes that matter, driving operational efficiency, improving financial performance, and delivering positive environmental, social and governance results.

In today's energy economy, the organisations that embed procurement and supply chain practices as a core strategic decision-making function rather than treating them as simply transactional, will be best positioned to lead the industry into the future. Drawing on over 40 one-on-one interviews with industry leaders from Energy Procurement Supply Association (EPSA) member organisations and key energy sector suppliers, supported by data-driven insights and case studies, this white paper provides:

- A clear view of industry trends reshaping the energy sector, including the energy transition, grid modernisation, policy disruption, cyber risks, and growing investor scrutiny around Environment, Social and Governance (ESG) performance.
- A framework for unlocking value in procurement and supply chain decisions, focusing on enhancing resilience, embedding ESG principles, enabling innovation, and supporting competitiveness in unregulated markets.
- Real-world examples from leading organisations, such as APA Group, Powerlink Queensland, Enerven, SA Power Networks, and Energy Queensland, showcasing how strategic procurement and supply chain thinking can drive tangible business impact.
- An in-depth look at the ongoing skills revolution, where technical fluency, digital acumen, commercial intelligence, and cross-functional leadership are emerging as essential competencies for future success.

Key takeaways

As the energy sector navigates rapid change, four clear themes are emerging from the front lines of procurement and supply chain transformation. These takeaways capture what it will take for energy organisations and procurement and supply chain professionals to move from transactional execution to strategic value creation.

1 **The idea of value is changing:** Not all value is created equal. Forward-thinking organisations are moving beyond cost savings and transactional wins, reshaping procurement and supply chain practices to focus on long-term value, supplier-enabled innovation, and alignment with overall corporate strategy.

2 **Skills are the differentiator:** The future of procurement and supply chain success lies with professionals who can think strategically, manage complexity, and lead change. In today's dynamic market, Artificial Intelligence (AI) literacy, ESG insight, risk intelligence, and commercial acumen have become essential skills, setting the new baseline for success.

3 **The talent pipeline is under pressure:** AI automation and digitisation are gradually replacing traditional entry-level roles in procurement and supply chain departments. Without a concerted effort in upskilling, the sector faces the risk of a talent shortage, leaving it unprepared for future challenges.

4 **The future is multi-generational:** The most resilient teams will seamlessly blend the deep experience of seasoned professionals with the digital fluency of younger generations, leveraging diverse perspectives and capabilities to foster innovation and adaptability.

In a volatile energy environment, where risk is rising and opportunity windows are narrowing, the procurement and supply chain function is no longer just another transactional necessity, it is a strategic imperative. Organisations that fail to evolve will fall behind. Those that enable and empower their procurement and supply chain function to lead and create value will define the next era of the energy sector.

Food for Thought

Not just to create value, but to do so in a way which builds resilience and, in turn, drive sustainable growth.

Not just to procure materials or services, but to consider how those materials and services can be leveraged to create greater value than their traditional or base purpose.

4. Introduction

4.1 Background and problem statement

From transactions to transformation: repositioning the role of procurement and supply chain professionals in a shifting energy economy.

Today's energy sector is experiencing an unparalleled transformation, one that will define its future for decades to come.

With global markets remaining unpredictable, supply chains stretched thin, and disruptions brought about by emerging technologies, the role of procurement and supply chain functions is evolving at an unprecedented pace.

In this shifting environment, the traditional procurement and supply chain playbook, primarily focused on cost control and transactional efficiency, is increasingly becoming both outdated and risky.

Today, the procurement and supply chain function is no longer only about securing better prices, it is about ensuring timely access to critical resources, managing complex risks, and delivering long-term strategic value to organisations.

At the heart of this transformation is the accelerated shift towards renewable energy.

Driven by supportive policy frameworks and improving cost competitiveness, global renewable power capacity is projected to expand significantly throughout this decade, with total additions expected to rival the combined existing capacity of China, the European Union, India, and the United States (International Energy Agency, 2023).

Renewable annual net capacity additions by technology, main and accelerated cases, 2015-2027

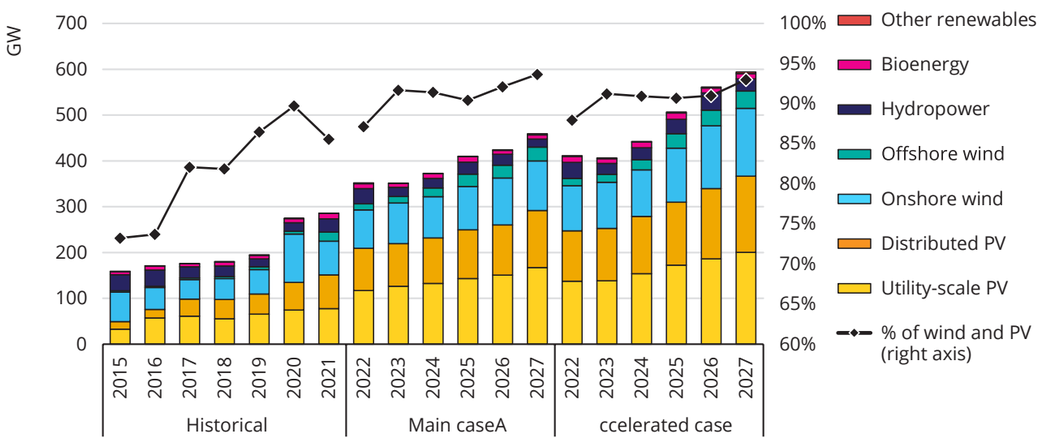


Figure 1: Renewable annual net capacity additions by technology, main and accelerated cases, 2015–2027.
Source: International Energy Agency. (2022). Renewables 2022. https://www.iea.org/reports/renewables-2022

The pace of the energy transition has triggered a sharp rise in demand for critical materials, exposing vulnerabilities in the global supply network and raising concerns about long-term resource security (International Energy Agency, 2021). Compounding this pressure are rising geopolitical tensions, growing cyber threats and an increasingly complex ESG regulatory landscape, forcing energy organisations to fundamentally rethink how they assess and manage procurement and supply chain risk.

For procurement and supply chain leaders in energy organisations, the mandate has become clearer than ever and yet far more complex to execute.

- Secure access to critical inputs in an increasingly dynamic global market shaped by shortages, export controls, and trade disputes.
- Integrate ESG and emissions reduction goals directly into sourcing strategies, or face the consequences of increasing costs, reputational risk, and mounting investor pressure.
- Use AI and digital tools to track spend, enhance visibility, forecast risk, and unlock efficiencies.
- Build resilient supplier networks that can withstand geopolitical instability and economic shocks.

Despite these escalating pressures, many procurement and supply chain functions to this day remain anchored in legacy models prioritising transactional throughput rather than strategic contribution.

This inertia carries enough risks to cripple the operations of even the largest of energy sector organisations.

Therefore, in today's energy landscape, it is essential that procurement and supply chain functions embrace its long-overdue role as a frontline enabler of resilience, innovation, and competitive advantage, otherwise known as a 'Value Creator' function.

"Procurement has an opportunity right now to claim its rightful position as a strategic value creator within an organisation."

(Laker, 2021)

The problem: Traditional procurement and supply chain models are no longer fit for purpose

Energy organisations that continue to rely on traditional, transactional procurement models risk becoming uncompetitive in today's increasingly complex and fast-paced environment.

Historically seen as support functions focused on cost control, compliance, and process execution, procurement and supply chain departments are now expected to do far more. They are being called upon to manage complex supplier ecosystems, mitigate global supply risks, embed ESG standards, enable innovation, and support organisational resilience — all while navigating tighter budgets, shorter timelines, and accelerating technological change. The legacy model, designed for efficiency and transactional throughput, is no longer equipped to meet the strategic demands of this new reality. In this context, the question is no longer whether procurement and supply chain practices must evolve, but rather how quickly.

For energy organisations, failing to modernise procurement and supply chain practices is no longer just a risk to efficiency — it is a risk to competitiveness. Without transformation, the entire business risks falling behind. To stay ahead, procurement and supply chain practices must be repositioned as core strategic functions that build resilience, drive innovation, and create long-term, enterprise-wide value.

This transformation demands a new mindset and a new model.

- Shift from short-term cost savings to long-term value creation through supplier partnerships.
- Transform procurement and supply chain into frontline risk management functions, not just a sourcing department.
- Integrate AI, data, and automation to unlock predictive insights and future-proof decisions.
- Build the next generation of procurement and supply chain talent, fluent in strategy, technology, and ESG requirements.

4.2 Study rationale

Why this white paper? Why now?

The energy industry is shifting fast, and the role of the procurement and supply chain function must shift in parallel.

This white paper is a call to action.

It outlines the roadmap for redefining the procurement and supply chain function in energy organisations from reactive transactional functions to proactive, value-led functions that enables long-term competitive advantage.

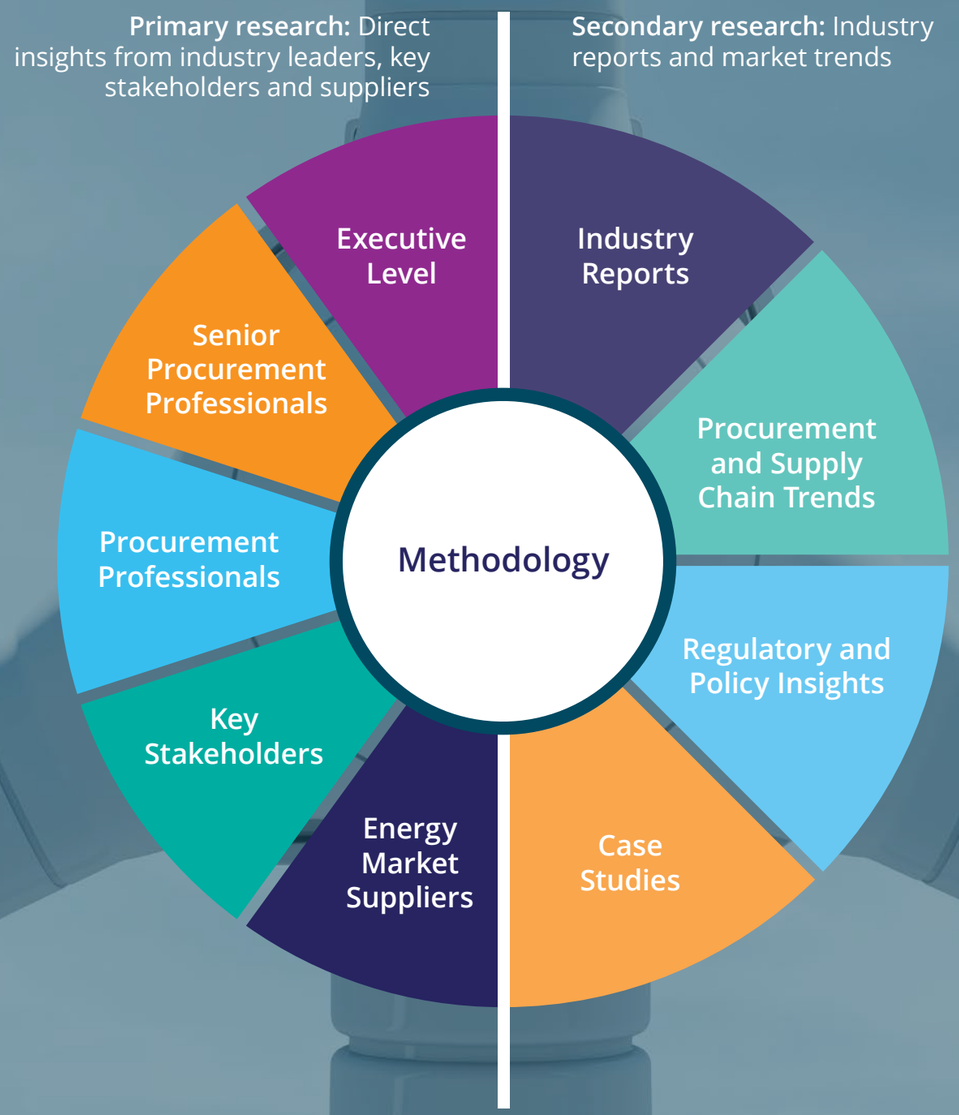
In today's energy economy, those who fail to evolve will not just fall behind, they will fall apart.

What this white paper covers:

- **Sections 5 and 6:** Explores the top trends currently redefining the energy industry and the procurement and supply chain functions. These sections provide a comprehensive understanding of the key forces shaping the energy sector and why they demand immediate attention.
- **Sections 7 and 8:** Focuses on the shift from transactional to strategic procurement, and how organisations can unlock value creation at scale. This provides readers with practical insights on transforming procurement functions to drive growth, resilience, and innovation.
- **Section 9:** Delves into the new skillsets and leadership mindsets necessary to build high-impact procurement and supply chain teams. These insights aim to help organisations cultivate the right talent to thrive in an evolving landscape.
- **Section 10:** Offers a forward-looking view of the roles of procurement and supply chain professionals in 10 years' time, looking at the future trajectory of the profession and preparing practitioners for the changes ahead.
- **Section 11:** Presents a framework to embed strategic procurement and supply chain thinking at the heart of corporate growth and risk strategies. This provides a clear roadmap for leaders to align procurement with long-term organisational objectives and manage emerging risks.

4.3 Methodology: How this white paper was developed

This paper is built on real-world insights, supplemented by theory. It draws on both primary and secondary research to present a comprehensive view of the evolving role procurement and supply chain functions play in energy organisations.



Primary research: Direct insights from industry leaders, key stakeholders and suppliers

To gain a comprehensive understanding of the transformation within the procurement and supply chain functions in energy organisation, nearly 40 one-on-one interviews were conducted with professionals and industry leaders from EPSA member organisations and key energy sector suppliers. The interviews spanned five key sample groups:

- **Executive level:** Chief Procurement Officers (CPOs), Chief Financial Officers (CFOs), and senior decision-makers who are shaping corporate strategy and defining the evolving role of procurement and supply chain functions in energy organisations
- **Senior procurement professionals:** Procurement and supply chain leaders overseeing procurement and supply chain transformation, supplier strategy, and risk management
- **Procurement professionals:** Procurement and supply chain specialists responsible for the execution of procurement and supply chain strategies, technology adoption, and supplier engagement
- **Key stakeholders:** Experts from engineering, operations, project management, and finance who collaborate closely with procurement and supply chain teams, offering valuable cross-functional insights into the role of procurement and supply chain in energy organisations
- **Energy market suppliers:** Key suppliers within the energy sector, offering valuable insights into the latest trends, challenges, and opportunities in supply chain collaboration within the energy industry.

These interviews delivered first-hand perspectives on procurement and supply chain challenges, shifting priorities, and the capabilities needed to drive long-term strategic value within energy organisations.

Secondary research: Industry reports and market trends

This white paper is further informed by comprehensive desktop research, drawing on:

- **Industry reports:** Insights from reputable sources, including reports from leading consultancies such as McKinsey, BCG, KPMG and Deloitte etc.
- **Procurement and supply chain trends:** Analysis of emerging trends within the global and APAC energy industry
- **Regulatory and policy insights:** Published findings from energy regulators, government policies, and ESG compliance frameworks
- **Case studies:** Examples of energy organisations that have successfully transformed their procurement and supply chain strategies.

By blending insights from industry professionals and suppliers with quantitative and qualitative market data, this white paper provides a practical, data-driven roadmap for energy organisations seeking to elevate the procurement and supply chain function from a supportive and transactional function to a strategic driver of value, innovation, and resilience.

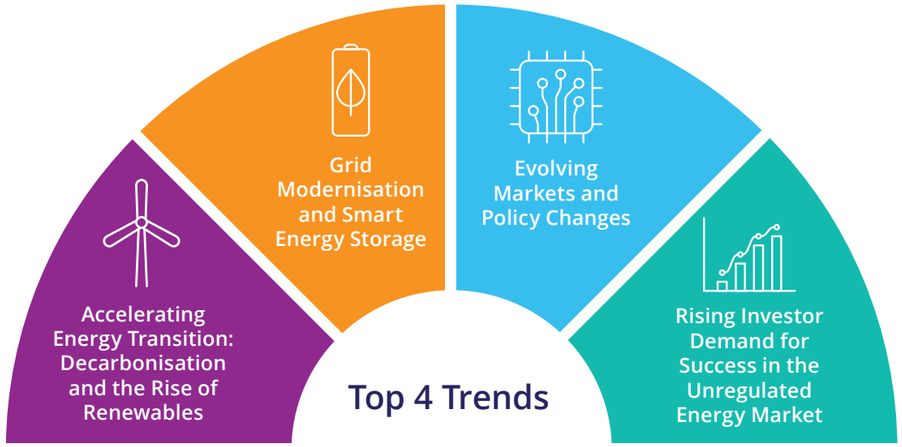
4.4 SME engagement summary

Organisations

Professional Body

Suppliers

5. Four Top Trends Transforming the Energy Industry



5.1 Accelerating energy transition: Decarbonisation and the rise of renewables

The energy transition is not unfolding quietly, it is happening at full speed.

Massive investments in wind, solar, and battery storage are reshaping procurement and supply chain models, driving competition for critical supplies and forcing organisations to rethink sourcing strategies and supplier relationships.

For countries leading the transition, the shift is not only about meeting emissions targets but also about technological reinvention, driving rapid infrastructure redesign to support the deployment of clean energy technologies.

In this evolving landscape, procurement and supply chain functions are being redefined by the need to ensure supply security, manage risk proactively, and capture early-mover advantage, all while maintaining cost discipline and operational efficiency.

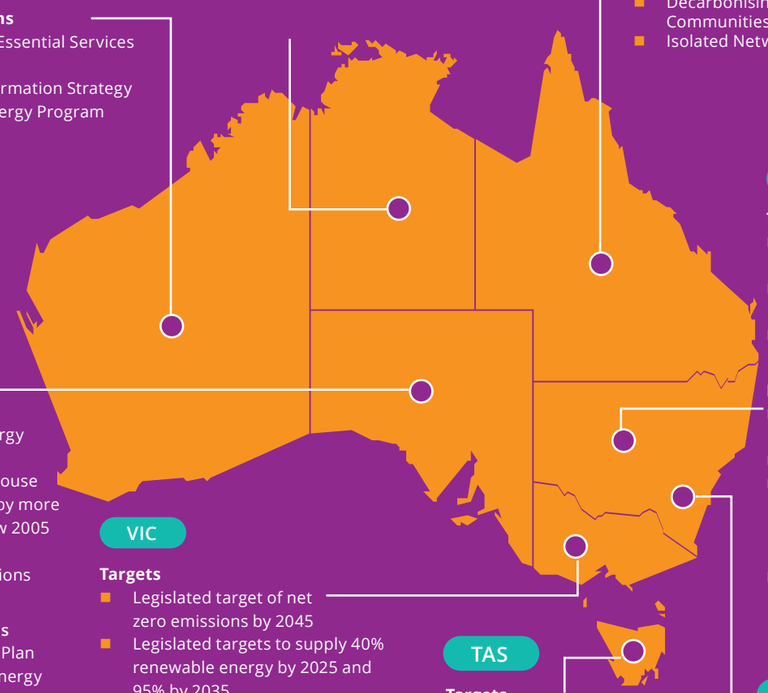
This shift is particularly evident in Australia, where renewable energy adoption is accelerating, driven by government policy, corporate sustainability commitments, and investor demand. Australia is undergoing a clean energy transformation, with a national target to reach 82% renewable electricity generation by 2030 (Department of Climate Change, Energy, the Environment and Water, 2024).

These clean energy targets can be seen in detail in Figure 2.

"Renewables are moving faster than national governments can set targets for. This is mainly driven not just by efforts to lower emissions or boost energy security – it is increasingly because renewables today offer the cheapest option to add new power plants in almost all countries around the world."

IEA Executive Director Fatih Birol (International Energy Agency [IEA], 2023).

State and Territory clean energy targets, policies, and initiatives impacting First Nations rights and interests.



NT

Targets
- Net zero emissions by 2050

Policies & Programs
- Remote Power System Strategy
- NT Solar Banks
- Social Housing Energy Performance Initiative
- Indigenous Essential Services Program
- Homelands Program

QLD

Targets
- 30% emissions reduction on 2005 levels by 2030
- 75% emissions reduction on 2005 levels by 2035
- Zero net emissions by 2050

Policies & Programs
- Queensland Microgrid Pilot Fund
- Decarbonising Remote Communities Program
- Isolated Networks Strategy

WA

Targets
- A whole-of-government 2030 greenhouse gas emissions reduction target of 80% below 2020 levels

Policies & Programs
- Remote Areas Essential Services Program
- Energy Transformation Strategy
- Community Energy Program

NSW

Targets
- 50% reduction on 2005 levels by 2030
- 70% reduction on 2005 levels by 2035
- Net zero emissions by 2050

Policies & Programs
- Electricity Infrastructure Roadmap
- First Nations Guidelines
- Community and Employment Benefit Program for Renewable Energy Zones in NSW
- NSW Hydrogen Strategy

SA

Targets
- Net 100% renewable energy by 2027
- Reduce greenhouse gas emissions by more than 50% below 2005 levels by 2030
- Net zero emissions by 2050

Policies & Programs
- Hydrogen Jobs Plan
- Remote Area Energy Supply Scheme

VIC

Targets
- Legislated target of net zero emissions by 2045
- Legislated targets to supply 40% renewable energy by 2025 and 95% by 2035

Policies & Programs
- Victorian Transmission Investment Framework
- Victoria's Climate Change Strategy
- Gas Substitution Roadmap
- First Peoples' Adoption of Renewable Energy Program
- Renewable Energy Zone Fund
- Traditional Owner Renewable Energy Program
- Traditional Owner Offshore Wind Engagement Program

TAS

Targets
- Legislated target to reduce emissions by at least 60% below 1990 levels by 2050
- Legislated 200% renewable energy target by 2040

Policies & Programs
- Renewable Energy Coordination Framework
- Tasmania's Climate Change Action Plan
- Your Energy Support Program
- Energy Sector Emissions Reduction & Resilience Plan

ACT

Targets
- Reduce emissions by 50% to 60% (from 1990 levels) by 2025
- Net zero emissions by 2045

Policies & Programs
- ACT Climate Change Strategy
- Integrated Energy Plan
- ACT's Zero Emissions Vehicles Strategy

Figure2: State and Territory clean energy targets, policies, and initiatives impacting First Nations rights and interests (as of October 2024).
Source: Australian Government. (2023). Rewiring the nation: Powering Australia's clean energy future. https://www.energy.gov.au/government-priorities/energy-ministers/priorities/national-energy-transformation-partnership

On the supply side, the shift to renewables is driving a surge in global demand, with Australian manufacturers now balancing strong domestic growth alongside rising international interest .

The impact of new technologies, and the success of these renewable generation options in driving domestic growth, can be seen in Figure 3.

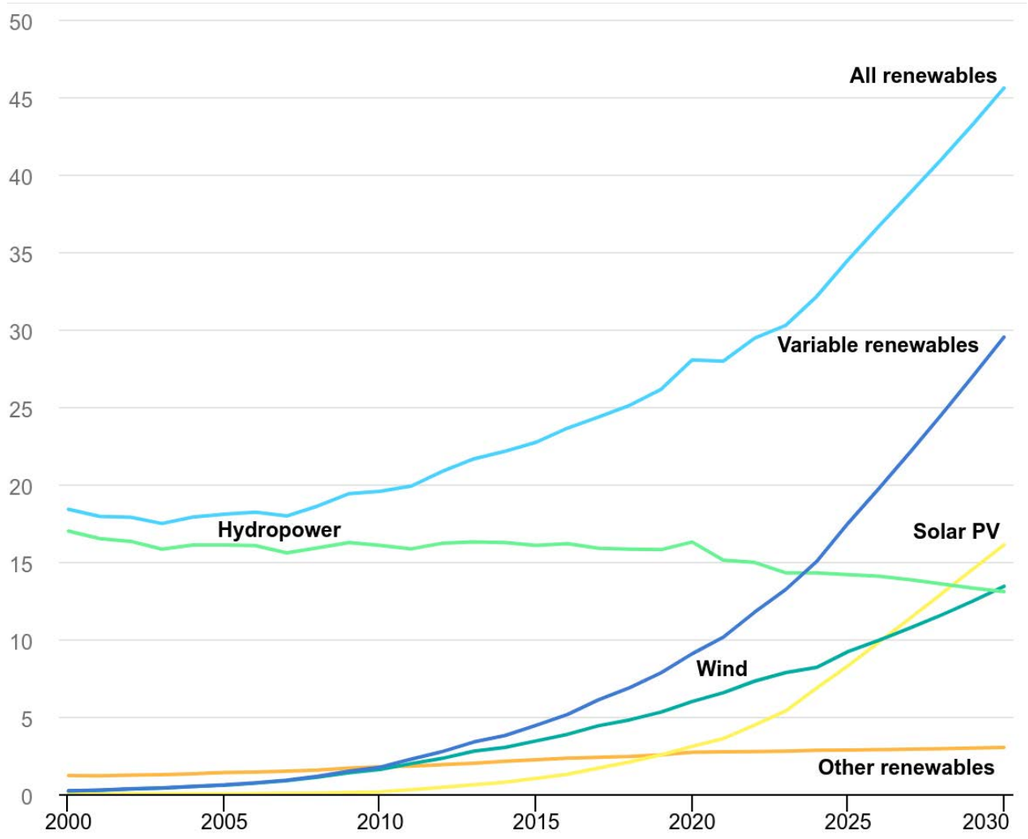


Figure 3: Share of renewable electricity generation by technology, 2000–2030.
Source: Share of renewable electricity generation by technology, 2000–2030, by International Energy Agency, 2024, https://www.iea.org/data-and-statistics/charts/share-of-renewable-electricity-generation-by-technology-2000-2030

"Global demand for renewables is pushing overseas buyers to Australian manufacturers, especially for transformers and substation components. As demand intensifies and critical supplies become scarcer, establishing long-term supplier relationships is increasingly vital to securing essential equipment."

Keian Barnard, Managing Director, Tyree Industries Pty Ltd

“Australia’s energy landscape is undergoing a once-in-a-century transformation. The transition to renewable energy—solar, wind, hydrogen, and battery storage—is essential for decarbonisation, energy security, and economic growth. However, this transition is not just an engineering challenge. It is a supply chain challenge.”

Trace Consultants, 2025

Key challenges

- **Supply chain bottlenecks:** The surge in demand for critical materials such as lithium, rare earth elements, and polysilicon has driven up costs, introduced lead time uncertainty, and increased exposure to global shortages.
- **Reliance on overseas suppliers:** Markets heavily reliant on imported solar panels, wind turbines and battery components are becoming increasingly vulnerable to shifting trade dynamics and geopolitical friction.
- **Regulatory and policy uncertainty:** Unpredictable changes in renewable subsidies, carbon pricing and transmission infrastructure policy create risk for long-term procurement contracts and market investment.

How energy organisations are responding

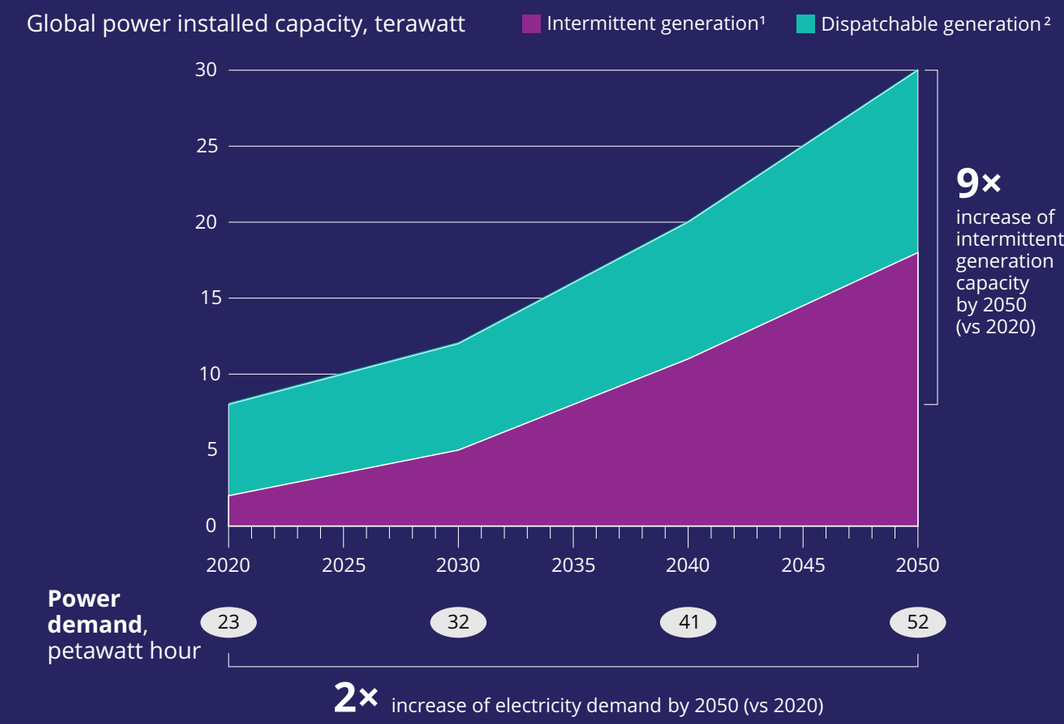
- **Shifting to regional supply chains:** Energy organisations are moving towards regional supply chains to reduce reliance on overseas suppliers and mitigate global disruptions.
- **Securing long-term supply agreements:** Organisations are establishing long-term agreements with renewable technology providers to stabilise pricing and ensure reliable availability.
- I**nvesting in digital procurement technologies:** Energy companies are investing in digital tools to enhance supplier risk assessments and enable real-time ESG tracking, improving visibility across complex supply networks.

5.2 Grid modernisation and smart energy storage

The energy transition is driving an unprecedented surge in demand for Renewable Energy Sources (RESs). As decarbonisation accelerates, RESs are expected to account for 45% to 50% of the global power supply by 2030, and 60% to 70% by 2040. With this rapid growth, the installed capacity of RESs could increase ninefold from 2020 to 2050 (McKinsey & Company, 2024). This escalating demand for renewable energy will require substantial expansion of power grids to meet rising electricity needs while ensuring grid stability and reliability.

To achieve net-zero emissions by 2050, countries will need to double their investment in transmission lines and grid infrastructure (McKinsey & Company, 2024). This underscores the urgent need for grid modernisation and smart energy storage systems to manage the increasing complexity and intermittency of renewable energy sources. reactive transaction function to a proactive, value-led function that enable long-term competitive advantage.

Power grids need to accommodate the penetration of increased renewable energy sources, as well as increased energy demand.



¹ Solar PV, concentrating solar-thermal power (CSP), onshore and offshore wind.
² Gas, nuclear, oil, coal, biomass, hydrogen, geothermal, storage, and hydropower.
Source:Global Energy Perspective 2023, McKinsey, November 2023; Current Trajectory scenario

Figure4: Projected increase in global power capacity and electricity demand by 2050.
Source: McKinsey & Company. (2023). ***How grid operators can integrate the coming wave of renewable energy.***
https://www.mckinsey.com/industries/electric-power-and-natural-gas/our-insights/how-grid-operators-can-integrate-the-coming-wave-of-renewable-energy

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For procurement and supply chain professionals, this transformation represents a pivotal shift in how value is created, and which suppliers hold strategic importance. In response, procurement and supply chain teams are expanding their supplier base beyond traditional grid vendors to forge new partnerships with battery manufacturers and providers of Distributed Energy Resources (DERs), a critical step to remain both competitive and relevant in this evolving landscape.

Key challenges

- **Intensifying supply chain bottlenecks:** Global competition for battery materials, grid-edge components, and smart systems is pushing up both costs and delivery times.
- **High exposure to international supply risk:** Much of the technology used in modern grid networks are sourced from overseas, making supply chains vulnerable to geopolitical disruptions and trade volatility.
- **Navigating a shifting regulatory landscape:** Evolving standards around grid connection, capacity pricing, and renewable integration are increasing the complexity of long-term procurement and supply chain planning.

How energy organisations are responding

- **Expanding supplier bases and forming long-term supplier agreements:** Procurement and supply chain teams are expanding into new categories, engaging battery and DER providers, and securing multi-year agreements to stabilise supply and pricing.
- **Redefining supplier evaluation metrics:** Procurement and supply chain teams are moving beyond upfront cost considerations, prioritising lifecycle performance, efficiency guarantees, and integration capabilities.

"Modern and digital grids are vital to safeguard electricity security during clean energy transitions. As the shares of variable renewables such as solar PV and wind increase, power systems need to become more flexible to accommodate the changes in output."

International Energy Agency, 2024

Case Study

SA Power Networks Community Battery Project - Grid Modernisation in Action

As Australia's energy transition gathers momentum, the demand for smarter, decentralised infrastructure is intensifying. SA Power Networks is stepping up with a forward-thinking solution: a community battery project designed to bolster grid reliability in regional areas, accelerate the shift to renewables, and reduce the cost burden of traditional infrastructure upgrades.

Rather than continue patching issues with conventional capital works, SA Power Networks has opted for a more agile response to recurring voltage fluctuations and outages, deploying community batteries at key substations in Robe and Lameroo. These batteries will not only stabilise the grid, but also enable greater local use of rooftop solar, reduce the need for costly grid augmentation, and participate in energy markets when not directly supporting the network.

"We're not just deploying batteries, we're building the case for community-scale energy storage to be a core part of future grid design."

The intent is clear: this is not a one-off solution. It is a scalable model for how Distributed Network Service Providers (DNSPs) across the country can use storage to manage increasing solar penetration, electrification and demand at the grid edge.

Procurement meets complexity

Projects like this do not come off the shelf. Community-scale battery systems require a complex mix of technologies—grid-scale lithium-ion batteries, smart inverters, intelligent control systems and secure digital infrastructure.

Procuring these components in today's market is not straightforward. The SA Power Networks team have navigated the EV-driven demand for lithium, port delays, a limited pool of qualified suppliers and increased ESG requirements in sourcing critical materials.

Recognising that traditional contracting would not work, SA Power Networks has adopted a more agile approach. The team worked collaboratively with suppliers to develop appropriate specifications, locked in lead times early and negotiated long-term service agreements to ensure stability beyond installation.

"Supply chain volatility was not an afterthought, it was a defining feature of the procurement strategy."

The procurement skillset of the future

This project called for more than good process, it demanded a future-ready procurement capability. The SA Power Networks team needed to bring a mix of commercial, technical and strategic skills to the table:

- **Technical Procurement Acumen**: Deep understanding of battery system performance, integration, and compatibility with grid standards.
- **Cybersecurity Literacy:** Ensuring procurement aligned with the Security of Critical Infrastructure Act 2018 (SOCI) framework and broader digital safeguards.
- **Supplier Relationship Management:** Prioritising collaboration over short-term cost to build innovation-focused, long-term partnerships.
- **Risk Intelligence and Market Foresight**: Identifying global supply risks early and securing production capacity before demand surged.
- **ESG-Integrated Sourcing:** Applying sustainability filters, particularly around the sourcing of critical minerals and ethical labour standards.

Lessons for the sector

The SA Power Networks community battery pilot project offers more than a technical solution, it delivers a practical procurement and supply chain playbook for modernising the grid. The lessons are clear and widely applicable:

- **Supply chain agility is non-negotiable:** In an age of rapid innovation, waiting for certainty is pointless. Agile procurement models must replace rigid frameworks.
- **Procurement must lead from the start:** When embedded early in project scoping, procurement enables innovation, streamlines compliance, and de-risks delivery.
- **Relationships matter more than ever:** In global markets where availability is constrained, strong supplier partnerships can secure access, flexibility, and innovation ahead of the pack.
- **Risk Is the new currency:** Whether it is supply disruption, cybersecurity, or ESG compliance, procurement teams must be equipped to manage and mitigate risk as a core competency.

The SA Power Networks pilot is not just an energy project, it is a case study in how strategic procurement and supply chain thinking can shape the future of infrastructure. As the grid evolves, the organisations that work with procurement and supply chain functions as strategic levers and not corporate transactional functions will be the ones driving Australia's energy transition forward.

5.3 Evolving markets and policy changes

In today's energy landscape, regulation is not just a compliance box to tick, it is a market force reshaping how companies buy, build, and operate.

Shifts in policy from carbon pricing and gas connection bans to cybersecurity mandates are directly influencing procurement and supply chain strategy, compelling organisations to move from reactive compliance to proactive, forward-aligned decision-making.

As highlighted by Inverto (2024), the energy sector's procurement and supply chain strategies must adapt in response to evolving policy frameworks to ensure both economic viability and grid stability.

Policies like carbon pricing are pushing energy companies to adapt their supply chains to meet sustainability targets, while new regulatory frameworks around cybersecurity are forcing companies to build more resilient, digitally secure procurement systems.

Organisations that fail to integrate policy changes into procurement and supply chain planning face everything from contractual disputes and project delays to investor scrutiny and missed growth opportunities.

Key challenges

- **Regulatory uncertainty and compliance risks:** With policy frameworks evolving rapidly, procurement and supply chain teams must constantly track and interpret new rules given inaction or misalignment can lead to penalties, contract complications, and increased legal exposure.
- **Policy-driven supply chain disruptions** such as:
  - The ban on new gas connections is forcing suppliers to transition to electric alternatives, potentially causing short-term supply shortages and price volatility.
  - The expansion of the Security of Critical Infrastructure (SOCI) Act introduces new cybersecurity requirements, prompting more rigorous supplier vetting.
- **Inflation in low-carbon supply categories:** As demand grows for low-carbon technologies and electrification-ready systems, Procurement and Supply Chain teams are grappling with rising costs and intensifying competition for qualified suppliers.
- **Limited supplier readiness and technology constraints:** Many traditional energy suppliers are not yet prepared to meet new electrification and cybersecurity standards, requiring a restructuring of sourcing models.

How energy organisations are responding

- **Treating policy changes as strategic catalysts:** Leading organisations are treating regulatory shifts as strategic levers for innovation, competitiveness, and long-term resilience.
- **Restructuring sourcing models for compliance and resilience:** Procurement and supply chain teams are prioritising suppliers that meet emerging standards in electrification, cybersecurity, and ESG.
- **Aligning procurement with incentives:** Companies are leveraging government grants, carbon credit programs, and policy-linked financing to offset costs and enhance the business case for strategic procurement decisions.

"Today's global volatility has pushed procurement and supply chain leaders beyond their traditional roles—they are now geopolitical risk managers and strategic advisors to executive leadership."

Ajitpall Singh, Director – Commercial and Supply Chain Management, CLP Holdings

Energy Procurement Supply Association

Case Study

A Gas Company's Procurement Response to Victoria's Residential Gas Ban

In 2024, Victoria became the first Australian state to ban new residential gas connections—a landmark policy shift aimed at accelerating electrification and reducing emissions. While the change supported long-term climate goals, it also caused immediate disruption across the energy sector, particularly for businesses with exposure to gas distribution networks.

The following case study outlines how a procurement and supply chain team at ponded to this policy shift. While the organisation has requested to remain anonymous, the events and actions described are based on real market developments and illustrate the strategic role of procurement in adapting to evolving government policy.

Procurement at the front line of change

Well before the policy was formally announced, the organisation's procurement and supply chain team had begun interpreting signals—via regulatory consultations, supplier forums, and market briefings. Their early action enabled a proactive and structured response, avoiding the pitfalls of reactive decision-making.

Strategic procurement actions included:

- **Proactive supplier communication:** Suppliers were kept informed of emerging legislative developments, helping align expectations and mitigate reputational risk.
- **Diversification of the supply base:** Vendors from adjacent sectors—including electricity, water, and telecommunications—were onboarded to broaden capability and build supply chain flexibility.
- **Strengthening strategic supplier relationships:** The executive and procurement teams engaged closely with key suppliers, offering longer-term commercial confidence during a period of high uncertainty.
- **Accelerating commercial negotiations:** The company moved quickly to secure long-term agreements that protected cost positions and ensured continuity for in-flight projects.
- **Partnering with developers and contractors:** Procurement and customer-facing teams worked directly with developers to provide clear guidance, adjust processes, and ensure smooth transitions.

Procurement priorities: Staying steady through disruption

During this period of change, the procurement strategy remained focused on three imperatives:

- **Supply continuity:** Maintaining flow of critical materials and services despite supplier uncertainty and shifting market dynamics.
- **Cost optimisation:** Avoiding short-term pricing spikes and managing contract renegotiations carefully.
- **Supplier alignment:** Prioritising partnerships with suppliers who demonstrated a long-term, flexible outlook aligned with the organisation's evolving strategy.

Lessons from the field: Procurement in a policy-driven market

The way in which the organisation's procurement and supply chain team managed the implications of the change, reinforces a key lesson: forward-thinking procurement and supply chain functions can act as a stabilising force amidst ever-changing market conditions.

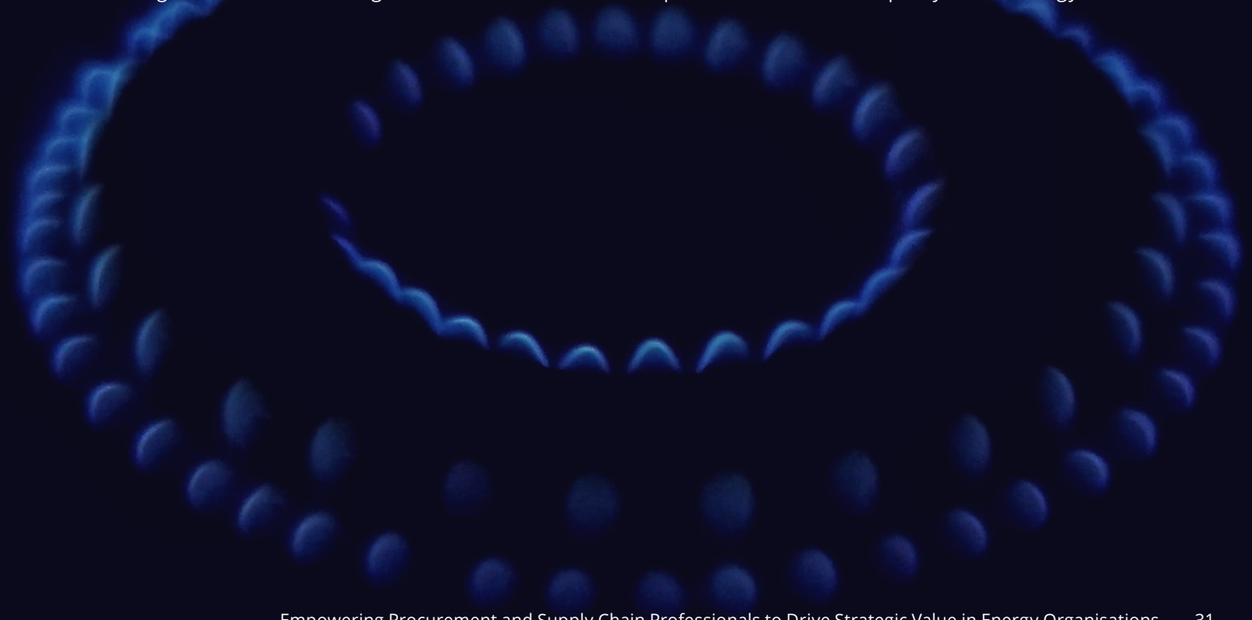
Key takeaways for the broader energy sector include:

- **Policy foresight is a strategic advantage:** Monitoring and interpreting government signals early allows procurement teams to act before disruption takes hold.
- **Supplier agility matters:** Diversification efforts, executed in advance, helped absorb the market shock while sustaining project delivery.
- **Cross-functional coordination is essential:** Procurement worked in lockstep with operations, regulatory affairs, and customer services—demonstrating that silos break down in moments of market stress.

Procurement's expanding role in the energy transition

This case highlights a broader shift in the role of procurement. In a sector shaped by decarbonisation targets, evolving policy landscapes, and increasingly active government initiatives, procurement is no longer a support function—it is a strategic enabler of resilience and adaptability.

The organisations that recognise this—by equipping their teams to anticipate change, engage markets early, and reconfigure commercial strategies in real time—will be better positioned to thrive in a policy-driven energy future.



5.4 Rising investor demand for success in the unregulated energy market

For decades, traditional utilities operated within the relative stability of regulated energy markets, in which government or independent regulators set pricing structures and oversee service delivery to ensure reliability, affordability, and consistent returns.

In Australia, for example, electricity transmission and distribution networks typically fall under this regulated category, with revenues determined by the Australian Energy Regulator (AER) under fixed regulatory periods.

Over time, however, the energy landscape has shifted. The sector is expanding into unregulated markets, where prices are driven by competition and market dynamics rather than regulatory oversight.

These unregulated segments, such as large-scale renewable energy projects, battery storage, or behind-the-meter services, present greater commercial risk but also offer the potential for higher returns and faster innovation. As a result, utilities and energy service providers are increasingly engaging in these markets to remain competitive and capture emerging growth opportunities (Clean Energy Council, 2023).

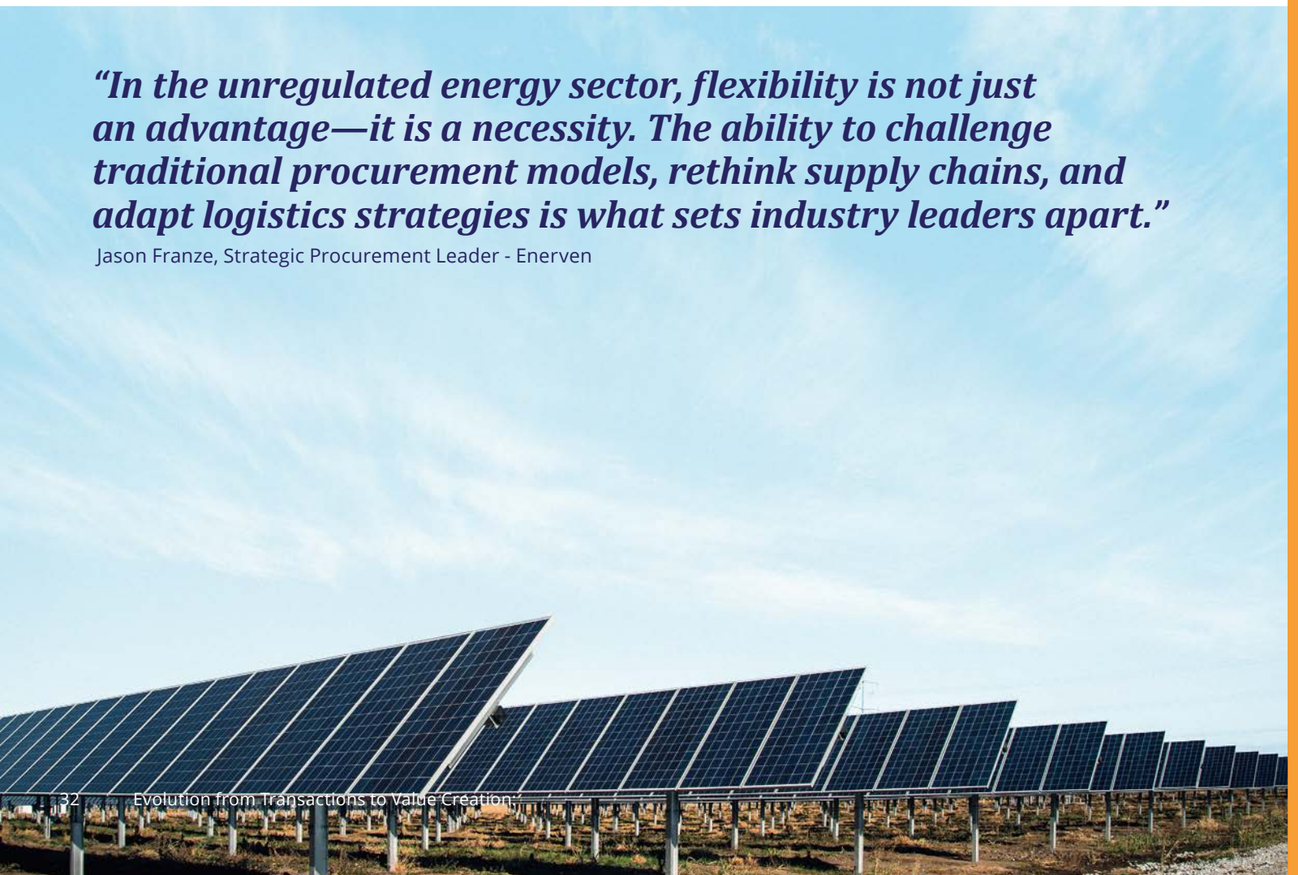
As Moody's Investors Service (2017) recently noted, many energy companies now generate the bulk of their earnings and cash flow from unregulated operations rather than regulated ones.

This shift is redefining what success looks like and what procurement and supply chain teams are expected to deliver.

In this environment, the procurement and supply chain function is evolving into a commercial performance driver. Success in unregulated markets often hinges on speed, margin control, and execution, bringing procurement and supply chain thinking to the forefront of strategic delivery.

"In the unregulated energy sector, flexibility is not just an advantage—it is a necessity. The ability to challenge traditional procurement models, rethink supply chains, and adapt logistics strategies is what sets industry leaders apart."

Jason Franze, Strategic Procurement Leader - Enerven



Key challenges

- **Market volatility:** Without the safety net of regulated pricing, companies must navigate sharp swings in commodity costs. Procurement and supply chain strategies must be nimble, with built-in hedges and real-time cost visibility.
- **Supplier reliability under pressure:** Competitive bidding often demands aggressive cost targets. This can put unsustainable pressure on suppliers, especially when delivery timelines are tight, and demand is variable.
- **Regulatory overlap across jurisdictions:** Despite operating outside traditional regulatory frameworks, unregulated businesses are still required to navigate the patchwork of local, state, and federal compliance requirements.
- **Cost pressures in bidding wars:** The demand for razor-thin pricing in tender responses forces procurement teams to unlock efficiencies without compromising quality, safety, or service continuity.

How energy organisations are responding

- **Enhancing cost competitiveness:**
  - Consolidating spend through volume-based purchasing agreements to reduce per-unit costs and protect against market swings.
  - Expanding supplier networks to optimise pricing and reduce dependency on single vendors.
- **Strengthening supplier collaboration:**
  - Establishing long-term partnerships to ensure reliability and access to key materials.
  - Involving suppliers early in project planning to co-develop cost-saving innovative commercial models.
  - Structuring contracts with performance-based incentives that reward value creation and on-time delivery.
- **Mitigating risk and managing volatility:**
  - Diversifying supply chains to avoid overreliance on any one geography or supplier.
  - Implementing dynamic risk management frameworks that allow for fast response to disruption, from raw material shortages to regulatory shifts.

Energy Procurement Supply Association

Case Study
Enerven — Redefining Procurement Strategy in the Unregulated Energy Market

As investor interest sharpens around energy companies that can move fast and innovate even faster, unregulated market players like Enerven are stepping into the spotlight. Unlike traditional utilities bound by regulatory frameworks, Enerven operates with a distinct advantage—speed, flexibility, and a nimble business model that's built to respond to shifting market conditions.

But agility at this level does not just happen. It is the product of a procurement and supply chain strategy that has been deliberately transformed from a transactional cost centre into a strategic growth engine, one that has helped Enerven win competitive tenders and consistently deliver under pressure.

Procurement in the fast lane: Compressing timelines through smart substitution

On one major renewable energy construction project, Enerven faced a familiar, but critical, challenge: transformer lead times. The client's preferred supplier had a delivery horizon of 78 weeks. For a project where every week counted, that delay risked derailing the entire bid.

Enerven's procurement and supply chain team responded with precision, identifying an alternative supplier that could meet the same technical specifications with a 56-week lead time. That 22-week reduction proved decisive.

The hurdle wasn't technical—it was emotional. The client had long-standing trust in the original supplier. Enerven overcame the hesitation with a detailed technical and risk assessment that demonstrated full compliance, strong performance metrics, and no compromise on cost.

The result: Faster delivery, better sequencing during installation, and a project that ran ahead of schedule.

Strategic logistics: Taking control of the supply chain

In another high-stakes project, Enerven made a bold logistics move. Rather than rely on supplier-managed delivery for solar panels, the team shifted to a Free on Board (FOB) model, assuming full control of shipping through a global third-party logistics (3PL) partner.

The benefits were immediate and measurable:

- Locked-in freight rates protected the project from cost spikes.
- Upstream inspections by a certified TIC (Testing, Inspection, Certification) partner ensured quality before goods left the port.
- Manufacturers were held accountable to tighter dispatch schedules aligned with 3PL delivery timelines.

This factory-to-site approach brought transparency, reduced delays, and ensured just-in-time panel arrivals that kept installation running smoothly.

Lessons in procurement agility

Operating in an unregulated environment means procurement is not just about buying well—it is about thinking ahead. Enerven's experience offers three key lessons for energy organisations looking to keep pace:

- **Flexibility is a competitive advantage**
  Enerven manages multiple supply chains and uses risk-based contracts to navigate price fluctuations and uncertainty, turning volatility into a planning asset.
- **Partnerships drive performance**
  Supplier forecasting sessions and long-term commercial relationships have created mutual incentives. Strategic contractors know that delivering now opens the door to future work—and they act accordingly.
- **Internal agility fuels external results**
  By streamlining low-value procurement processes and empowering project teams to make real-time decisions, Enerven has eliminated bottlenecks and ensured supplier choices reflect both risk and value priorities.

Organisations that recognise this, and equip their teams to anticipate change, engage the market early and adapt commercial strategies in real time, will be the ones that thrive in a policy-driven energy landscape.

"We needed to control where and when materials arrived—so we stopped waiting on manufacturers and started managing logistics ourselves."

Jason Franze, Strategic Procurement Leader - Enerven

6. Emerging Trends Shaping the Future of Procurement and Supply Chain Management

6.1 Navigating global uncertainty: The rise of resilient procurement

Global supply chains are under serious strain.

In a world increasingly shaped by trade disputes, resource scarcity, and geopolitical tension, energy supply chains must be both efficient and resilient.

According to the International Energy Agency's *World Energy Investment 2023* report, the global energy market is currently dealing with volatile prices, shipping disruptions, and resource dependencies, all of which create significant procurement challenges.

These disruptions, coupled with inflation, have made the cost of critical supplies increasingly unpredictable, forcing procurement and supply chain professionals to adopt more resilient strategies.

The Just-in-Case playbook: A new era for energy supply chains

For decades, just-in-time (JIT) supply models defined operational excellence. However, in today's volatile global market, JIT strategies are increasingly proving to be liabilities. The very strengths that made JIT attractive, minimising inventory and maximising cost savings, have now become vulnerabilities.

Disruptions such as global supply chain interruptions, inflationary pressures, geopolitical tensions have exposed the risks of relying on lean supply chains. In this context, JIT models leave organisations without the buffer stock necessary to absorb these shocks, often leading to delays, increased costs, and operational instability.

As a result, procurement functions are transitioning to just-in-case (JIC) strategies. This shift is not about hoarding inventory; rather, it is about adopting smarter, more agile systems that leverage data to forecast risks, build redundancy, and respond to disruptions in real time.

This shift is not limited to buyers alone, suppliers are also transforming how they operate in response to global volatility. Many are investing heavily in forward planning, capacity buffers, and new sourcing strategies to keep pace with shifting demand and supply constraints.

> ***"We have fundamentally changed our approach to planning and procurement, significantly increasing buffer stock levels, adopting forward buying strategies, and investing substantially more working capital. As a result, our procurement team has grown threefold."***
>
> Keian Barnard, Managing Director, Tyree Industries Pty Ltd.

Essential focus areas for procurement and supply chain functions

- **Strategic inventory management:** Rather than resorting to indiscriminate stockpiling, leading organisations are applying data-driven approaches to identify high-risk components and maintain calibrated buffer stocks. As McKinsey & Company highlights, these inventory levels are informed by factors such as lead times, demand volatility, supplier risk profiles, and historical disruption patterns, ensuring adequate protection against supply chain shocks without tying up excessive capital or storage capacity (Lund et al., 2020).
- **Nearshoring and multi-tier sourcing:** Energy companies are locking in second- and third-tier suppliers across diverse regions to reduce exposure to single-source risk and improve supply continuity.
- **AI-driven risk management:** Predictive analytics are no longer a nice-to-have, they've become a core procurement and supply chain tool. Teams are using real-time data to monitor freight routes, commodity trends, and supplier risk profiles.
- **Supplier collaboration as risk insurance:** Strong, trust-based relationships, which allow for risk adjusted contracting with suppliers, are now considered strategic assets.

How procurement and supply chain functions are adapting

- **From efficiency to optionality:** Procurement and Supply Chain decisions are increasingly balancing cost efficiency with optionality, such as multiple suppliers, flexible terms, and regional diversity strategies. However, lowest cost still matters, particularly for bulk or routine items where flexibility is less critical.
- **Smart inventory, not stockpiling:** AI-powered forecasting is enabling lean but resilient inventory planning, which allows for holding what is needed and when it is needed.
- **Regionalisation over globalisation:** Nearshoring is emerging as a hedge against global instability. Localising key parts of the supply chain has proven to help ensure business continuity even when global routes are disrupted.
- **From Transactions to Long-Term Partnerships:** Most forward-thinking organisations are moving beyond transactional vendor relationships to building collaborative ecosystems with built in efficiency and resilience.

> ***"Companies should consider global sourcing networks based on a holistic, 'best value' approach that considers not only cost, quality, and on-time delivery, but also supply risk, sustainability, market access, and innovation."***
>
> Weise et al., 2024

Energy Procurement Supply Association

Case Study

Powerlink Queensland's sourcing shift — Building a resilient supply chain for high-voltage circuit breakers

In today's volatile energy landscape, resilience is not just a buzzword—it is a business requirement. Powerlink Queensland has delivered a compelling example of how strategic sourcing and supplier collaboration can secure critical infrastructure supply in the face of global disruption.

The release of new policy directions in Queensland in late 2023 sent demand for Dead Tank Circuit Breakers (DTCBs) soaring. These essential components of the transmission network were already in short supply worldwide—strained further by a surge in global renewable connections, U.S. infrastructure stimulus under the Inflation Reduction Act, and post-pandemic bottlenecks.

Even Powerlink's long-standing suppliers were feeling the pressure. Lead times ballooned. Costs spiked. The global market was gridlocked.

Rather than get caught in the traffic, Powerlink made a strategic move: diversify supply, enable localised manufacturing, and create a dual-sourcing model that could withstand future shocks.

Strategic sourcing under pressure

Powerlink didn't wait for the situation to escalate. Its procurement team went straight to the top—engaging directly with the executive leadership of its two DTCB suppliers to understand the constraints and explore capacity options.

The breakthrough came through collaboration with GE Vernova. Together, they laid the groundwork to transfer production of 300kV and 362kV DTCBs to GE Vernova's existing 145kV manufacturing facility in China. The objective was clear: secure capacity, shorten lead times, and reduce exposure to single-source risk.

Procurement as a strategic enabler

Powerlink's procurement team took the lead—not just as buyers, but as facilitators of the entire technology transfer process. This included:

- Standardising components across production lines to simplify inventory and spare parts.
- Fixing packaging issues that previously caused damage during transport.
- Ensuring operational continuity, with no changes to O&M procedures or retraining requirements.

To back the plan, Powerlink placed initial orders and offered a multi-year procurement pipeline—conditional on successful type testing. Within a year, the transfer was complete. Manufacturing capability at GE Vernova Chinese factory was up and running, building to Powerlink's specifications, with secured production slots through 2026.

Few buyers in the global market had this kind of guaranteed access.

Food for Thought

What is more expensive: overinvesting in resilience today or being caught unprepared tomorrow?

Resilience delivered: The tangible benefits

The dual-sourcing strategy paid off across multiple dimensions:

- Shorter lead times: China-based manufacturing delivered faster turnaround than the U.S.
- Cost optimisation: locally sourced components and lower assembly costs drove savings.
- Inventory efficiency: shared parts meant fewer spares, streamlined training, and simplified maintenance.
- Improved logistics: reduced shipping distance and easier site inspections.
- Scalable output: GE Vernova Chinese factory is now preparing to expand production in response to demand.
- Balanced risk: Powerlink retained its U.S. supply line—giving it room to pivot across price, lead time, and geopolitical scenarios.

Managing risk in a geopolitically charged market

With tensions between China, the U.S. and Australia never far from headlines, Powerlink treated risk management as a core part of its sourcing strategy:

- Commercial safeguards: contingency plans and flexible contracts were baked in.
- Ongoing quality assurance: regular audits ensured standards were met and maintained.
- Executive-level relationships: the procurement team had support from the top, including the CEO and CFO—underscoring the strategic importance of the initiative.

Lessons from the field: Resilience Is built, not bought

"Powerlink would not have progressed this initiative without the deep, trusted relationship we've built over time. Our demand is small in global terms—but our commitment was clear," noted a senior procurement leader at Powerlink.

The initiative offers a playbook for energy organisations facing similar headwinds. Four lessons stand out:

- **Partnerships matter:** strategic access is not about volume, instead it is about trust. Powerlink aligned its objectives with GE Vernova's business case and backed it with action.
- **Commitments drive confidence:** placing orders early and showing long-term intent gave GE Vernova the clarity to invest.
- **Forecasting fuels investment:** a reliable demand pipeline helped justify the expansion of production capability.
- **Standardisation enhances agility:** harmonising product specs reduced operational complexity and unlocked flexibility across geographies.

Best practice advice: Resilience as a capability

For procurement and supply chain leaders across the energy sector, Powerlink's experience offers a simple but powerful message:

- Engage early—do not wait for crisis to force action
- Think beyond cost—resilience and continuity are the new value levers
- Partner with purpose—co-develop solutions, and follow through
- Bake agility into your strategy—diversify, localise, and stay ready to pivot

In a world where policy, demand, and risk shift fast, Powerlink has shown how resilient sourcing is not a response—it is a built-in capability. The payoff? More control, less disruption, and a competitive edge that's hard to match.

6.2 ESG as a strategic lever in procurement and supply chain

Environment, Social and Governance, more commonly known as ESG, has become a hard-edged business imperative, shaping real-time decisions across procurement, supply chains, and investment.

What was once confined to annual reports and investor presentations is now deeply embedded in procurement evaluations, supplier negotiations, and capital access.

As KPMG (2024) highlights, integrating ESG factors into procurement not only strengthens a company's external image but also creates opportunities for operational improvements, fosters sustainable growth, and reduces long-term risks.

Essential focus areas for procurement and supply chain functions

The financial stakes are real. Strong ESG performance is increasingly linked to lower borrowing costs. Research from Harvard Law School Forum on Corporate Governance emphasises that credit rating agencies, such as Moody's and S&P, are increasingly integrating ESG factors into their assessments. (Harvard Law School Forum on Corporate Governance, 2020).

- **The regulatory bar is rising:** Scope 3 emissions, labour practices, waste reduction, and ethical sourcing have become core responsibilities for procurement teams, further establishing ESG considerations as a fundamental requirement for business continuity and long-term viability.
- **Procurement and Supply Chain sits at the centre of this shift:** Increasingly, the suppliers selected, contracts awarded, and dollars spent reflect an organisation's ESG strategy in action.

With leading energy organisations driving ESG expectations upstream, suppliers are increasingly being held to the same standards, facing mounting pressure to demonstrate transparency, resilience and alignment with sustainability goals.

How are procurement and supply chain functions embedding ESG into supply chains

- **ESG-linked supplier contracts:** Financial incentives are tied to environmental and social performance, pushing ESG from aspiration to accountability.
- **Carbon tracking and scope 3 visibility:** Real-time emissions tracking tools are being adopted to measure supplier impact across the value chain.
- **Circular economy integration:** Sustainability is extending beyond materials sourcing into full lifecycle thinking.
- **Green finance adoption:** Procurement and supply chain are tapping into green bonds and sustainability-linked loans to fund ESG-aligned infrastructure and transition programs.

"Including 'sustainability as standard' in procurement processes is an effective way to reduce ESG-related risks and spot opportunities for incremental improvements."

McKinsey & Company, 2021

Food for Thought

In your organisation do you treat ESG as a compliance checkbox or as a strategic lever for innovation, resilience, and long-term value creation?

Case Study

APA Group — Turning ESG from a compliance burden into a strategic advantage

For APA Group, one of Australia's largest energy infrastructure companies, environmental, social, and governance (ESG) responsibilities are not a side consideration—they are central to how the business operates. In a sector facing rising investor scrutiny and tightening regulation, APA made a deliberate choice: not to treat ESG as a compliance task, but as a source of competitive advantage.

The shift began with a realisation: the Modern Slavery Act 2018 wasn't just another legislative box to tick. It was a wake-up call demanding a deeper look into how APA's vast supply chain operated and where hidden risks might lie.

Why APA made the move: From obligation to opportunity

APA's approach wasn't just about keeping up with the rules—it was about setting the pace. The company's leadership recognised four clear reasons to push ESG to the centre of its procurement strategy:

- **Setting the standard:** Going beyond minimum compliance helped APA position itself as a leader in responsible sourcing and governance.
- **Attracting capital:** By aligning with ESG investment frameworks, APA improved access to sustainable finance and strengthened its appeal to institutional investors.
- **Reducing risk:** Early detection of ESG-related risks—whether reputational, legal, or operational—helped APA avoid costly disruptions down the line.
- **Lifting supply chain performance:** Suppliers who aligned with ESG goals often delivered higher quality outcomes and proved more reliable in the long run.

Execution: Data, technology, and supplier engagement

Rather than rely on checklists and box-ticking, APA embedded ESG into the architecture of its procurement model—starting with visibility.

A partnership with an ESG analytics provider allowed APA to conduct a pilot due diligence review across 120 high-risk suppliers. What stood out wasn't just the data—but what it revealed. AI-driven insights uncovered vulnerabilities deep in the supply chain, beyond Tier 1 suppliers—risks that traditional reviews might have missed.

But APA didn't stop at discovery. It focused on enablement, not enforcement:

- Suppliers were given ESG training, guidance materials, and time to align with new expectations
- A phased rollout model allowed for realistic adoption, rather than sudden mandates
- Contracts were updated to include ESG-linked incentives, giving suppliers a commercial reason to lift their standards
- A targeted Modern Slavery uplift program was launched to support domestic suppliers in building stronger ESG capabilities.

The results: From risk management to resilience

APA's investment in ESG strategy translated directly into business outcomes:

- **Stronger ESG reputation:** APA was recognised as a frontrunner in responsible sourcing, improving its positioning with investors, regulators, and customers.
- **Better performing supply chains:** Suppliers aligned with ESG goals showed improved product quality and reliability.
- **Reduced disruption risk:** Early identification of vulnerabilities meant fewer surprises—and fewer fire drills.
- **Sustainable finance advantage:** APA's ESG credentials opened access to green bonds, sustainability-linked loans, and preferential lending terms.
- **Cost avoidance over time:** Avoiding compliance breaches and reducing supplier churn led to measurable, long-term cost savings.

What procurement leaders can learn from APA

- **ESG is a strategic lever:** Do not treat it as overhead. ESG can drive business value if embedded early into sourcing and supplier strategy.
- **Partnerships drive better compliance:** Supporting suppliers works better than forcing them. APA's education-first model created stronger, more loyal relationships.
- **Visibility beyond Tier 1 Is essential:** Most ESG risks are not where you think they are. True supply chain resilience means digging deeper—and acting on what you find.

APA's journey proves that when done well, ESG can reshape procurement into a strategic driver of resilience, trust, and long-term value.

The takeaway: The companies that lead on ESG will not just keep regulators happy, they will shape the future of energy with purpose and credibility.

6.3 The new era of supplier relationship management

The energy sector's supply chains are undergoing a tectonic shift, driven by global volatility, rising stakeholder expectations, and the push for sustainability. As a result, traditional approaches to supplier engagement are becoming increasingly outdated.

According to McKinsey & Company (2024), organisations with advanced procurement functions recognise that focusing solely on the price of products and services has its limits in terms of value generation. They understand that when both buyers and suppliers are willing to collaborate, they can often uncover substantial new value that benefits both parties.

"Companies that regularly collaborated with suppliers had higher growth, lower operating costs, and greater profitability than other competitors in their sector."

Ellingrud, 2020

This shift in thinking is especially critical for the energy sector, where rising demand for clean technologies and stretched global supply chains require a more strategic approach to supplier engagement.

Industry insights, confirms that suppliers are also noticing the shift, with engagement becoming less about rigid compliance and more about strategic, relationship-based dialogue.

Essential focus areas for procurement and supply chain functions

- **Long-term supplier collaboration as a driver of stability:** Long-term supplier partnerships are unlocking priority access to high-demand materials, improving delivery times, and enabling exclusive access to emerging technologies.
- **Innovation is a two-way street:** Leading procurement and supply chain teams are moving beyond the traditional tendering process and partnering with suppliers to co-develop technologies, launch joint Research and Development (R&D) programs, and accelerate clean energy innovation.

How procurement and supply chain teams are reinventing supplier relationships

- **From contracts to co-creation:** Procurement and Supply Chain teams are increasingly seen embedding suppliers into product development cycles and working side-by-side to design smarter, more resilient solutions.
- **Looking beyond Tier 1:** As supply chains grow more complex, procurement and supply chain teams are expanding visibility into second- and third-tier suppliers to reduce risk, improve agility, and build deeper ecosystem resilience.
- **Risk-and-reward contracting:** Procurement and Supply Chain teams are adopting contract models that share risks and rewards with suppliers, aligning incentives, encouraging high performance, and building joint accountability for delivery and cost outcomes.

"What used to be contract management and compliance has evolved into strategic dialogue. We're seeing more open, flexible, and positive engagement, senior executives are now regularly reaching out to us suppliers, and our engagement with buyers is not limited to just the just procurement and supply chain teams."

Keian Barnard, Managing Director, Tyree Industries Pty Ltd

Food for Thought

What if your greatest source of innovation is not in-house, but is sitting across the table, in your supplier network?

Energy Procurement Supply Association

Case Study

Energy Queensland and Wilson Transformers — Redefining supplier partnerships for resilience and innovation

In an increasingly complex supply chain environment, marked by geopolitical instability, inflationary pressures, and rising delivery risk, Energy Queensland made a deliberate strategic shift—from transactional procurement toward deep, long-term supplier collaboration. At the centre of this transformation is its long-standing partnership with Wilson Transformer Company, one of few remaining Australian transformer manufacturers.

What began as a standard commercial arrangement has since evolved into a fully integrated strategic partnership. It now serves as a leading example of how Australian utilities can build resilience, accelerate innovation, and safeguard sovereign manufacturing capability.

"We have co-developed new products with Energy Queensland, even before a purchase order is in place. That level of R&D collaboration only happens when there is mutual confidence that both sides will follow through."

Ed Wilson, Managing Director, Wilson Transformers

The challenge: global disruption meets local vulnerability

Like many utilities, Energy Queensland faced mounting supply chain volatility in the wake of COVID-19. While sourcing challenges impacted a wide range of components, the most critical exposure was in transformers—the organisation's single largest plant and materials cost category.

Several compounding factors increased risk:

- Global supply chain disruption following COVID-19
- Geopolitical instability, including the war in Ukraine and shifts in trade policy
- Diminishing local manufacturing capability
- Inconsistent quality and extended lead times from overseas suppliers.

Energy Queensland recognised that network reliability was increasingly tied to supplier stability and local production capacity. A different procurement model was needed—one based on long-term partnership, shared accountability, and mutual investment.

"It is not about one party winning. It is about helping each other achieve our collective objectives. When we are aligned on outcomes, the relationship works, and it works far better than any transactional model ever could."

Ed Wilson, Managing Director, Wilson Transformers

The response: a new model for supplier engagement

Energy Queensland and Wilson Transformer Company formalised a Strategic Partnership Charter, co-signed by both organisations, that outlines shared goals, a clear governance structure, and guiding principles for how the relationship will be managed.

The partnership is supported by a strong governance model, including:

- Quarterly operational performance reviews
- Bi-annual strategic alignment workshops
- Annual board-level reporting across both organisations.

This structure enables the two organisations to not only manage day-to-day performance, but also co-invest in innovation, support local manufacturing, and improve delivery capability across the supply chain.

Results: a new standard in supplier collaboration

- **Resilient supply through crisis:** During the COVID-19 pandemic, while many struggled to secure critical components, Wilson Transformer Company prioritised Energy Queensland's orders—preserving delivery schedules and avoiding cascading project delays. Even in the absence of committed budgets, transformer production slots were held in good faith, maintaining power transformer lead times of 15 months compared to 24–36 months elsewhere in the market.
- **Co-developed innovation, delivered locally:** The partnership enabled accelerated delivery of Australia's first short circuit tested SF6-free, ester-filled padmount transformer. Engineers from both organisations collaborated directly on the design, which was tailored for safety, sustainability, and ease of deployment. 3D spatial scanning was also used to optimise product fit in constrained sites, avoiding costly infrastructure retrofits.
- **Technical knowledge transfer:** Through sustained collaboration, Energy Queensland has significantly increased its in-house understanding of transformer manufacturing. Engineering and procurement teams are now better equipped to write specifications that reflect real-world delivery conditions, enabling more streamlined and commercially viable sourcing outcomes.
- **Constructive, relationship-based governance:** Crucially, the partnership has created a foundation for open and honest dialogue. Issues are raised early, discussed transparently, and resolved collaboratively—without defaulting to contract clauses or commercial escalation.

"A relationship like this does not happen overnight. It has taken more than 15 years of consistent engagement, trust-building, and shared experience. It is this foundation that gives us the confidence to bring forward new ideas—and know they will be taken seriously and acted on."

Ed Wilson, Managing Director, Wilson Transformers

Lessons learned: making strategic partnerships work

Governance drives outcomes
A structured model of engagement, with clear performance measures and executive-level sponsorship, ensures both accountability and alignment.

Commercial value must be evident
Partnership models can face scrutiny without traditional market tenders. Demonstrating measurable value in resilience, delivery performance, and innovation is key to maintaining stakeholder confidence.

Executive sponsorship is non-negotiable
Sustained support from senior leaders has helped the partnership evolve in alignment with strategic priorities, not just procurement targets.

Collaboration must extend beyond procurement
Teams from across engineering, operations, and commercial functions have worked side-by-side—ensuring alignment not just on what is being procured, but why and how.

Speed to innovation is the differentiator
Through early engagement and technical immersion, both organisations have accelerated product development cycles, achieving outcomes that would have been unviable under conventional procurement models.

The takeaway: resilience is built on relationships

Strategic supplier partnerships are not just about securing supply—they are about co-creating the future of the energy network. In a sector where procurement cycles are long, supply chains are exposed, and innovation needs to move fast, the combination of trust, transparency, and aligned goals is a strategic asset in its own right.

The partnership between Energy Queensland and Wilson Transformer Company illustrates what is possible when buyer and supplier shift their focus from transactions to long-term value. It is a case study not just in procurement excellence, but in resilience by design.

"It is a transparent, open relationship. It feels like an extension of the contract. We share everything from supply chain risks and quality concerns to how the business is performing."

Ed Wilson, Managing Director, Wilson Transformers

"What is different now is that our senior leaders are engaging directly with Energy Queensland's senior leaders. That alignment across both businesses is far more effective than limiting the conversation to just the procurement and supply chain functions."

Ed Wilson, Managing Director, Wilson Transformers

6.4 Safeguarding the digital supply chain

Cyberattacks on supply chains are no longer hypothetical, they are happening, and they are striking at the core of enterprise and national infrastructure. High-profile breaches like SolarWinds and the Colonial Pipeline ransomware attack have made it clear that supply chains are fast becoming a preferred target for cybercriminals.

As supply chains become more digitised and globally integrated, the exposure to cyber threats increases significantly. The shift to cloud-based platforms, interconnected vendor networks, and real-time data sharing has expanded the "attack surface," introducing multiple new entry points for malicious actors. These ripple effects can travel rapidly through interconnected systems, compromising operations, eroding trust, and, in some cases, threatening national security (Lund et al., 2020).

McKinsey & Company highlights that the growing dependence on digital systems, combined with the global flow of data, finance, and services, makes modern supply chains highly vulnerable to disruption. The number of ransomware variants alone doubled within a single year, illustrating how quickly cyber threats are evolving and outpacing traditional risk controls (Lund et al., 2020).

In Australia, the energy sector is particularly exposed. According to the Australian Cyber Security Centre (ACSC), organisations must ensure their suppliers uphold strong cybersecurity standards, as vulnerabilities anywhere in the supply chain can lead to serious financial, operational, and reputational consequences (ACSC, 2024).

While the Security of Critical Infrastructure (SOCI) Act has raised the compliance bar, regulation alone is not enough. In today's interconnected landscape, robust controls must be embedded within procurement and supplier management practices to ensure end-to-end resilience.

Yet despite the growing threat, cybersecurity is still too often viewed as an IT issue rather than a procurement priority. This disconnect leaves critical infrastructure and the organisations that manage it dangerously exposed.

According to the Australian National Audit Office (ANAO), many government entities still fall short in embedding cybersecurity requirements into their procurement processes, highlighting a persistent gap in how supply chain risks are managed across critical infrastructure (ANAO, 2023).

Essential focus areas for procurement and supply chain functions

- **Supply chain cyberattacks are business-critical events:** Energy infrastructure has become a high-value target for both cybercriminals and hostile state actors. For example, the 2021 Colonial Pipeline attack, which shut down fuel supply across the U.S. East Coast, highlighted how a single breach can disrupt essential services and trigger national-level crises (Easterly & Fanning, 2023).
- **Suppliers are the path of least resistance:** Attackers do not need to breach the company directly, instead they exploit vulnerabilities in third-party vendors. The SolarWinds breach for example is a case in point, which compromised thousands of organisations through a single supplier's software update.
- **Security gaps are hiding in plain sight:** Despite growing awareness, many organisations still fail to enforce minimum cybersecurity standards across their supplier base, with key gaps known to include the absence of security clauses in contracts, lack of supplier risk assessments, and limited use of third-party audits.

How are procurement and supply chain securing the digital supply chain

- **Zero-trust security standards in contracts:** Progressive procurement and supply chain functions are embedding zero-trust principles into supplier agreements, requiring vendors to meet the same cybersecurity standards as internal teams. In many cases, contracts are now contingent on suppliers meeting SOCI Act benchmarks.
- **Real-time cyber risk monitoring:** AI-driven tools are being used to continuously scan for vulnerabilities, malware threats, and unusual supplier activity, increasing visibility and efficiency of risk detection.
- **Mandatory cybersecurity audits for suppliers:** Annual third-party security assessments and penetration tests are becoming non-negotiable for suppliers handling sensitive systems or data.

"As cybersecurity threats evolve, so do the expectations. IT procurement professionals are now on the front lines of safeguarding digital supply chains and infrastructure."

Rupinder Kahlon, Senior ICT Category Management Specialist, Energy Queensland

Food for Thought

If one of your key suppliers was hacked tomorrow, would your business be able to contain the damage?

Energy Procurement Supply Association

Case Study

Embedding cyber supply chain risk management in energy procurement

The accelerating digitalisation of the energy sector—driven by the widespread adoption of IoT technologies, cloud platforms, operational control systems, and managed services—has significantly expanded the cyber threat surface. Today, cyber risks no longer arise solely from within an organisation, but increasingly originate from its broader ecosystem of suppliers, manufacturers, distributors, and even downstream customers.

This case study draws upon the Australian Cyber Security Centre's Cyber Supply Chain Risk Management guidance (May 2023).

The message is clear: every organisation within a supply chain not only inherits cyber risks from others but also transfers risks forward. Therefore, each participant has a shared responsibility to safeguard the integrity of digital products and services throughout their lifecycle.

Why it matters to energy procurement

Recent insights from PricewaterhouseCoopers Australia (2024) reported a 31% increase in global cyber vulnerabilities and a 20% rise in active exploitations, highlighting the growing frequency and sophistication of cyber-attacks targeting global supply chains. For energy organisations—characterised by vast, interconnected networks of suppliers, technologies, and third-party services—these risks present a significant threat to operational stability and national infrastructure.

As a result, procurement and supply chain professionals within the energy sector are increasingly expected to serve on the frontlines of cyber risk mitigation. Their role extends beyond securing commercial value from contracts to actively ensuring the resilience and security of digital and operational environments across the full supply chain.

Lessons for procurement and supply chain professionals

1. Identify the cyber supply chain

Effective risk management starts with visibility. Organisations must develop and maintain an up-to-date register of suppliers, manufacturers, distributors, and—where feasible—their subcontractors.

Priority should be given to suppliers who:

- Have access to sensitive data or privileged system permissions
- Provide security-enforcing technologies
- Operate or support critical operational systems
- Serve regulated environments or sensitive infrastructure

Lesson: Mapping each supplier's digital footprint, including upstream dependencies, enables risk-informed sourcing decisions and sharper due diligence.

2. Understand cyber supply chain risk

With the supply chain mapped, the next step is to assess the risk profile of each participant. Key risk indicators include:

- Foreign ownership, control, or influence (FOCI)
- Poor internal cybersecurity practices
- Enduring privileged access to systems or data
- Lack of transparency or responsiveness
- A history of cybersecurity incidents or breaches

Crucially, risk assessment should be two-way—evaluating not only the risks suppliers pose to the organisation, but also the risks the organisation may transmit to its customers and partners.

Lesson: Supplier risk profiling must become a core, proactive element of procurement strategy, rather than a reactive or post-contractual step.

3. Set and embed cybersecurity expectations

Procurement teams must embed cybersecurity management and capability as formal evaluation criteria in all sourcing processes—particularly for panel arrangements, prequalification schemes, and high-value procurements.

This involves assessing:

- Supplier alignment with frameworks such as the Essential Eight or ISM Cybersecurity Principles
- Security governance and supply chain assurance practices
- Incident response capabilities
- Evidence of secure development, patching, and vulnerability management
- Supplier cyber maturity as part of the evaluation scoring matrix.

Once appointed, suppliers should be bound by clear cybersecurity expectations within contracts, standing offer arrangements, or MOUs. These should define:

- Minimum security obligations proportionate to risk
- Incident notification protocols and timelines
- Audit and assurance rights
- Obligations to manage cyber risk across any subcontracted parties.

Lesson: Address cybersecurity early, during supplier selection, and sustain it throughout the contract lifecycle. What is evaluated and enforced tends to improve.

4. Audit for compliance

Establishing expectations is only part of the solution; verifying compliance is equally critical. Procurement must work with risk and IT functions to implement assurance mechanisms such as:

- Routine audits or technical assessments
- Verification of security certifications and control frameworks
- Ongoing monitoring for breach disclosures or material changes in supplier cyber posture.

All contracts should include 'right to audit' clauses and clearly defined escalation procedures for non-compliance.

Lesson: Assurance processes must be systematic, resourced, and contractually embedded and not dependent on goodwill or assumptions.

5. Monitor and strengthen partnerships

Long-term cyber resilience depends on trust-based partnerships. Procurement professionals should actively support:

- Two-way sharing of threat intelligence and cybersecurity best practices
- Joint incident response planning and exercises
- Supplier capability uplift through frameworks and knowledge sharing
- A culture of transparency, accountability, and continual improvement

Lesson: Building cyber-aware supply ecosystems requires active engagement—not just rule enforcement.

Strategic implications for the energy sector

ACSC's guidance signals a clear shift: procurement and cybersecurity must now operate as strategic partners. For energy organisations, this requires:

- Raising baseline cybersecurity standards across all suppliers
- Embedding cyber accountability into every stage of the procurement process
- Fostering long-term, resilient relationships with trusted vendors
- Demonstrating readiness for regulatory compliance, including under the Security of Critical Infrastructure Act 2018

Final insight

Cyber supply chain risk management is no longer the exclusive domain of IT teams. It is a shared organisational responsibility, and procurement is at its centre. As custodians of supplier engagement, procurement and supply chain professionals must lead the charge in embedding secure-by-design, risk-informed, and partnership-oriented practices across the sourcing lifecycle.

6.5 AI in procurement: From automation to competitive edge

Artificial Intelligence (AI) is no longer a futuristic add-on, instead it is becoming a defining force in modern procurement and supply chain management.

What began as a tool to automate routine tasks has now evolved into a strategic advantage.

Today, AI is helping procurement and supply chain teams forecast disruptions, optimise sourcing decisions, and make sense of increasingly complex supplier landscapes.

According to McKinsey & Company, integrating AI into procurement strategies is becoming essential for maintaining competitiveness and long-term resilience in an increasingly volatile and complex global environment (McKinsey & Company, 2023).

What is driving the shift towards AI

- **Flying blind without AI:** With supply chains being under pressure from inflation, trade tensions, and material shortages, without AI-powered predictive analytics, companies are reacting too late to disruptions.
- **Legacy procurement is too slow:** Traditional sourcing models cannot keep pace with real-time market shifts. AI is enabling procurement and supply chain teams to evaluate suppliers, benchmark prices, and negotiate smarter and instantly.
- **Hidden risks are lurking in supply chains:** AI allows the detection of financial instability, fraud, and ESG violations long before they become major issues, whereas manual risk assessments fail to compete at the same level of accuracy.

How procurement leaders are using AI to stay ahead

- **Forecasting disruptions before they strike:** Using AI to scan global markets for early warning signs, track raw material shortages, geopolitical risks, and supplier instability helps Procurement and Supply Chain teams act ahead of the curve.
- **Strengthening risk intelligence and fraud detection:** AI machine learning models can flag unusual patterns in supplier transactions, to help identify fraud, financial distress, or performance inconsistencies before they escalate.
- **Optimising sourcing and negotiations:** AI-powered platforms streamline supplier selection, generate real-time cost comparisons and support negotiations with data-backed insights, slashing lead times and unlocking savings.

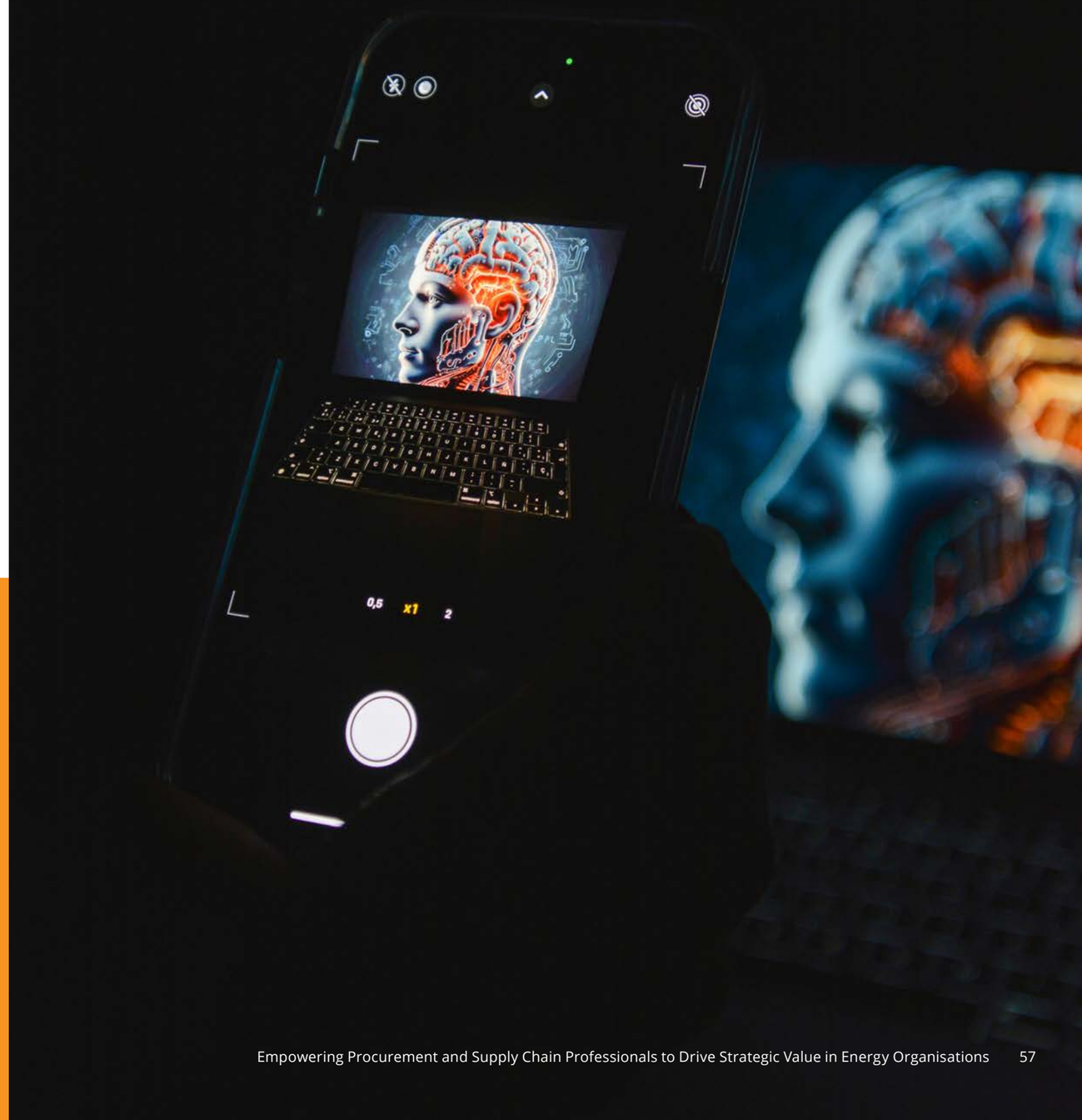
As procurement leaders grapple with the implications of AI, many are beginning to see it not just as a technological shift, but as a strategic inflection point. As Justin McKenzie, Chief Procurement Officer (CPO) at Power and Water Corporation, puts it:

"The AI story is still unfolding. It is one of unprecedented risk, but even greater opportunity."

Justin McKenzie, CPO, Power and Water Corporation

Food for Thought

If your procurement and supply chain team is not using AI to anticipate risk, optimise sourcing, and respond faster than the market—rest assured, your competitors are.



The ground is shifting beneath the energy sector.

As highlighted in Sections 5 and 6, forces like decarbonisation, global supply chain disruption, and tightening regulation are challenging long-held traditional procurement models.

It is therefore quite clear that cost-cutting alone will not cut it anymore.

Procurement and supply chain professionals are being called to do much more, build resilience, unlock innovation, and create lasting competitive advantage for energy organisations.

In the sections ahead, we examine the growing need for procurement and supply chain functions to step out of the supportive and transactional role and into the boardroom by evolving into a strategic force at the heart of corporate decision making and long-term value creation.

"Recent supply chain disruptions have brought renewed executive attention to what was once considered a 'sleeping function'—highlighting the strategic value of procurement and supply chain thinking in ensuring business continuity and competitive advantage."

Karren Stafford, Energy Queensland

7. Powering the Future: Why Procurement Must Become a Strategic Engine for Energy Organisations

The role of procurement and supply chain teams in energy organisations is being rapidly redefined. As highlighted by McKinsey & Company, procurement's role is expanding beyond cost reduction to shape how organisations compete, navigate volatility, and deliver on evolving stakeholder expectations (McKinsey & Company, 2023).

As explored in Sections 5 and 6, the forces reshaping the industry are unrelenting. Decarbonisation is accelerating, supply chains are under pressure from global disruption, and regulatory frameworks are shifting faster than many organisations can keep up with. Layer on geopolitical tension, ESG mandates, and the rapid rise of digital technologies, and it becomes quite clear that the traditional procurement and supply chain model is no longer fit for purpose.

Energy organisations cannot afford to wait and react.

To navigate this complexity, procurement and supply chain professionals must shift from a supportive, transactional function to a forward-thinking strategic partner. This means not only managing cost and risk but proactively influencing corporate direction.

As Deloitte (2023) notes, high-performing procurement and supply chain leaders are those who actively engage with senior leadership, build trusted cross-functional relationships, and align on shared goals, enabling them to shape decision-making at the highest levels. These leaders do not just support strategy; they co-create it, embedding procurement and supply chain practices as a critical engine of business transformation and long-term value creation.

What is a forward-thinking procurement and supply chain function?

In today's dynamic environment, a forward-thinking procurement and supply chain function is not just focused on buying goods, instead it focuses on building a supply chain that propels the business forward, and one that is:

- **Predictive:** Able to identify and respond to risks before they disrupt operations.
- **Adaptive:** Capable of shifting strategies to manage supply volatility and market change.
- **Business-Aligned:** Drives, not just supports, the broader corporate goals and is deeply embedded in business strategy.

"Procurement exists to enable our business, so we must adapt in the way the business needs us to respond."

Sharyn County, General Manager – Procurement and Real Estate APA Group

Breaking the myth of 'strategic procurement'

While it is often observed that many organisations talk about shifting to strategic procurement and supply chain practices, the reality is that few have truly made the shift.

What 'strategic procurement and supply chain management' still often means today

- Cutting costs rather than creating value.
- Signing short-term contracts instead of building lasting supplier partnerships.
- Acting tactically instead of aligning with the business's broader strategic priorities.

What 'strategic procurement and supply chain management' must ideally mean going forward

- Building resilient supply chains with the built-in capability of facing global uncertainty.
- Optimising cost without compromising on long-term value.
- Co-developing solutions with suppliers to drive innovation, sustainability and resilience.
- Integrating Procurement and Supply Chain into financial, operational, and regulatory decision-making.

"Procuring goods and services on time is no longer sufficient. It is essential to understand the 'where' and 'how' of manufacturing and delivery, and the purpose of your procurement strategy to meet future demand."

Nichola Wilson, Procurement & Shared Services Excellence Manager, SA Power Networks

Strategic procurement and supply chain management built for the business

The most effective procurement and supply chain teams do not simply chase trends, instead they design their strategies around what drives value for their business. That means aligning procurement activities directly with their organisation's strategy and corporate priorities and adapting them across different business units and operational needs.

This alignment is best understood as a top-down approach. One that starts with corporate strategy and cascades through business units to operational execution.

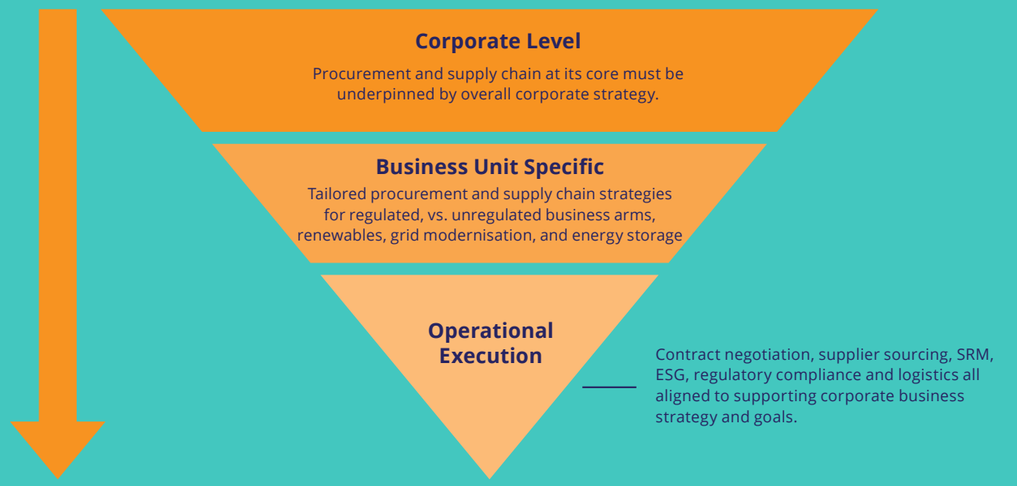


Figure 5: Top-down approach to strategic procurement and supply chain Management

- At the corporate level, procurement and supply chain goals must be anchored in the organisation's overarching strategic objectives, whether that's growth, decarbonisation, innovation, or regulatory leadership.
- At the business unit level, tailored strategies are required for different parts of the business, such as regulated vs unregulated markets, renewable energy, grid modernisation, or storage. Each segment demands its own procurement playbook, shaped by its operational realities and market drivers.
- As Bain & Company (2023) emphasises, a one-size-fits-all approach to procurement is rarely effective in complex organisations. Aligning procurement with corporate strategy often requires differentiated strategies at the business unit level to reflect varying product characteristics, market conditions, and business imperatives.
- At the operational execution level, the focus shifts to day-to-day delivery, sourcing, supplier relationship management, ESG compliance, logistics, and contract negotiation. All of which must still be aligned with the broader strategic goals.

This strategic cascade reinforces a critical point as pointed out by Sharyn County, General Manager – Procurement and Real Estate at APA Group and Courtney Joannidis, Group Manager – Procurement Excellence and Delivery, Jemena.

From transaction to value creation

Procurement and supply chain management is no longer a supporting, transactional function. It is a business-critical capability.

In today's highly volatile energy market, the gap between those who evolve and those who do not is undoubtedly widening.

Organisations that fail to modernise their procurement functions risk experiencing:

- Chronic supply shortages, particularly in critical infrastructure components, as global competition intensifies (IEA, 2023)
- Escalating costs, driven by reactive procurement practices and reduced negotiating power (BCG, 2022)
- Regulatory non-compliance, which can result in project delays and reputational risk (KPMG, 2024).

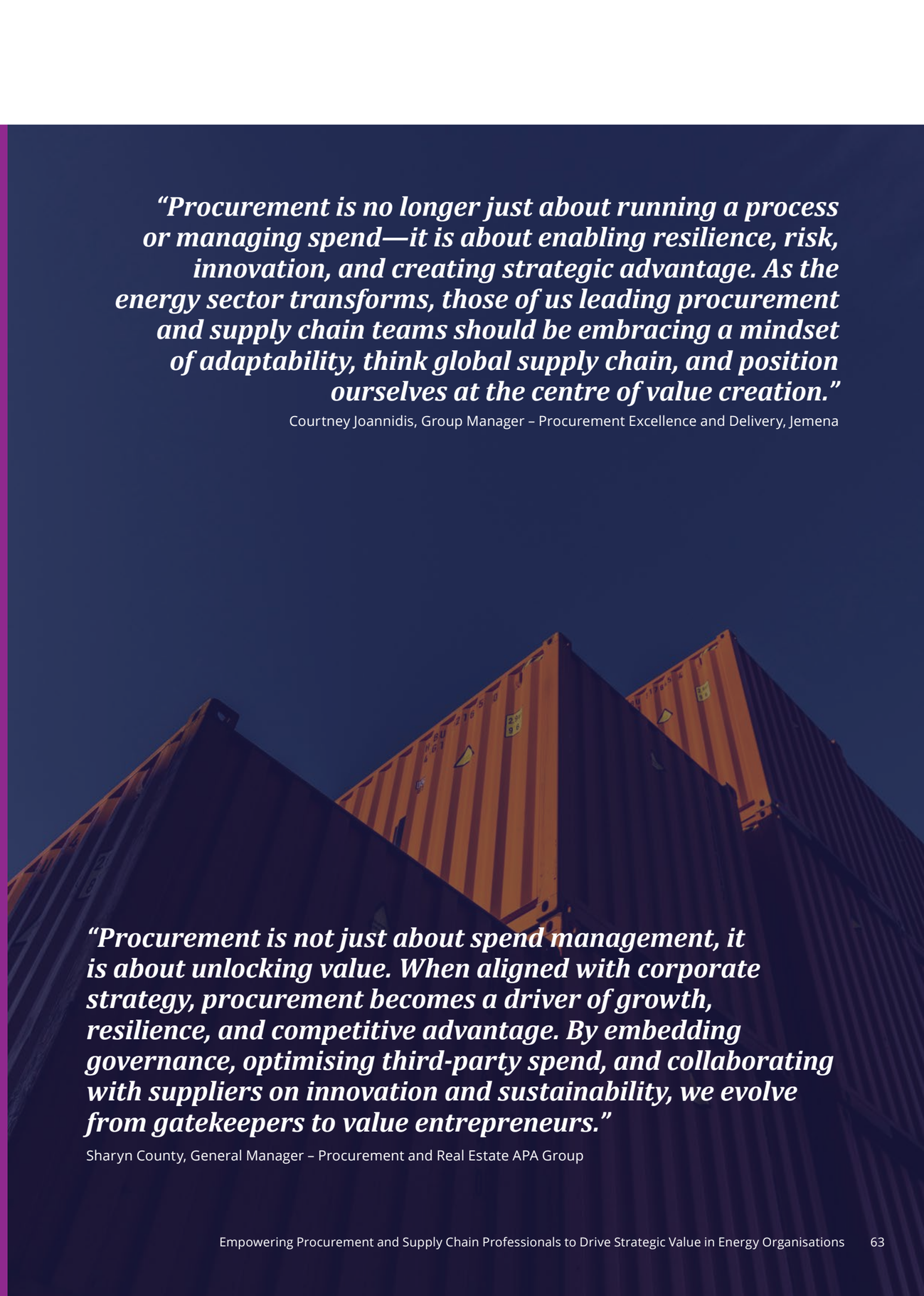
On the other hand, organisations that strategically elevate procurement are already demonstrating better performance. These leaders are:

- Securing more competitive supplier agreements through data-driven sourcing strategies
- Strengthening operational resilience by embedding proactive risk management and supply chain visibility
- Unlocking long-term value through supplier-led innovation, cost optimisation, and ESG-aligned sourcing (McKinsey & Company, 2023).

As confirmed throughout this white paper, the future of procurement and supply chain relevance lies in its ability to act as a strategic partner, delivering on cost, risk, and compliance objectives while shaping broader organisational success through its contribution to overall corporate strategy and objectives.

"Procurement is no longer just about running a process or managing spend—it is about enabling resilience, risk, innovation, and creating strategic advantage. As the energy sector transforms, those of us leading procurement and supply chain teams should be embracing a mindset of adaptability, think global supply chain, and position ourselves at the centre of value creation."

Courtney Joannidis, Group Manager – Procurement Excellence and Delivery, Jemena



"Procurement is not just about spend management, it is about unlocking value. When aligned with corporate strategy, procurement becomes a driver of growth, resilience, and competitive advantage. By embedding governance, optimising third-party spend, and collaborating with suppliers on innovation and sustainability, we evolve from gatekeepers to value entrepreneurs."

Sharyn County, General Manager – Procurement and Real Estate APA Group

8. Unlocking Value: The Rising Role of Procurement and Supply Chain in Corporate Strategy

Procurement and supply chain management has officially entered its value creation era.

For too long, the value delivered by procurement and supply chain has been narrowly defined by cost savings, contract compliance, and transactional efficiency.

In today's energy sector however, the precedent definition no longer holds.

Real value lies in how procurement and supply chain practices can actively shape enterprise outcomes: strengthening resilience, driving innovation, advancing ESG priorities, and enabling sustainable growth.

The value gap is clear. Many energy organisations continue to operate under legacy models that confine procurement and supply chain functions to a reactive, support role, leaving significant strategic potential untapped.

This section explores how to close that gap.

It identifies five (5) Key Result Areas (KRAs) where a modern, forward-looking procurement and supply chain departments can unlock enterprise-wide impact and deliver sustained competitive advantage.

Key Result Areas

"Procurement is no longer just about saving money, it is becoming more about making every dollar work smarter, delivering the right outcomes at the right time, and doing so with a sharp focus on risk. That's how procurement and supply chain practices become a true lever for business growth."

Sharyn County, General Manager – Procurement and Real Estate, APA Group

KRA 1. Energy transition

The corporate objective: Achieve net-zero targets while securing the renewable energy supply chain.

The procurement and supply chain mandate:

- Energy transition is not just about ambition, it is about execution, i.e., how well and how fast organisations can secure the supply of critical materials, energy storage, and infrastructure.

Procurement and supply chain strategies:

Securing supply of critical renewable energy components:

- Lock in long-term agreements with critical component manufacturers to mitigate supply shortages and price volatility.
- Build multi-region supplier networks to reduce dependence on single-source markets for critical supplies.
- Embed Scope 3 emissions criteria into supplier selection and contracting to drive emissions reductions across the entire energy value chain.
- Leverage sustainability-linked loans, green bonds, and carbon credits to fund net-zero-aligned procurement initiatives.

Why It matters:

- The global pursuit of net-zero emissions is fundamentally reshaping material supply chains, giving rise to a significant "materials transition" (McKinsey & Company, 2023).
- As McKinsey & Company emphasises that the capacity of global supply chains to meet this escalating demand will be a pivotal factor in determining the pace of decarbonization efforts (McKinsey & Company, 2023).
- Companies that secure critical materials and technologies today will dominate the net-zero era, whereas those that fail to act will likely face supply shortages, cost inflation, and regulatory penalties.

KRA 2. Supply chain resilience and risk management

The corporate objective: Reduce exposure to geopolitical risks, supply shortages, and disruptions.

The procurement and supply chain mandate:

Resilience is now more valuable than cost savings. The priority is shifting from reactive crisis management to proactive risk mitigation.

Procurement and supply chain strategies:

Multi-Tier supplier mapping and risk identification to move beyond Tier 1 supplier visibility to map out vulnerabilities in Tier 2 and Tier 3 suppliers.

Nearshoring and regional sourcing to reduce dependence on geopolitically sensitive regions by diversifying supply chains and strengthening regional sourcing hubs.

Leverage AI-driven analytics to forecast supply chain disruptions before they happen.

Proactive contract structuring and risk hedging by transition from short-term buying cycles to long-term, risk-adjusted and risk sharing contracts.

Energy Procurement Supply Association

Why It matters:

- A single supply chain failure can derail an entire energy project.
- With projects relying on globally integrated, often highly concentrated supply networks, even a single disruption, whether from policy shifts, factory shutdowns, geopolitical tensions, or natural disasters can derail an entire energy project (OECD and International Energy Agency, 2022).
- For companies that fail to anticipate disruptions, the consequences are significant: cost spikes, project delays, and financial losses.
- Organisations that proactively build resilience through diversified sourcing, flexible supplier agreements, and real-time risk monitoring, are not just protecting operations: they are positioning themselves to lead.
- As BCG notes, the ability to react quickly when disruption inevitably strikes enables firms to recover operations faster and secure first-mover advantage, particularly when competing for scarce materials or limited supplier capacity (Boston Consulting Group, 2022).

KRA 3. Cost optimisation and financial performance

The corporate objective: Balance cost control with long-term business value.

The Procurement and supply chain mandate

Cost leadership alone is no longer a competitive advantage. The focus must be on cost optimisation without sacrificing quality, security, innovation, or resilience.

Procurement and supply chain strategies

- Shift to Total Cost Ownership (TCO) based sourcing that considers lifecycle costs, maintenance expenses, supply chain risks, and long-term value creation.
- Evaluate suppliers based on operational efficiency, reliability, and sustainability performance, not just unit cost.
- Explore opportunities to implement volume-based pricing agreements, bundling strategies, and joint procurement consortiums to assist with maximising economies of scale.
- Implement contractual price adjustment mechanisms to manage rising costs.
- Incentivise suppliers to deliver cost-saving innovations through performance-based contracts and R&D partnerships.

Why It Matters

- In the energy sector, short-term cost-cutting may provide immediate financial relief, but it often compromises long-term stability.
- Traditional cost-containment methods—such as offshoring and lean operations—can backfire in today's volatile environment, leading to supply chain disruptions, operational fragility, and diminished long-term value (Deloitte, 2023).
- These reactive approaches frequently ignore the broader strategic implications of cost decisions, sacrificing future resilience and value creation in favour of short-term gains (Deloitte, 2023).

KRA 4. Innovation and digital transformation

The corporate objective: Leverage technology-driven procurement to increase efficiency, agility, and risk intelligence of corporate operations.

The procurement and supply chain mandate

Energy organisations must modernise procurement operations to a data-driven, predictive function that anticipates disruptions, enables proactive risk management, secures optimal supplier agreements, and optimises costs dynamically.

Procurement and supply chain strategies

- Use AI-driven supplier risk monitoring tools to track market volatility and geopolitical risks.
- Explore blockchain-powered procurement contracts to enhance supply chain traceability, enforce compliance, and eliminate fraud risks.
- Implement real-time supplier dashboards to track cost, quality, and lead times.

Why It matters

- Procurement functions that fail to adopt AI, blockchain, and IoT will be at a disadvantage (Garg et al., 2023).
- KPMG (2024) makes it clear that predictive analytics, generative AI, and robotic process automation are expected to have the most significant impact on procurement functions in the next 12–18 months, yet many organisations still cite limited data visibility and outdated systems as key internal challenges.
- In complex and volatile energy supply chains, AI-driven tools can rapidly process structured and unstructured data to generate timely, actionable insights, helping procurement teams generate faster actionable insights, empowering a boost in innovation, efficiency, and decision quality (KPMG, 2024).
- However, while integrating AI is critical, doing so safely and responsibly is equally important, the adoption of AI and automation also introduces ethical and legal risks, particularly around data privacy and cybersecurity. Without clear governance and responsible use policies, organisations risk compliance breaches and operational vulnerabilities (KPMG, 2024).

KRA 5. Regulatory compliance and ESG governance

The corporate objective: Align procurement strategies with ESG policies, compliance standards, and investor expectations.

The procurement and supply chain mandate

With regulatory and ESG pressures intensifying the energy transition demands sustainable procurement strategies, ensuring suppliers adhere to carbon reduction targets, ethical labour practices, and responsible sourcing has become essential for energy organisations.

Procurement and supply chain strategies

- Embed ESG criteria in supplier evaluations, to assess Scope 3 emissions, human rights practices, and environmental performance before awarding contracts.
- Conduct real-time ESG risk monitoring, using AI-driven analytics to identify compliance risks across multi-tier supply chains.
- Mandate cybersecurity compliance in supplier contracts, ensuring vendors meet SOC I Act (or similar) security requirements.
- Actively engage with and collaborate with suppliers to embed and uphold ESG standards across the supply chain.

Why it matters

- According to KPMG, two-thirds of global procurement leaders report that growing regulatory and ESG requirements will significantly shape strategic sourcing decisions over the next three to five years (KPMG, 2024).
- This will require a step-change in how organisations manage third-party risk, moving beyond basic compliance checks to proactively assessing suppliers based on emissions impact, circular economy alignment, and labour practices (KPMG, 2024).
- In this new environment, procurement and supply chain functions will need to play a pivotal role in driving sustainable transformation. From informing early product design decisions to sourcing ethically and sustainably, procurement and supply chain practices will need to be uniquely positioned to act as the orchestrator of circularity and ESG outcomes across the value chain (KPMG, 2024).

9. Upskilling Procurement Professionals: Building Strategic Value Creator

Future-proofing the energy sector starts with its people.

As procurement and supply chain functions evolve into strategic value creators, the capabilities of the professionals leading them must evolve too.

In an environment defined by digital disruption, ESG imperatives, and supply chain volatility, technical knowledge alone is no longer enough.

This section explores how energy organisations can build a future-ready workforce by equipping procurement and supply chain professionals with the skills, mindsets, and strategic capabilities needed to lead transformation, create value, and secure long-term resilience.

9.1 Critical shifts in the role of procurement and supply chain professionals

As the energy sector undergoes rapid transformation, the role of procurement and supply chain professionals has expanded dramatically. No longer confined to only transactional tasks or cost containment, today's professionals must be strategic thinkers, commercial operators, risk managers, and innovation enablers.

The expectations are high and rising.

This shift, reinforced through our conversations with industry leaders, procurement and supply chain leaders and professionals, key stakeholders, and suppliers, requires fundamental changes across four key dimensions:

1. From process-oriented to strategy focused

- **Outcome-oriented thinking:** Disruption has reframed procurement's value proposition. Professionals must transition from process-centric roles to delivering measurable outcomes that support broader business continuity and growth.
- **Company intelligence:** The era of procurement existing in silos is over. Strategic procurement professionals understand how their function intersects with the broader business and actively contribute to cross-functional priorities.
- **Strategic focus enabled by technology:** With AI streamlining manual work, procurement leaders are freed up to focus on designing strategies that anticipate and address disruption—whether through sourcing models, supplier collaboration, or scenario planning.

2. From managing risks to being risk managers

- **Modern procurement functions embed risk thinking into every decision.** Professionals are now responsible for identifying, assessing, and mitigating risks across multiple domains:
  - Business risks: Ensuring procurement supports strategic goals and avoids exposing the company to operational or financial vulnerabilities.
  - Political risks: Monitoring geopolitical changes such as trade policy shifts, sanctions, and supply disruptions.
  - ESG risks: Managing ethical, environmental, and social compliance within supply chains to protect both reputation and license to operate.
- **Proactive mitigation:** Risk-aware procurement teams embed commercial protections into contracts, select diverse suppliers, and build redundancy into critical categories.

3. Diverse expertise enriching procurement functions

- The complexity of the energy sector demands multidisciplinary procurement teams that combine technical, legal, financial, and data expertise:
  - Engineering: Helps validate technical feasibility of supplier offerings.
  - Law: Supports strong, compliant contracting and governance.
  - Finance: Brings cost modelling and budget alignment into strategy.
  - Data Analytics: Enables forecasting, benchmarking, and rapid decision-making.
- This diversity enables procurement to take a holistic view—aligning technical specifications, cost considerations, and risk factors with organisational priorities.

4. Change initiation and leadership

- In an industry defined by volatility, procurement can no longer afford to be reactive. Professionals must lead change:
  - Challenge legacy systems that hinder agility.
  - Promote innovation through new sourcing models and partnerships.
  - Anticipate demand, market shifts, and regulatory changes to ensure procurement strategies remain fit for purpose.

Insights gained form the wider industry therefore points to a critical shift: upskilling is no longer a development initiative. It is a business imperative.

The competencies required in the past are no longer sufficient to meet the demands of today's volatile and digitised energy landscape.

Today's procurement and supply chain professionals must broaden their scope and step into new, more strategic roles:

- From process administrators to outcome-focused strategists
- From risk reporters to risk managers and mitigators
- From specialists to cross-functional collaborators
- From executors to change leaders and problem solvers

These shifts therefore demand new mindsets, new capabilities, and a proactive approach to continuous learning.

9.2 Skills matrix: Procurement professionals

As the responsibilities of the procurement and supply chain function evolves, so too must the skills of those who lead and support it.

The following matrix outlines the core competencies and skills procurement and supply chain professionals must develop to operate effectively in this expanded role.

Upskilling theme	Competency	Skills required	Strategic impact
Strategic procurement leadership	Technology savvy	AI literacy - data analytics, data visualisation, and proficiency in tools including Excel, PowerBI	Drives efficiency and enables data-informed decision-making
	Cross-functional collaboration	Effective communication; negotiation and compromise	Aligns procurement objectives with broader organisational goals
	Supplier diversification	Supplier relationship management and development	Enhances supply chain resilience and agility
Enterprise risk and resilience	Proactive risk management	Market intelligence, risk acumen	Anticipates disruption and embeds resilience into sourcing strategies
Multidisciplinary capability	Commercial acumen	Contract management, financial analysis, legal/ risk acumen	Ensures procurement decisions support financial and legal soundness
	Technical appreciation	Product/service knowledge; research skills	Strengthens supplier evaluations and drives fit-for-purpose outcomes
	ESG and renewables	Sustainable procurement; modern slavery understanding	Delivers on ESG objectives and regulatory compliance
Change and Innovation Leadership	Innovation mindset	Change readiness, problem-solving	Promotes agility and drives continuous improvement

9.3 Skills matrix: Senior procurement professionals

Senior procurement and supply chain leaders play an increasingly important role in shaping how their organisations respond to complexity and change. They are now expected to do more than just manage procurement and supply chain functions and instead are trusted to lead transformation, guide strategic decision making, and ensure the functions deliver value at the enterprise level.

What follows is a summary of the advanced capabilities and leadership skills now essential for navigating this evolving landscape.

Upskilling theme	Competency	Skills required	Strategic impact
Strategic procurement leadership	Strategic acumen	Planning and forecasting, strategic stakeholder engagement, business governance	Enables long-term value creation and executive alignment
Enterprise risk and resilience	Enterprise alignment	Risk oversight, resilience and crisis leadership	Guides enterprise-wide response to procurement risk
Multidisciplinary capability	Commercial and technical integration	Commercial assessment; technical awareness	Connects commercial and technical dimensions for smarter strategy execution
Change and innovation leadership	Change leadership	Organisational innovation, team responsiveness, talent development	Builds future-ready teams and fosters adaptive culture

10. Into the Future – The Next Era of Procurement and Supply Chain in Energy Organisations

As outlined in Sections 5 through 9, the procurement and supply chain function has already undergone a significant transformation, shifting from a transactional, supportive function to a strategic value enabler. The transformation is however far from complete.

The next era will be defined by a broader set of shifts: from AI and automation to ESG integration, new workforce dynamics, cyber resilience, and increasingly complex stakeholder demands.

While AI continues to dominate headlines, it is only one part of a much larger evolution in how energy organisations source, partner, and deliver value.

The path forward requires not just technological adoption, but a rethink of skills, structures, and strategies.

The key question now is whether today's procurement and supply chain leaders and professionals will seize this change or risk being left behind.

AI: Disruptor or strategic enabler?

AI is already here and is transforming the procurement and supply chain landscape. However, rather than threatening to replace procurement and supply chain professionals, AI can be used to elevate their roles, empowering them to focus on strategy, insight, and innovation.

As highlighted by a study from BCG, AI will fundamentally change how procurement operates, shifting it away from routine, manual tasks toward a more strategic, insight-driven future (Boston Consulting Group, 2025).

What AI is automating

- **Risk forecasting and data analysis:** AI platforms track supplier performance and disruptions in real time.
- **Smart contracting:** Blockchain-enabled agreements reduce cycle times and improve compliance.
- **Bid evaluation and supplier scoring:** Machine learning accelerates tender reviews with consistent, data-driven scoring.

What AI cannot do (yet)

- **High-stakes negotiation:** Low risk and low value contracts may be administered through AI powered platforms, however, those complex, multi-million-dollar supplier deals very much still require expert human judgment.
- **Trust-based relationships:** AI can assist in monitoring suppliers on an ongoing basis, however, AI cannot be relied on to foster supplier relationships, build credibility or resolve conflicts.
- **Strategic thinking:** While AI may contribute through data driven insights and predictive analysis, human expertise is essential to effectively analyse AI generated data and insights to arrive at well informed decisions which align with overall corporate strategy.

The opportunity for procurement professionals?

AI is eliminating the manual and transactional, clearing the way for Procurement and Supply Chain teams to focus on strategy, risk, and innovation.

As outlined by Forbes Business Development Council (2024), procurement teams that embrace AI are better positioned to deliver strategic value, leveraging data-driven insights to enhance agility, improve decision-making, and drive real business outcomes.

The talent crisis: Addressing the loss of entry-level roles

AI is quietly erasing many of the transactional roles that once served as entry points into the profession.

Tasks like purchase order processing and invoice reconciliation are already being handled by machines.

McKinsey highlights that as these routine activities become automated, procurement teams are transitioning towards more strategic roles, focusing on global category management and empowering other functions to make informed decisions independently (Anton, Möller, & Toleikyte, 2025).

This presents a new risk. Without entry level roles, how will organisations develop the next generation of procurement and supply chain leaders and professionals?

What is at stake

- Fewer junior roles mean fewer opportunities to build experience.
- The profession risks losing relevance among early-career talent.
- Without a clear pathway, procurement may struggle to attract top-tier graduates.

The solution

- **Reinvent entry-level roles:** Shift the focus from transaction processing to strategic exposure, allowing early-career professionals the opportunity to get involved in supplier strategy, ESG, and AI-enabled decision-making from day one.
- **Build AI-integrated teams:** Use AI to enhance and not eliminate junior roles, by training junior staff to use AI tools for analytics, sourcing intelligence, and market scanning.
- **Invest in future-ready talent pipelines:** Launch structured graduate programs focused on strategic sourcing, risk management, and supplier collaboration.

A multi-generational procurement workforce: Competitive edge or cultural clash?

For the first time in history, five generations are working side by side in the procurement workforce, each bringing distinct values, expectations, and capabilities to the table (The Hackett Group, 2019). While this diversity presents challenges in communication, learning preferences, and workplace culture, it also unlocks a powerful source of innovation and organisational resilience, if managed effectively.

Learning priorities vary by career stage

Hackett's research highlights that each generation brings different learning drivers:

- Late-career professionals seek opportunities to maximise their contribution while mentoring others and leveraging their expertise
- Mid-career professionals are motivated by skill acquisition and career progression, but value autonomy and transparency
- Early-career and new entrants prioritise rapid development, cross-functional exposure, and access to leadership
- Bridging these generational strengths requires tailored development strategies that recognise differing motivations and skill-building needs.

The challenge

- **Technology divide:** Older professionals offer deep institutional knowledge and perspective from navigating long-term market cycles. Younger generations, particularly digital natives, inject energy, data fluency, and a comfort with automation and emerging technologies (The Hackett Group, 2019).
- **Workplace expectations:** Older generations may value structured environments, whereas younger professionals might prioritise speed and agility, necessitating a balance to foster effective teamwork.
- **Knowledge transfer risks:** The impending retirement of experienced procurement leaders poses a risk of losing valuable institutional knowledge, impacting strategic decision-making and continuity.

The Opportunity

Ultimately, the strength of future-ready procurement teams will lie not just in digital acumen, but in their ability to operate as harmonised, multi-generational teams. By cultivating a culture of continuous learning and mutual respect, organisations can transform what might otherwise be a cultural clash into a strategic edge.

In the fast-evolving energy landscape, where agility, foresight, and collaboration are non-negotiable, unlocking the full potential of a diverse workforce will be central to long-term success.

How to harness generational strengths

- **Reverse mentorship:** Establish initiatives pairing senior leaders with younger professionals to facilitate the exchange of digital skills and strategic wisdom, fostering mutual growth and understanding.
- **Cross-generational collaboration:** Develop cross-generational project teams to balance institutional knowledge with innovation and digital fluency, enhancing problem-solving and adaptability.

By designing inclusive learning environments, organisations can unlock the full value of generational diversity, harnessing the wisdom and institutional knowledge of senior professionals alongside the energy, creativity, and digital fluency of younger talent. When structured effectively, these cross-generational development opportunities foster mutual learning and continuous improvement, strengthening procurement's capacity to adapt and lead through change (The Hackett Group, 2019).

The future skillset: What procurement and supply chain professionals need to succeed

The role of procurement is changing fast, and so are the skills required to lead it.

The professionals set to thrive in the next decade will not just be experts with the knowhow to negotiate or manage spend, they will also be strategic thinkers, risk managers, and AI-literate decision-makers, fluent in data, confident in ambiguity, and bold in their thinking.

What is changing

- **AI literacy:**
  - Procurement leaders will not need to be coders, but they will need to understand AI-driven decision-making.
  - As technology takes on a greater role in procurement, teams will need to redefine how they work, leveraging AI to streamline manual tasks, enhance productivity, and support smarter decision-making (KPMG, 2024).
  - This shift will require upskilling staff to confidently use AI tools, self-service platforms, and digital assistants, while adopting new, tech-integrated ways of working (KPMG, 2024).
- **Cybersecurity awareness:**
  - As supply chains become increasingly digitised, procurement and supply chain professionals must develop a strong understanding of cybersecurity risks not only within their direct operations but across the broader supplier ecosystem.
  - With rising exposure to cyber threats from third- and fourth-party vendors, professionals will need the skills to identify vulnerabilities and actively contribute to cyber risk mitigation strategies (KPMG, 2024).
- **Fluency in ESG and sustainability-driven decision making:**
  - Developing ESG capabilities is emerging as the top priority for procurement functions over the next three to five years (KPMG, 2024).
  - As regulatory scrutiny and stakeholder expectations grow, procurement professionals must be equipped to lead responsible sourcing initiatives, ensure supply chain transparency, and meet evolving compliance requirements.
  - ESG fluency will not only be essential for managing risk but will also position procurement as a strategic driver of long-term value and corporate sustainability goals (KPMG, 2024).

What is staying

- **Commercial Acumen** – Strategic cost management will always remain a core skill.
- **Risk Management** – Supply chain disruptions are not expected to go away any time, making proactive risk management and supply chains with built-in resilience the standard.
- **Relationship Building** – AI cannot replace human connections with suppliers, regulators, or business leaders:
  - As automation streamlines transactional tasks, the value of human connection in procurement becomes even more critical (KPMG, 2024).
  - Over-reliance on technology risks weakening relationships with internal stakeholders and external suppliers, connections that are essential for innovation, collaboration, and long-term value creation (KPMG, 2024).
  - While digital tools can enhance efficiency, they should be used to empower and not replace the role of procurement professionals in managing strategic discussions, negotiating effectively, and ensuring alignment with broader organisational objectives (KPMG, 2024).

The soft skills that will define the future

AI can automate workflows, proactively predict risks, and generate data driven insights, but what AI can't do is replicate human judgment, emotional intelligence, or strategic leadership.

As AI digitalises most of the administrative duties of procurement and supply chain professionals, the skills that differentiate successful procurement and supply chain leaders and professionals will not be technical, they will be human.

What tomorrow's procurement professionals will need:

- **Negotiation mastery**
  - While automation and AI are rapidly transforming procurement operations, the ability to negotiate effectively remains a distinctly human strength.
  - KPMG underscores that technology should ultimately support, not replace, strategic functions like negotiation, stakeholder engagement, and alignment with business objectives (KPMG, 2024).
  - Human judgment, adaptability, and emotional intelligence are hence irreplaceable when navigating complex supplier dynamics, especially in high-value or high-risk negotiations.
- **Cross-functional collaboration**
  - Procurement can no longer operate in silos. Success depends on seamless coordination across legal, finance, operations, and engineering and bringing together diverse perspectives to solve complex challenges.
  - Recent industry analysis by McKinsey emphasises that the procurement function should work in tandem with other business units and the C-suite, acting as a 'knowledge broker' who connects internal needs with external suppliers' capabilities (Erriquez et al., 2023).
- **Adaptability**
  - With technology evolving and the energy sector in flux, procurement and supply chain professionals must be ready to pivot at moment's notice.
  - With organisations increasingly depending on procurement to not only manage risk but convert it into strategic advantage, agility and a proactive mindset are essential (Garg et al., 2023).
  - Leaders in this space must be ready to respond swiftly to evolving market conditions, emerging technologies, and shifting stakeholder priorities, ensuring procurement remains resilient, responsive, and forward-looking (Garg et al., 2023).
  - The future of procurement will be written by those who embrace change, invest in talent, and lead with both digital fluency and human intelligence.

Energy Procurement Supply Association

"Tomorrow's procurement leaders will be today's legacy."

Justin McKenzie, CPO, Power and Water Corporation

11. Framework for Strategic Procurement and Supply Chain Excellence

This framework distils the white paper's core insights into a practical, action-oriented model for procurement leaders.

Anchored in five (5) strategic pillars, digital transformation, supplier collaboration, ESG integration, risk management, and talent development, this framework offers a clear roadmap to embed procurement and supply chain management into the heart of corporate strategy and drive long-term value, resilience, and efficiency.

Energy Procurement Supply Association

Strategic pillars

1. Digital transformation and innovation

Objective: Embrace advanced technologies to enhance procurement efficiency and mitigate risk.

Key actions

Immediate priorities (0-12 months)

- Optimise the use of existing digital procurement tools by fully utilising advanced features for automation, supplier tracking, and risk assessment.
- Enhance reporting accuracy through better data integration across current platforms.
- Conduct internal training to ensure procurement teams are effectively leveraging existing technology for improved decision-making.

Mid-term strategies (1-3 years)

- Identify gaps and inefficiencies in existing digital procurement systems through comprehensive internal audits and feedback loops.
- Research alternative platforms that incorporate AI-driven analytics, predictive modelling, and automation for improved efficiency and accuracy.
- Develop business cases to support investment in next-generation procurement technology, demonstrating projected cost savings, risk mitigation, and performance enhancements.
- Establish frameworks for integrating and piloting new platforms, ensuring seamless transitions with minimal disruption.

Long-term vision (3+ years)

- Secure funding and approval for full-scale adoption of AI-driven procurement solutions that enable autonomous decision-making and advanced supplier negotiations.
- Develop and implement training programs to ensure procurement teams can effectively use AI and machine-learning-powered tools.
- Create performance metrics to track efficiency gains, cost reductions, and risk mitigation from digital transformation initiatives.
- Position procurement as a data-driven, proactive function that leverages real-time insights for strategic advantage.

2. Strategic partnerships and supplier management

Objective: Build enduring, diversified supplier networks to reduce dependency on single sources and strengthen resilience.

Key actions

- Cultivate enduring supplier relationships through joint risk assessments and long-term contracts.
- Diversify the supplier base and explore nearshoring opportunities.
- Implement advanced supplier performance management tools for continuous improvement.

Immediate priorities (0-12 months):

- Strengthen existing supplier relationships by improving communication, collaboration, and data-sharing through current platforms.
- Utilise advanced contract management features within existing procurement systems to streamline performance tracking and compliance monitoring.
- Introduce enhanced risk assessment methodologies using existing supplier performance data.

Mid-term strategies (1-3 years)

- Identify weaknesses in current supplier management approaches and explore advanced platforms that integrate real-time risk tracking, performance analytics, and AI-driven forecasting.
- Conduct market research on alternative sourcing strategies, including nearshoring and supplier diversification opportunities.
- Develop guidelines and governance structures for transitioning to long-term strategic supplier agreements.
- Set performance indicators to measure supplier relationship improvements, including cost stability, reliability, and innovation contributions.

Long-term vision (3+ years)

- Implement AI-driven supplier collaboration platforms that enable predictive risk analysis, real-time issue resolution, and automated performance tracking.
- Provide procurement professionals with advanced training on leveraging supplier analytics tools to enhance negotiation and decision-making.
- Embed supplier-driven innovation into procurement frameworks, incentivising partnerships that drive long-term value creation.
- Develop a fully integrated supplier ecosystem where procurement teams work closely with partners to co-develop solutions and anticipate industry shifts.

3. ESG integration and regulatory alignment

Objective: Embed ESG, sustainability and ethical practices into procurement decisions.

Key actions

Immediate priorities (0-12 months)

- Strengthen ESG compliance by fully utilising existing supplier assessment tools and reporting mechanisms.
- Ensure procurement teams are effectively tracking supplier sustainability performance using available digital platforms.
- Conduct supplier training sessions on ESG compliance and regulatory requirements to improve adherence to sustainability goals.

Mid-term strategies (1-3 years)

- Assess current ESG tracking systems for inefficiencies and explore new technologies that offer real-time sustainability reporting and compliance monitoring.
- Research sustainable finance mechanisms, such as green bonds and carbon credit trading, to integrate into procurement decision-making.
- Develop business cases for adopting blockchain-based ESG compliance platforms to enhance transparency and accountability.
- Establish key performance indicators (KPIs) to measure supplier ESG contributions, carbon reduction impact, and compliance levels.

Long-term vision (3+ years)

- Secure investment for AI-driven ESG monitoring solutions that provide real-time risk alerts, automated compliance tracking, and data-backed sustainability scoring.
- Implement mandatory ESG training for procurement professionals to align purchasing strategies with corporate sustainability objectives.
- Embed ESG-linked financial incentives into procurement contracts, encouraging suppliers to exceed sustainability benchmarks.
- Position procurement as a key driver of corporate sustainability by demonstrating quantifiable ESG improvements through procurement-led initiatives.

4. Supply chain resilience, risk management and cybersecurity

Objective: Prioritise robust risk assessment and agile supply chain practices to safeguard operations against geopolitical, economic, and cyber threats.

Immediate priorities (0-12 months)

- Maximise the use of existing risk management tools to improve visibility over supplier vulnerabilities, geopolitical risks, and cybersecurity threats.
- Conduct scenario planning exercises using current platforms to stress test supply chain resilience under various disruption scenarios.
- Ensure compliance with existing cybersecurity standards by enforcing security audits and supplier vetting protocols.

Mid-term strategies (1-3 years)

- Identify inefficiencies in risk assessment frameworks and evaluate advanced AI-driven risk prediction tools.
- Explore alternative inventory management models, balancing Just-in-Time (JIT) efficiencies with Just-in-Case (JIC) resilience strategies.
- Develop transition plans to integrate predictive risk intelligence platforms that provide real-time alerts on geopolitical, economic, and cyber threats.
- Establish KPIs to measure supply chain resilience improvements, including response times to disruptions and mitigation success rates.

Long-term vision (3+ years)

- Secure funding for next-generation AI-powered risk intelligence platforms that provide automated threat detection, supplier risk scoring, and proactive mitigation strategies.
- Establish cross-industry collaborations with technology firms, cybersecurity experts, and government agencies to develop advanced risk mitigation frameworks.
- Embed cybersecurity-by-design principles into procurement contracts, ensuring digital supply chains are safeguarded against emerging threats.
- Develop a fully digitised supply chain risk management system that enables real-time decision making and seamless crisis response.

5. Talent development and cross-functional collaboration

Objective: Equip procurement teams with the diverse skill sets needed to navigate complex challenges, encouraging cross functional collaboration to foster innovative, integrated decision-making.

Immediate priorities (0-12 months)

- Enhance existing training programs by incorporating advanced features of current procurement systems and analytics tools.
- Implement mandatory cybersecurity and ESG training to align procurement teams with industry trends and regulatory requirements.
- Strengthen cross-functional collaboration by integrating procurement into corporate strategy discussions and innovation initiatives.

Mid-term strategies (1-3 years)

- Identify gaps in current workforce capabilities and explore AI-driven learning platforms that offer tailored procurement upskilling programs.
- Develop structured mentorship programs that pair procurement professionals with industry experts to accelerate knowledge transfer.
- Establish competency frameworks that outline career progression paths for procurement professionals, ensuring continuous skill development.
- Implement KPIs to measure upskilling success, tracking improvements in procurement efficiency, risk mitigation, and supplier negotiations.

Long-term vision (3+ years)

- Secure investment for AI-driven learning and development platforms that provide real-time procurement insights and strategic decision-making training.
- Develop procurement leadership programs that equip professionals with financial, technological, and risk management expertise.
- Foster a culture of continuous learning where procurement professionals stay ahead of industry trends and technological advancements.
- Position procurement as a core business function by embedding data-driven decision-making and strategic collaboration into everyday operations.

Implementation roadmap and unified recommended actions

To translate the strategic pillars into practice, procurement and supply chain leaders should adopt a unified set of recommendations that drive operational transformation and sustainable value creation.

- **Invest in technology**
  Prioritise the integration of advanced analytics, digital procurement platforms, and cybersecurity solutions.
- **Strengthen supplier relationships**
  Cultivate strategic, long-term partnerships through joint risk assessments and flexible, diversified sourcing strategies.
- **Continuous risk assessment**
  Regularly evaluate geopolitical, economic, and cyber risks, and adapt procurement strategies in real time.
- **Develop a culture of learning and cross functional interaction**
  Implement comprehensive training programs and cross-functional initiatives to build and sustain the diverse competencies required in modern procurement.
- **Policy and process innovation**
  Champion robust ESG policies and agile procurement processes that are continuously refined to meet evolving global standards and market dynamics.

For procurement and supply chain functions to deliver sustainable impact, leaders must move beyond transactional approaches and adopt a future focused strategy.

This framework serves as a blueprint for action, ensuring procurement functions are digitally enabled, ESG driven, risk resilient, and fully integrated into business decision making.

12. Findings

The research and insights gathered throughout this white paper reinforce a critical conclusion: Procurement and supply chain functions are undergoing a fundamental transformation, from transactional cost centres to strategic value creators.

In an increasingly complex, uncertain, and sustainability-driven energy landscape, organisations that elevate procurement and supply chain practices into enterprise-level capabilities are capturing measurable advantages in resilience, cost, and innovation.

The following five (5) findings summarise the most pressing themes shaping high-performance procurement and supply chain functions in the energy industry.

> ***"Tomorrow's procurement leaders will be today's legacy."***
>
> Justin McKenzie, CPO, Power and Water Corporation

1 Procurement is emerging as a strategic lever for enterprise value

In leading organisations, procurement and supply chain is no longer viewed as a supporting, transactional function. It is embedded within the enterprise strategy. These functions are now actively contributing to core business outcomes, including growth, risk mitigation, and ESG compliance.

Organisations that fail to make this shift continue to operate with fragmented processes, limited visibility, and misaligned objectives, leaving value on the table and exposing themselves to greater operational and reputational risk.

2 AI is transforming procurement, but human expertise remains indispensable

Generative AI, predictive analytics, and digital automation are redefining how procurement functions operate. Yet technology alone does not deliver value. The most successful teams are combining AI-driven insights with experienced human judgement to drive faster, more informed decision-making across sourcing, risk management, and supplier engagement.

Procurement leaders must now focus on building AI fluency within their teams, embedding digital tools within everyday workflows, and ensuring robust governance models for responsible AI use.

3 Resilience is now a core operating principle

The past five years have proven that volatility is not an exception, it is the new baseline. Whether driven by geopolitical tensions, supply scarcity, or climate-linked disruptions, resilience has become a critical performance metric.

Organisations are now rebalancing cost efficiency with risk mitigation through diversified sourcing, regionalisation, multi-tier supply chain visibility, and scenario-based planning. Those with adaptive, risk-aware supply chains will be best positioned to navigate continued disruption.

4 ESG and regulatory expectations are driving procurement transformation

Energy sector procurement is now operating under unprecedented regulatory and stakeholder scrutiny. ESG compliance, modern slavery reporting, carbon accounting, and sustainable sourcing are no longer optional. They are embedded into project requirements, financing conditions, and brand reputation.

Organisations that treat ESG as a compliance issue will lag. Leaders are integrating ESG into procurement operating models, supplier qualification processes, and investment criteria, positioning themselves to unlock capital, enhance resilience, and gain preferred supplier status.

5 Workforce capability is the critical enabler of strategic procurement

The success of any procurement transformation ultimately depends on people. The skillset required is evolving, moving beyond commercial acumen to include AI fluency, ESG integration, stakeholder engagement, and cross-functional collaboration.

At the same time, talent pipelines are under pressure due to automation of entry-level roles and industry-wide retirements. High-performing organisations are responding with targeted upskilling programs, digital capability development, and clear talent pathways to build resilient and future-ready teams.

13. Conclusion: Procurement and Supply Chain Functions are at a Turning Point

Traditional procurement and supply chain thinking will not work in tomorrow's energy market.

Counting costs is no longer enough.

To succeed in a world defined by disruption, complexity, and decarbonisation, procurement and supply chain professionals must evolve from transactional executors to strategic architects of enterprise value.

Throughout this white paper, one theme has been clear: energy organisations that transform their procurement and supply chain functions today will lead the sector into the future.

This transformation is not hypothetical—it is already happening. From renewable infrastructure to grid resilience, procurement and supply chain professionals are no longer simply sourcing goods and managing contracts. They are shaping corporate strategy, enabling innovation, and building the resilient, ESG-aligned supply chains that tomorrow's energy systems will depend on.

Energy organisations that are leading the way share 5 common traits:	**They position procurement and supply chain functions as value creators, not cost centres.** High-performing organisations are embedding procurement and supply chain thinking into enterprise strategy, enabling these functions to influence executive decisions and drive outcomes across growth, risk, and ESG performance.	**They embrace technology but stay grounded in human expertise.** While digital tools, AI, and automation are reshaping procurement operations, strategic judgement, supplier relationships, and cross-functional leadership remain essential.
They design for resilience, not just efficiency. In an era where disruption is constant, supply chains built with agility, visibility, and optionality are becoming key sources of competitive advantage.	**They treat ESG as a strategic lever.** Leading organisations integrate sustainability into every sourcing decision and supplier engagement, creating measurable value beyond compliance.	**They are investing in future-ready talent.** With automation shifting traditional roles, and experienced professionals exiting the workforce, building the next generation of procurement leaders with digital fluency, commercial acumen, and ESG capability is now a business-critical priority.

The path forward

To stay competitive, energy organisations must reposition procurement and supply chain as proactive, future-shaping capabilities.

That means:

- Aligning procurement with enterprise strategy, enabling it to shape decisions across capital planning, risk, innovation, and ESG.
- Investing in next-generation talent, with targeted upskilling and leadership development aligned to the capabilities of tomorrow.
- Accelerating the adoption of digital tools and AI, while maintaining strong governance and ethical guardrails.
- Deepening supplier collaboration, moving from transactional relationships to long-term partnerships that deliver shared value and innovation.
- Designing for resilience, through diversified sourcing, proactive risk management, and scenario-based planning.

The opportunity is clear: The procurement and supply chain function is one of the most powerful levers energy organisations have to drive growth, resilience, and sustainability – and ultimately competitive advantage.

The challenges ahead, whether related to decarbonisation, digitisation, or supply disruption, will not be solved without procurement and supply chain thinking at the centre of the solution.

Now is the time to invest in procurement and the supply chain, not just to keep pace with change, but to lead it.

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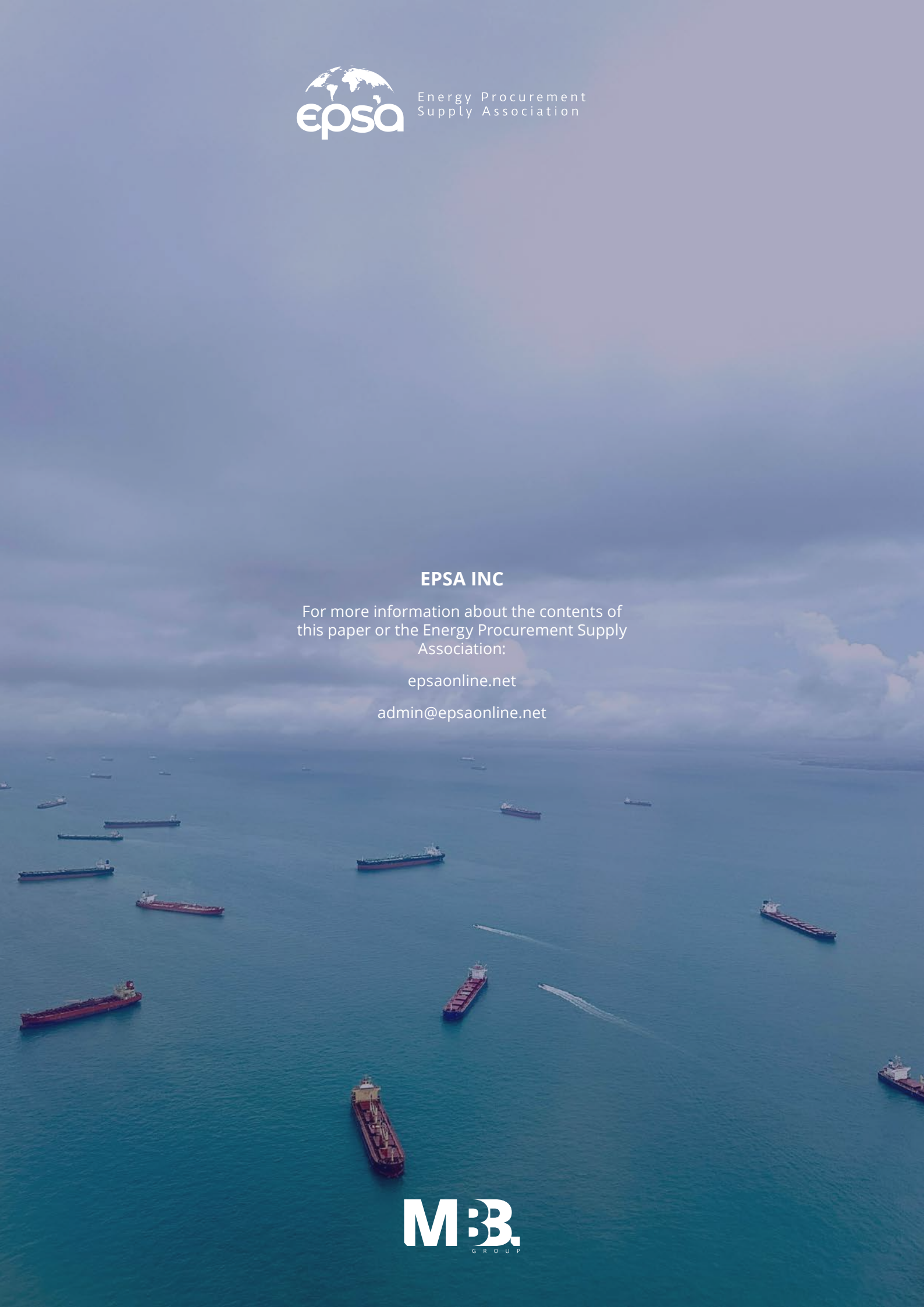
Acknowledgement of Traditional Custodians and Indigenous and First Nations People

The Energy Procurement Supply Association (EPSA) respectfully acknowledges the Traditional Custodians of the lands and waters throughout Australia and the Indigenous and First Nations peoples across the broader Asia–Pacific region where our members and stakeholders live, work, and operate.

We pay our respects to Elders, past, present and future, and recognise the deep and enduring cultural, spiritual, and ancestral connections that Indigenous communities hold to their lands and waters.



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