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PROFITING ADAPTIVELY FROM ENERGY INVESTMENT UNCERTAINTIES

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I examine what lies behind the uncertainties surrounding the fuel and power markets. Exploring the role of renewables and how they potentially disrupt or create opportunities, I present insights that challenge widely accepted wisdoms in investment. These questions are posed to managers: Are business as usual strategies that favour fossil fuels the best route to future prosperity? What prospects do firms face when their competitors diversify into renewables? Why do generous subsidies to renewables often fail to achieve wide-scale deployment? Exploring these and other issues, I illustrate how real options and option games reasoning yield vastly different insights from those gained from NPVs. Offering case studies and simulations, I demonstrate how firms could benefit from these alternative framings of the investment decisions.

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