



Navigating Geopolitics, Technology, and Policy

The Lux Policy Compass for Industrial Companies

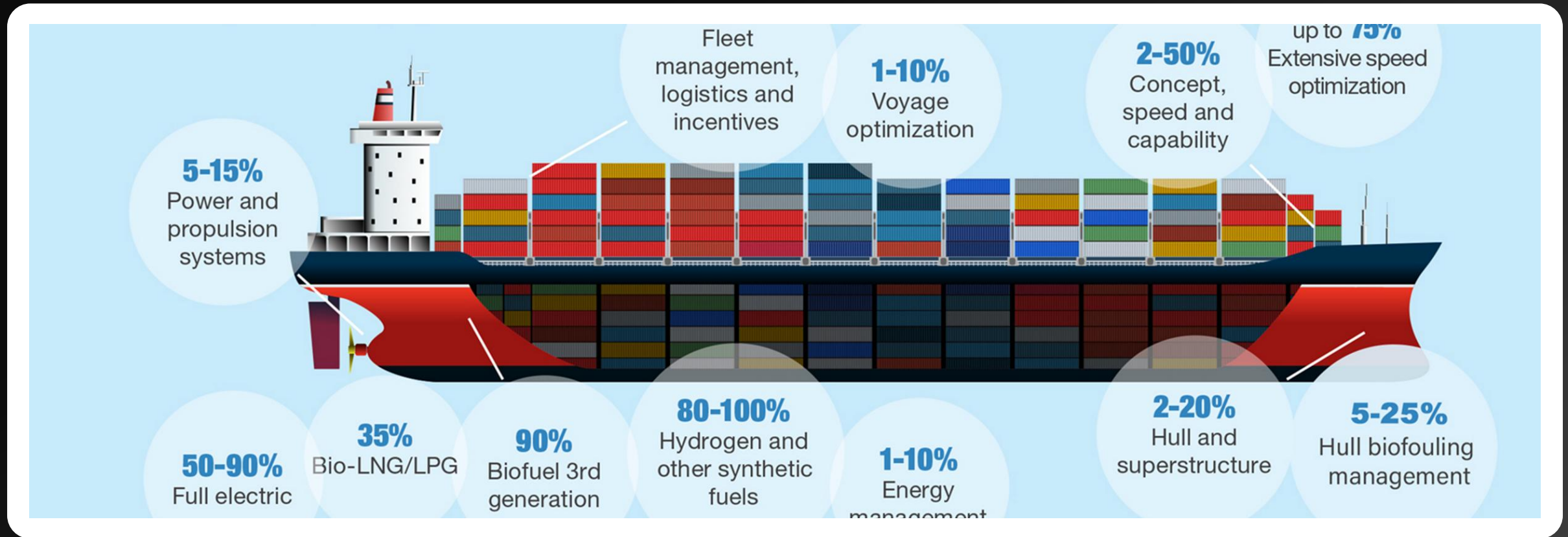


Ian Rinehart

Associate Research Director

IMO*'s Net-Zero Framework

Decarbonization by consensus



The Trump administration blocked it at the last second

U.S., Russia, Saudi Arabia lobbied against the framework

- Vote was 57–49 to delay
- Industry groups remain supportive



“ ”

This was not the normal IMO meeting.

Arsenio Dominguez, secretary-general of the IMO



What to expect

- 01 | Context: Policy in innovation
- 02 | The Lux Policy Compass: How it works
- 03 | The Lux Policy Compass: Trends in the industrial sector
- 04 | Conclusions and key takeaways

How do innovation groups think about policy?

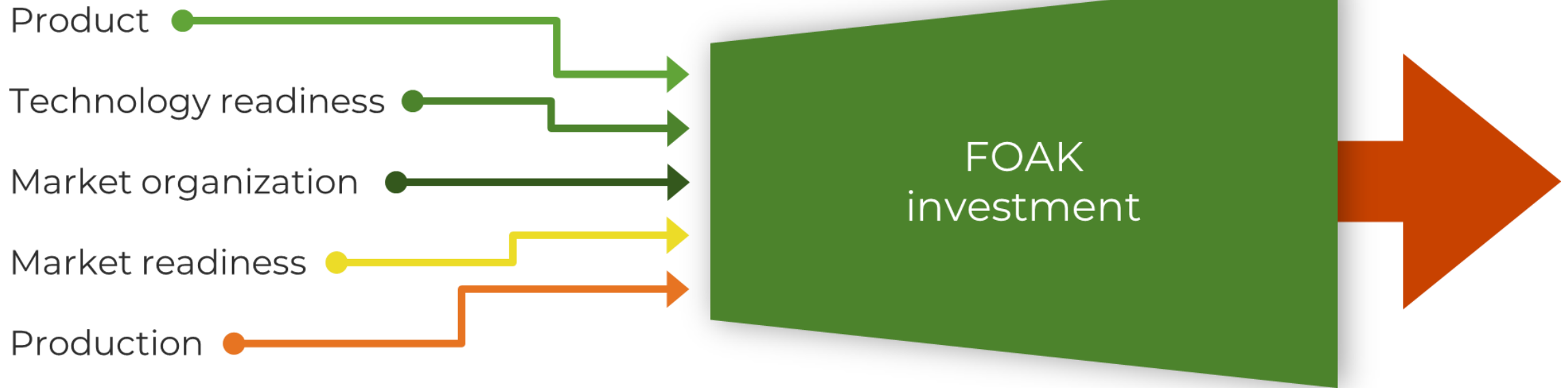
“Legal says it’s OK.”



“The policy makes the business case.”



Policy becomes part of the multilayered innovation roadmap





You need a better framework

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The Lux Policy Compass

Business impact

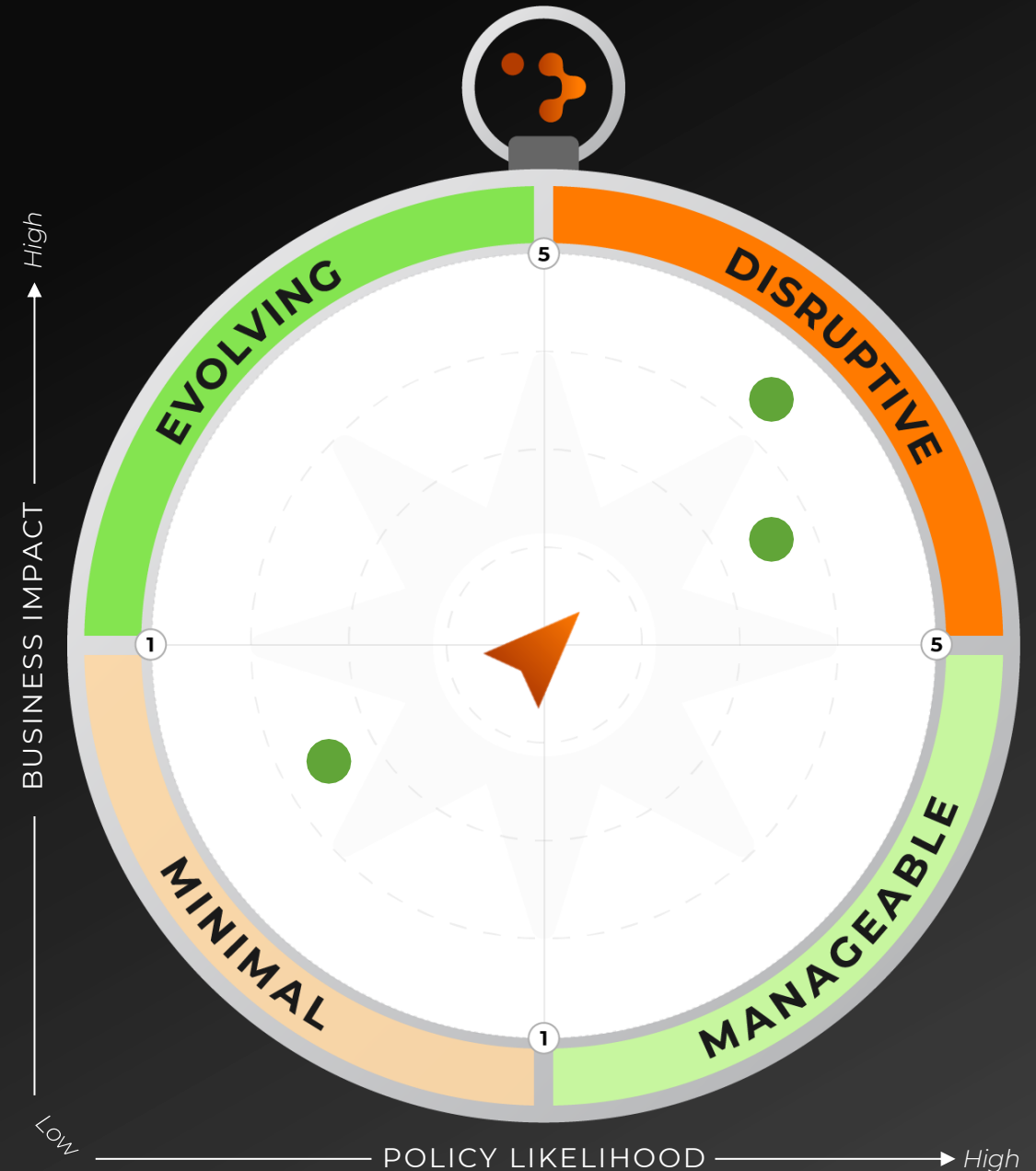
Magnitude of change in the relevant value chain(s)

- Input – raw materials and energy
- Process – manufacturing, power
- Product – form of end-product
- Partnerships – suppliers and customers
- Demand – pricing, market access
- Incentives – subsidies, credits, grants

Policy likelihood

Likelihood of adoption and enforcement

- Current status of the policy
- Governmental approval
- Regulatory enforcement



The Lux Policy Compass

Minimal

Policy likelihood: *Low* | Business impact: *Low*

Evolving

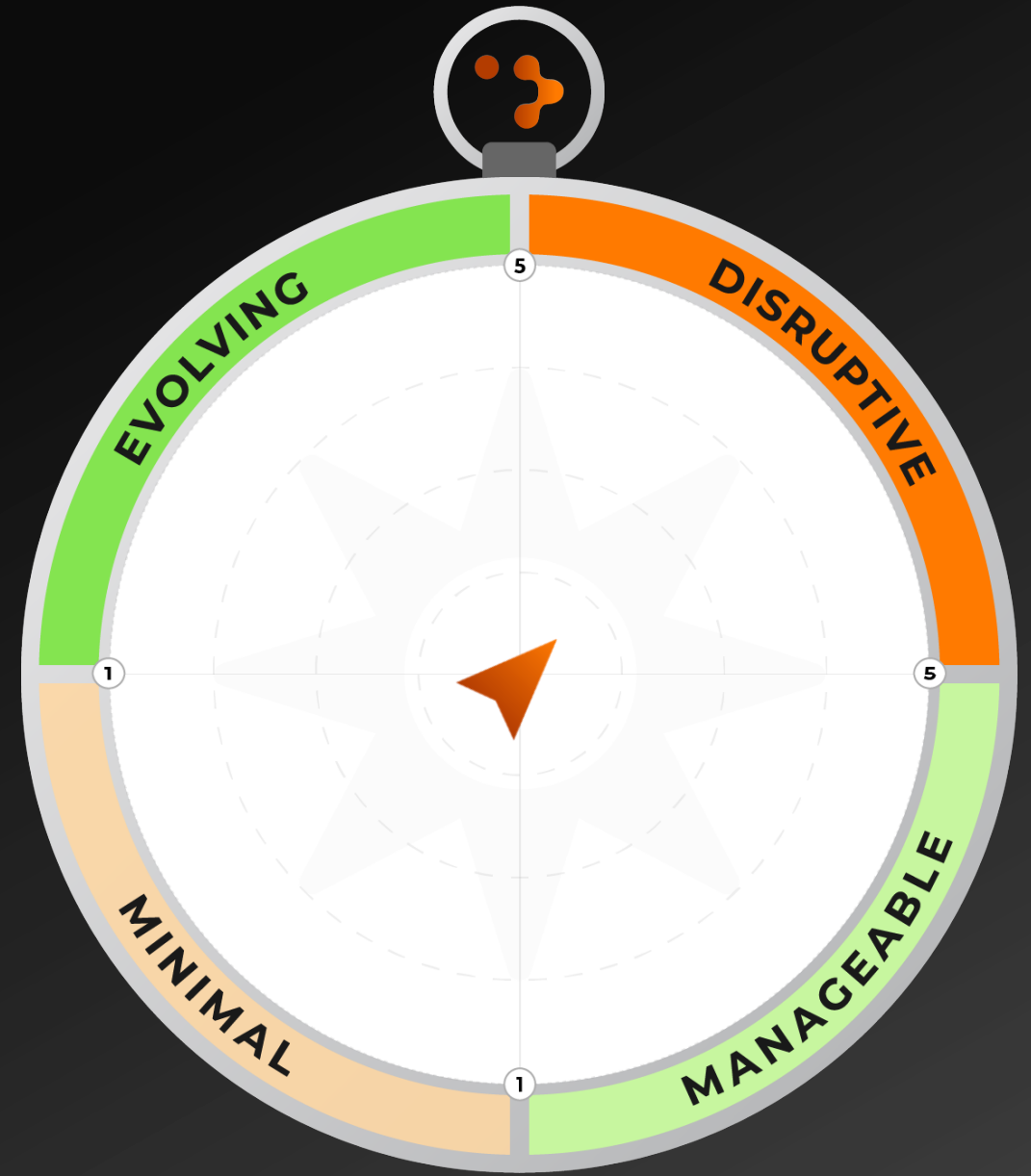
Policy likelihood: *Low* | Business impact: *High*

Manageable

Policy likelihood: *High* | Business impact: *Low*

Disruptive

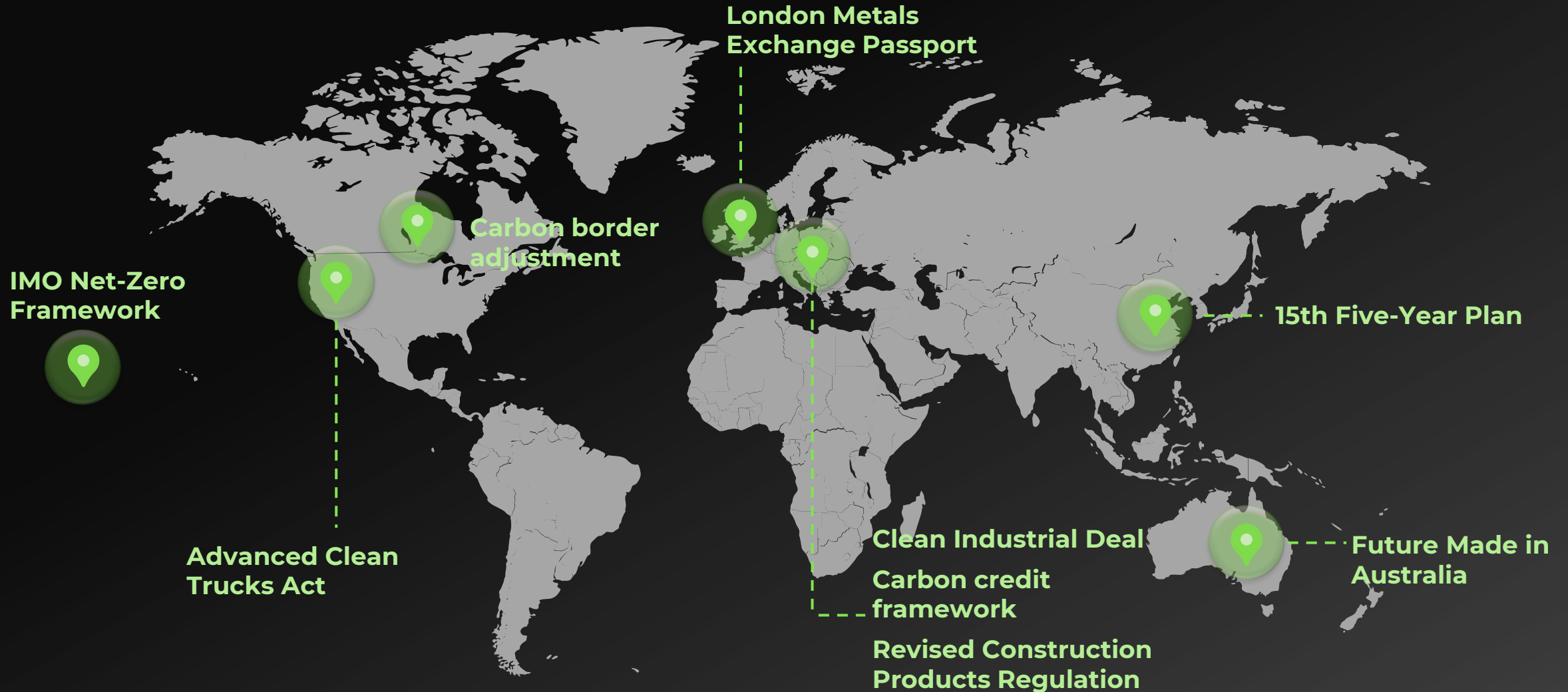
Policy likelihood: *High* | Business impact: *High*



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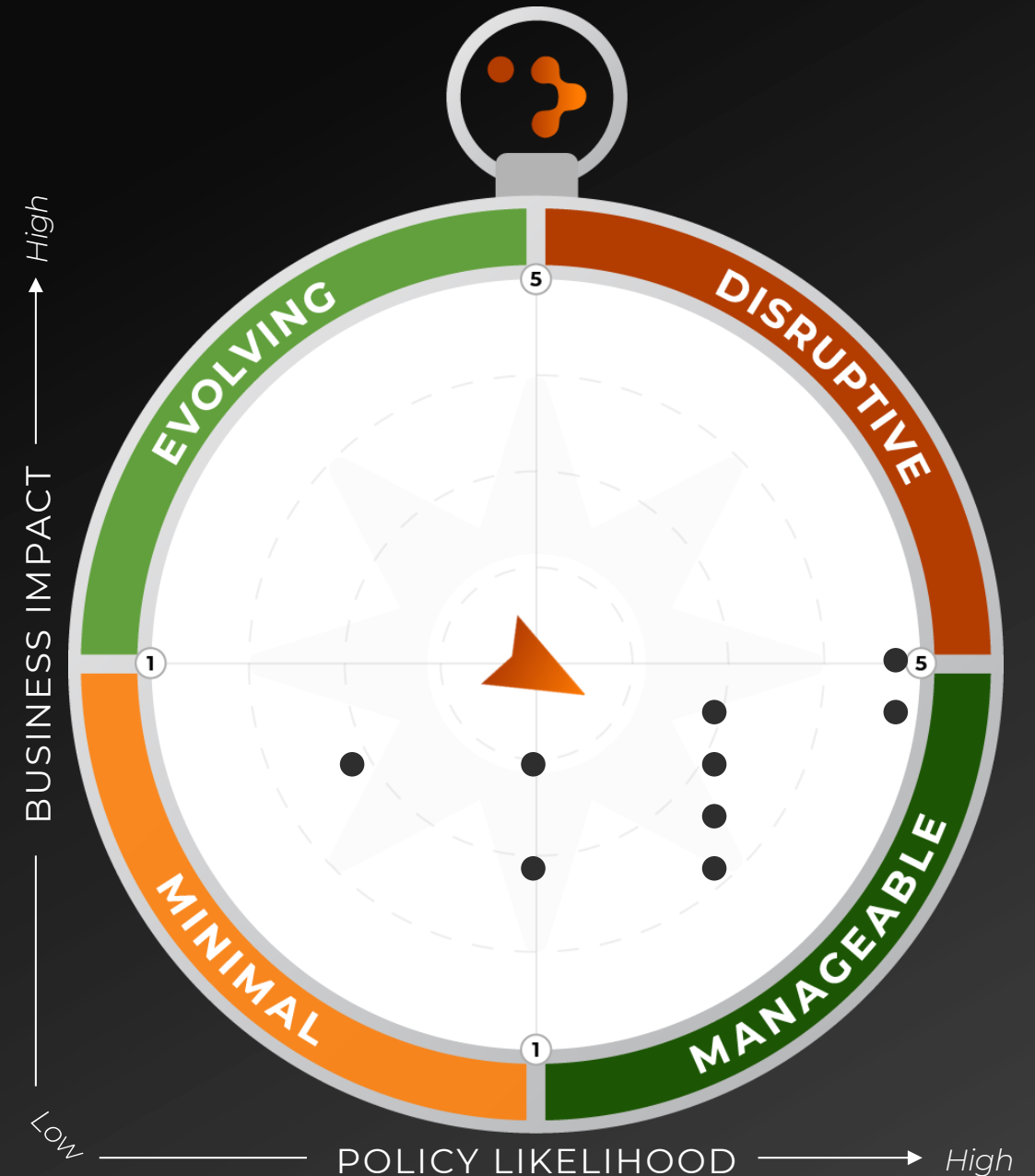
Decarbonizing Operations



Decarbonizing Operations

Be conservative in dependencies

- Pendulum swung from ambition to pragmatism on decarbonization
- High volatility in climate change policy
- Stay alert for tipping points



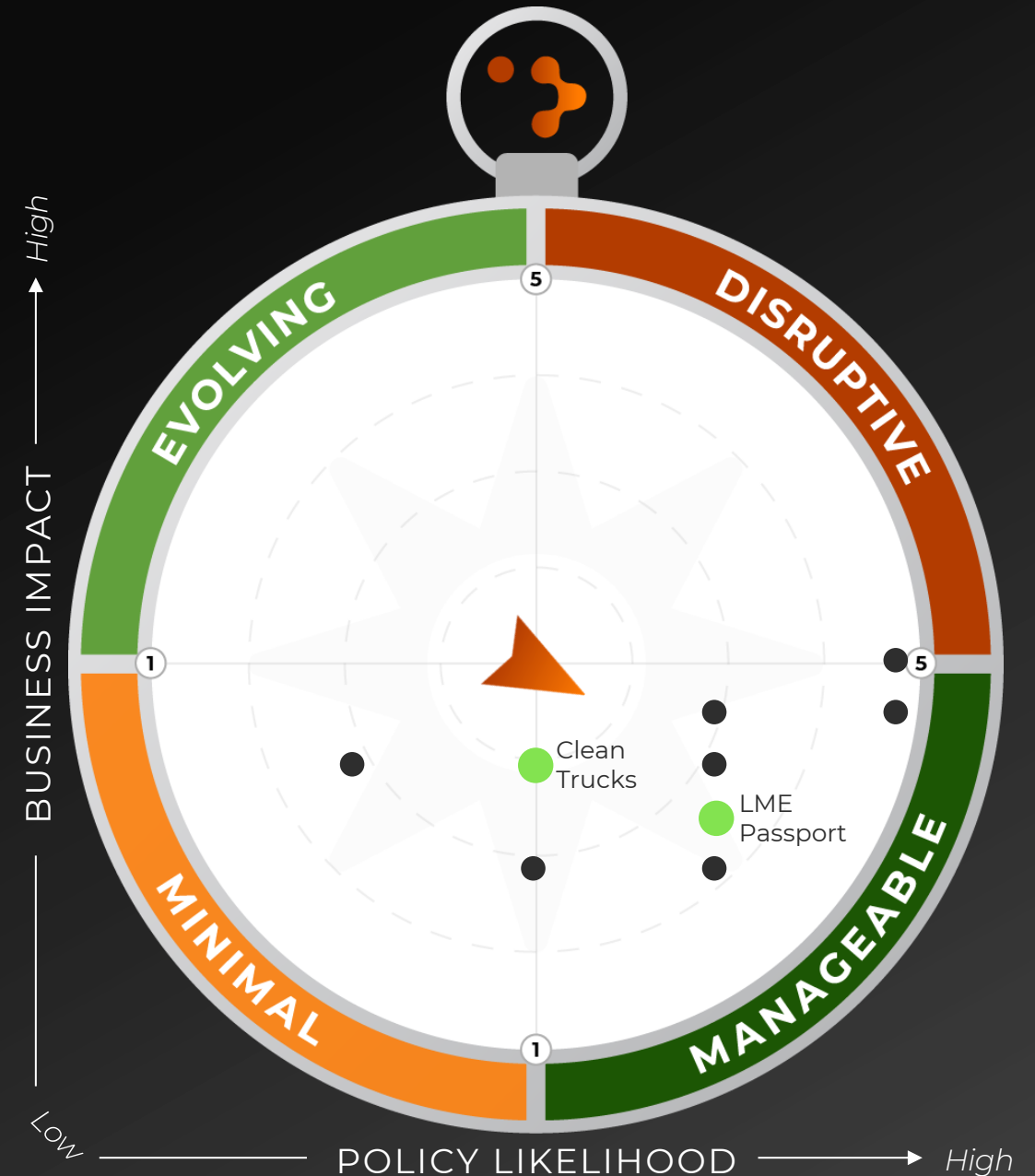
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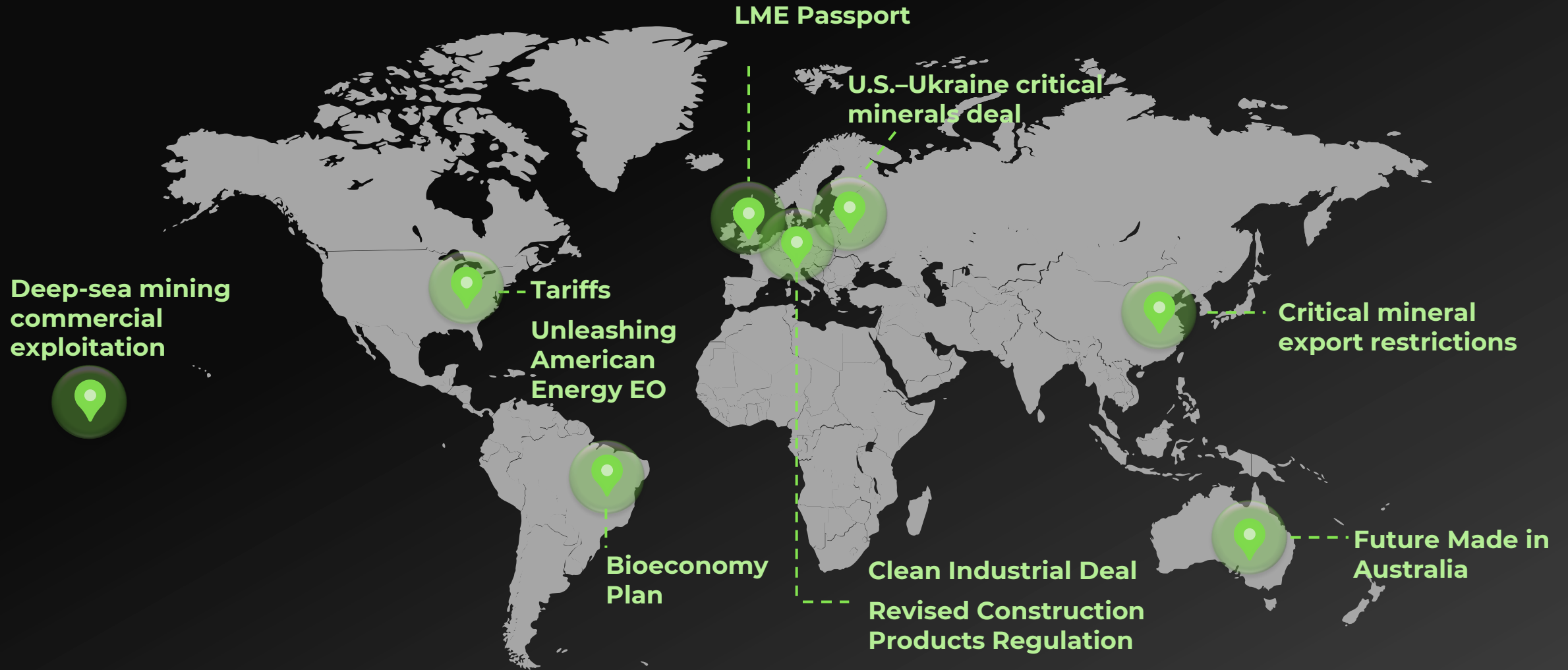
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LME Passport: London Metals Exchange tiered commodity pricing based on sustainability

Clean Trucks (U.S.): California's Advanced Clean Trucks Act to decarbonize heavy-duty trucking



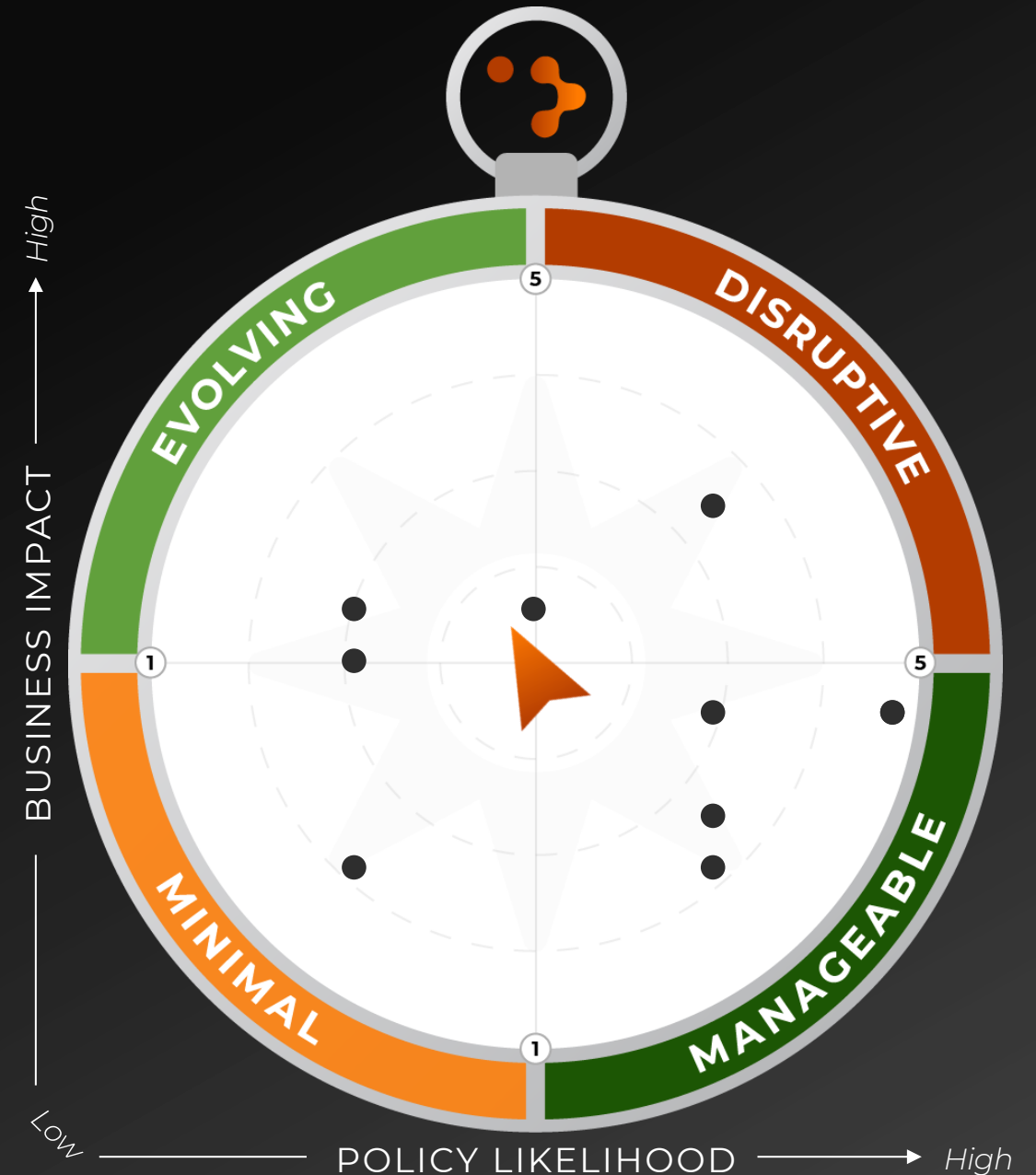
Resource Security and Circularity



Resource Security and Circularity

High risk, high reward

- Deglobalization and onshoring promotes new tech, resource extraction infrastructure
- Long timelines challenge well-intentioned policies
- Identify big bets to take; act quickly

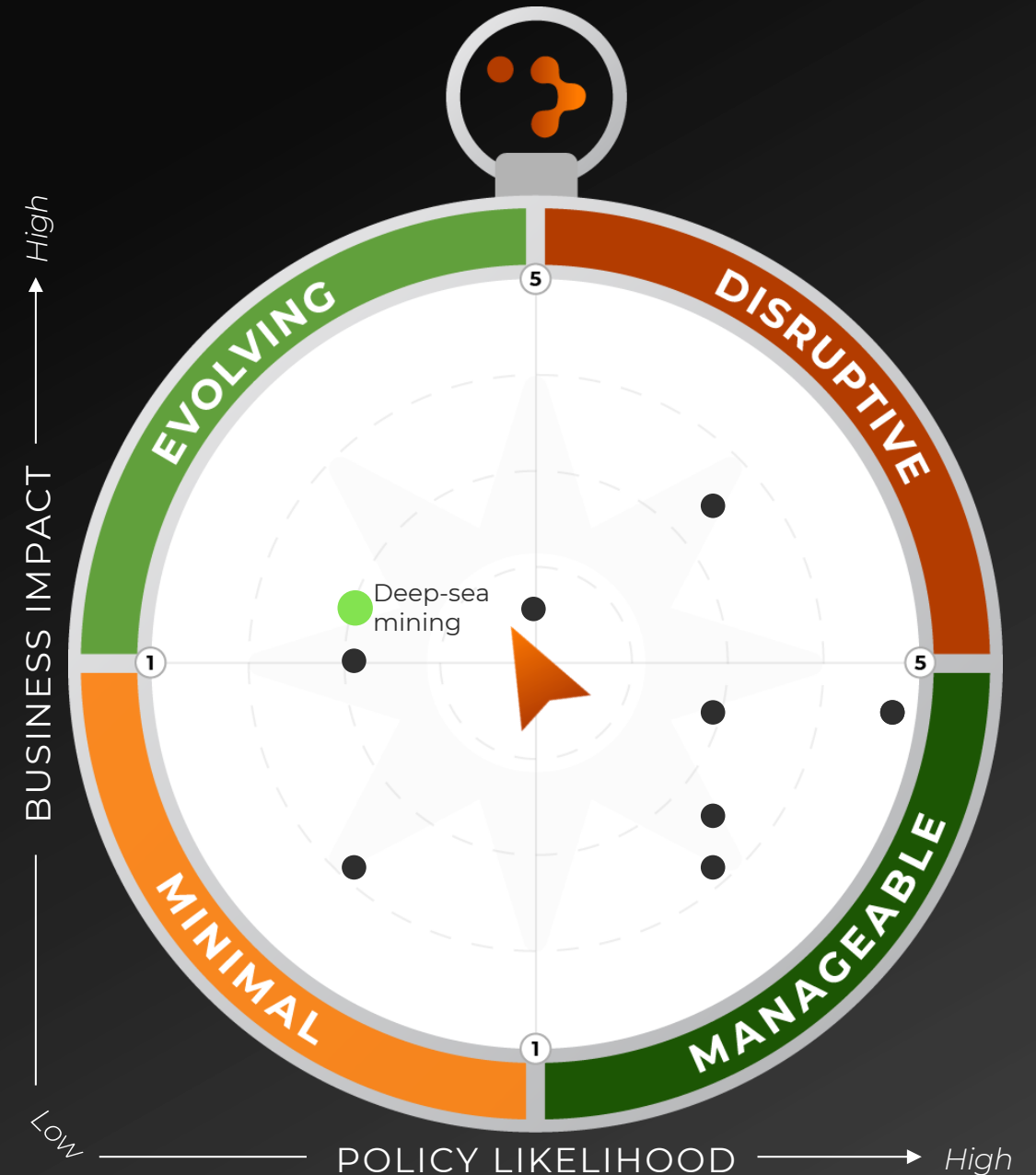


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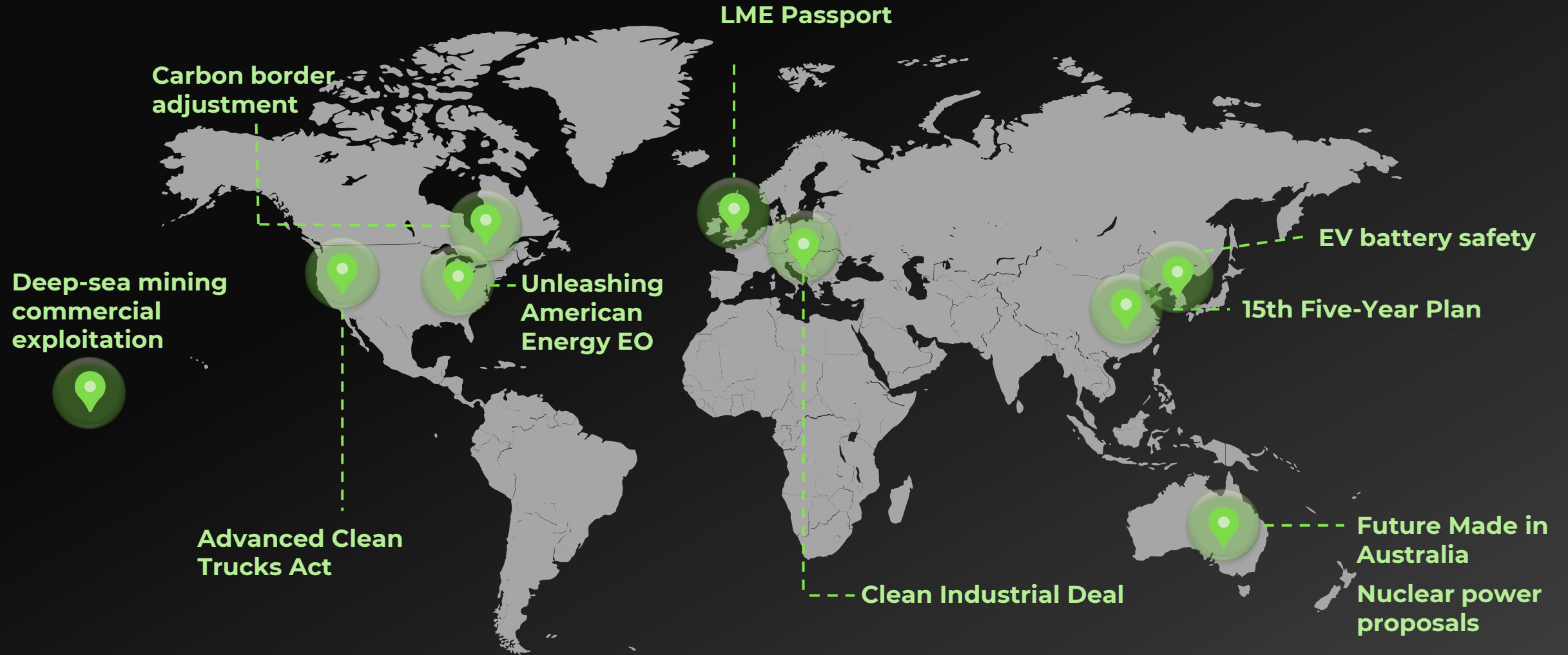
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Deep-sea mining: Proposal for the International Seabed Authority to allow commercial mining



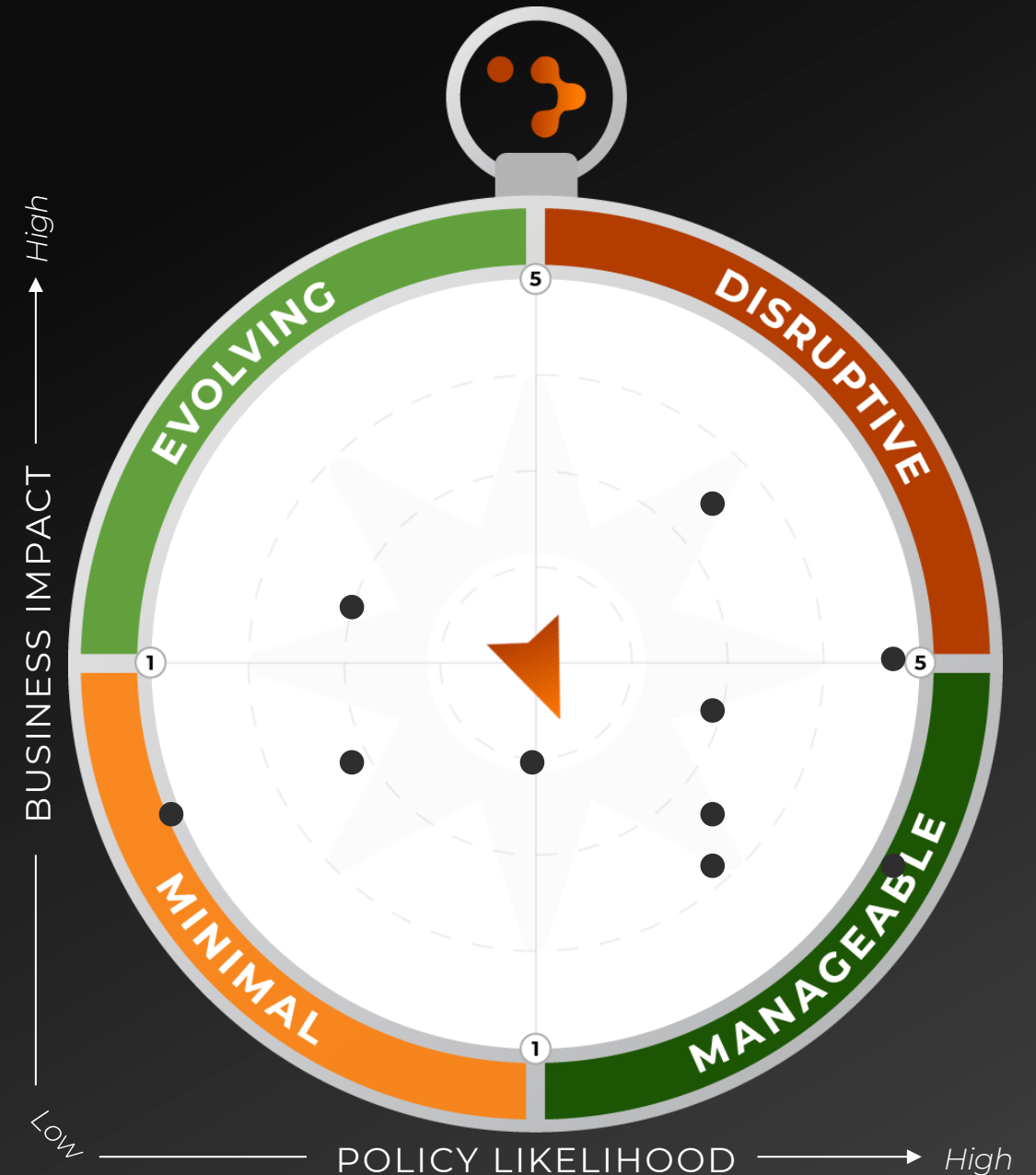
Enabling the Energy Transition



Enabling the Energy Transition

Flexible approach required

- Regulations create and destroy markets
- Adopt a platform strategy or portfolio strategy to create agility
- “Fast follower” is not an option here



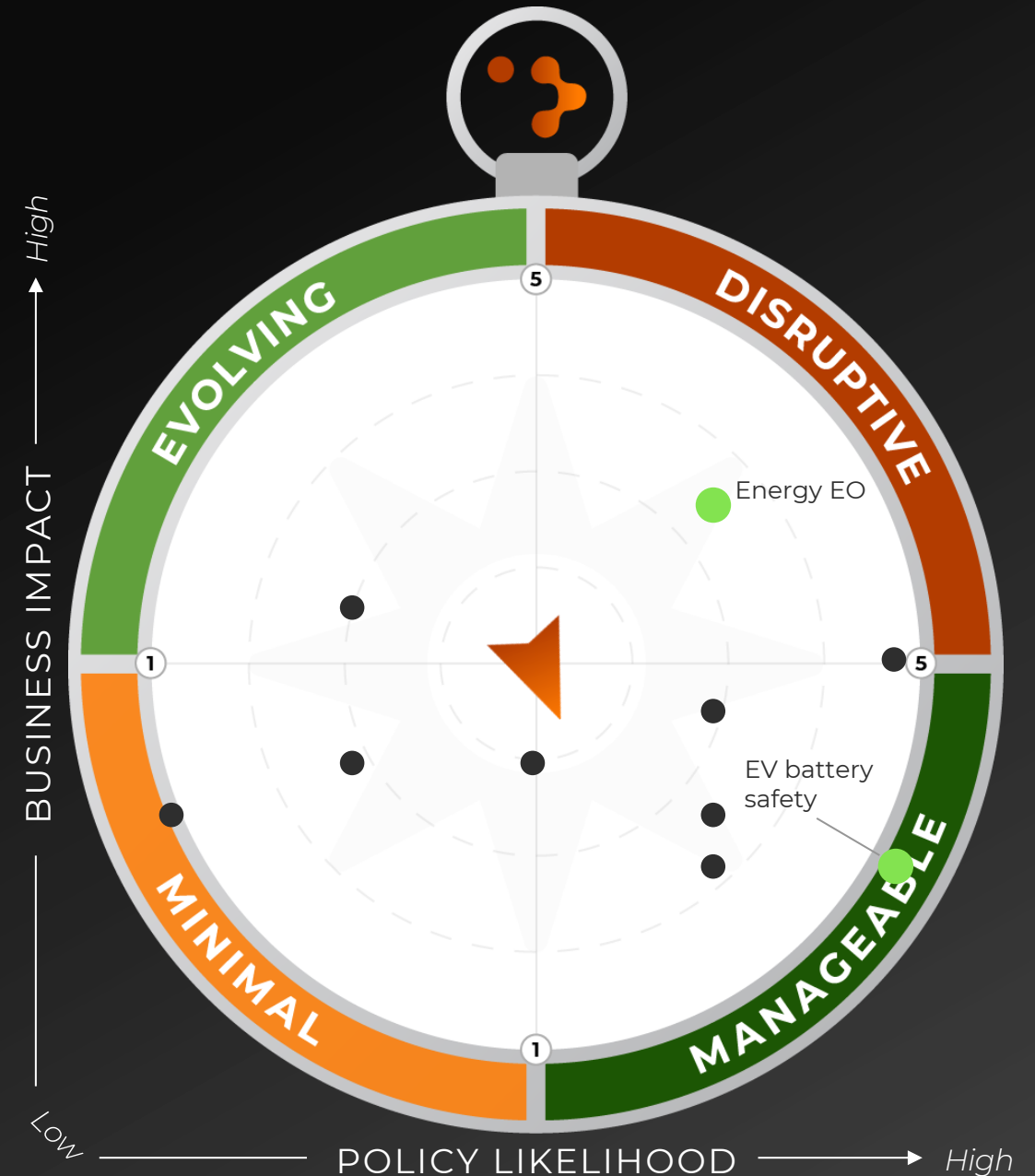
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Energy EO (U.S.): “Unleashing American Energy” Executive Order 14154

EV battery safety (ROK): South Korea’s revised Automobile Management Act (2025)



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Common challenges for industrial sector: Supply chains, picking winners, timing



Inputs are the policy lever



Picking winners is a trap



Tipping points, not timing



Key Takeaways

1

You cannot develop successful projects inside the four walls of your company.

Upstream and downstream connections in the value chain define your company's exposure to policies, introduce new risks and challenges, and offer the solutions to overcome barriers.

2

Adaptive innovation approaches create flexibility to respond to policy shifts.

Policy creates upside for those prepared. A platform or portfolio approach will minimize R&D risks and sunk costs.

3

Deglobalization is the megatrend of the late 2020s.

First, seek to lead the market in your home country. Second, look for ways to localize ventures on foreign soil.



Thank You



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About Lux

Lux Research fuels innovators to not only imagine what's possible in the future but also operationalize innovation success in the near term. We deliver research and advisory services to inspire, illuminate, and ignite innovative thinking that reshapes and grows businesses. Using quality data derived from primary research, fact-based analysis, and opinions that challenge traditional thinking, our experts focus on finding truly disruptive innovations that are also realistic and make good business sense.

The “Lux Take” is trusted by innovation leaders around the world, many of whom seek our advice directly before placing a bet on a startup or partner — our clients rely on Lux insights to make decisions that generate fantastic business outcomes. We pride ourselves on taking a rigorous, scientific approach to avoid the hype and generate unique perspectives and insights that innovation leaders can't live without.

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