



VIRTUAL ROUNDTABLE DISCUSSION – JULY 16, 2020

# COVID-19 and Impacts to the Energy Industry

## Introduction

VHB hosted a Virtual Roundtable Discussion with energy industry executives on July 16, 2020, as part of our virtual roundtable series with clients in various industries. Energy roundtable participants included lawyers, CEOs, financial, and environmental leaders from a variety of energy touchpoints, including electric, natural gas, and renewables. The session provided an opportunity to share multiple perspectives about how COVID-19 has impacted business and the workforce, and what changes are anticipated for a historically resilient industry to recover and adapt to a post-pandemic economy. The comments below provide a summary of challenges, concerns, ideas, and creative thinking that were shared during the conversation.

## Summary

**Though COVID-19 caused major adjustments to the world energy market in February and March, the pandemic unveiled how flexible and resilient roundtable participants' employees and lines of business were during a crisis.** Some expressed surprise and admiration at how quickly they were able to pivot to work-from-home, despite the initial virtual meeting learning curves, and are now laser focused on employee well-being for the remainder of the crisis. A strong future for renewables remains top of mind as COVID-19 has not significantly slowed down work in this sector. The industry is concerned about making projects affordable due to the negative economic impact of the pandemic on disadvantaged populations. **Overall, participants remain optimistic about the amount of opportunity but concerned about the industry's ability to be agile enough to operate in a rapidly changing environment.** Remote work and the transition to renewables and low-carbon scenarios is happening even faster than expected. **The blue/green economy will help the U.S. out of the economic slump, and the energy industry is poised to lead.** Participants from different market sectors shared the following perspectives.

## Discussion 1: Top Impacts of COVID-19 on the Energy Industry

### *ELECTRIC & NATURAL GAS*

Initially, some companies were concerned about maintaining capital projects. Some utility work fell-off at the beginning of the pandemic because agencies were not holding meetings. Compliance issues initially increased due to distracted workers, and a rush to keep busy during downtime caused new problems. Fortunately, many utility and contract workers were defined as essential workers and could cross state lines. Managing back-to-back storms remotely for the first time in April was a learning opportunity for one company which is now better prepared for future adverse climate conditions that must be managed virtually for the unforeseeable future.

Some leaders are concerned about reaching lofty sustainability goals set before COVID-19 due to economic and political changes. **Many utilities and energy developers are in the process of reevaluating their energy generation portfolios with the goal of developing safe, reliable forms of energy in the most cost-effective manner (i.e., renewables versus natural gas).** Pipeline work is also challenging to coordinate virtually, but employees are working hard and possibly working more now that they are at home. A large number of LNG projects need pipelines so expect to see that work continue, even with the move to renewables.

Keeping the lights on and power flowing for customers is important, and companies worked closely with utilities and government entities to provide essential services at the outset. They are mindful that customers rely on them more than ever and continue to plan for scenarios that could arise and further impact their ability to respond to customer needs (hurricanes, winter storms, etc.). Some reported permitting frustrations in the environmental sector. For instance, a project that required stakeholder input was delayed due to a judge not wanting a virtual public hearing. The loss of human interaction has been fairly significant, in particular for land acquisition work which tends to be personal and face-to-face.

**Energy providers with low or no COVID-19 cases feel fortunate they were able to quickly transition their workforce to work-from-home environments.** The northeast was well-prepared for remote work due to a major winter storm about 10 years ago that caught many off-guard, resulting in inadequate local response, but ultimately led to a call for remote work training, which is paying dividends now. **However, they look forward to returning to in-person contact such as commission meetings where body language and observation of stakeholders is so important.** Additionally, isolation has been a significant concern for employees who live alone or use the office as primary way to socialize. Some companies organized offline meetups following strict social-distancing protocols. They want to make certain employees remain engaged and return to work ready to meet challenges. **Resiliency means abandoning the notion of returning to normal. Companies that throw off that yoke and lean-in to the permanent shift of doing business in a new way will prosper.**

From a financial perspective, liquidity in the markets is better now than it was in March. The load impacts the industry, such as industrial impact in South Carolina via factories shutting down. Decline in load also affects cash cycles. Bad debt has not been an issue, but the industry is still in the pandemic early stages; we could expect impacts over a longer period of time. Liquidity is the other side of cash preservation. **Many in the industry shored up liquidity and see the pandemic as a test of the short-term.**

### **RENEWABLE ENERGY**

#### **Companies active in the solar photovoltaic and energy storage space remain robust.**

There were some initial slowdowns as employees navigated social distancing and shelter-in-place requirements. Construction continued because supply chain impacts in this sector were not significant. **Fortunately, with solar construction, workers can social distance more easily, allowing construction to continue unabated.** Some regulatory issues caused turnaround times to slow as people moved to a cloud platform and electronic submittals.

#### **Much of renewable development is good planning and creative problem solving.**

The sector pivoted quickly to address critical issues around siting and permitting. One company cited an internal communications campaign about wind farm blade construction, which was challenged when support technicians could not travel from Europe. However, given our current work environment, they were able to virtually train in real-time and successfully exchange information in-the-cloud with workers on blade maintenance.

Offshore providers that regularly import wind projects via tankers shipping from all over the world initially had a host of concerns. Employees working on vessels and ships needed to return to port, and in many cases, quarantine. Borders were closed to cruise ships and other vessels. Offshore employees were staying on a vessel for 16 weeks instead of a typical six. Determining how to best bring them home had a big impact on management, but again reflected resiliency and creative problem solving as some rented planes and hotels to quarantine. **The company had to learn a lot about force majeure in a short amount of time.** They are instituting planning scenarios to forestall future pandemic impacts.

The renewable sector is still focused on cash preservation mode; however, there are concerns about second wave impacts. The impact of COVID-19 on employee mental health and productivity cannot be ignored.

## **Discussion 2: Decline of Global Energy Demand & Moving Forward**

**Most participants do not anticipate a negative long-term impact on the industry nor a permanent change in demand.** Gas, renewables, and diversification should remain strong. Gas infrastructure is harder to build with permitting issues and federal court decisions, but it makes existing networks even more valuable. Providers that serve a heavy residential population and are well-diversified feel good about the future. Solar and battery sites are on schedule.

The U.S. will continue to transition to a low-carbon economy. Decreased energy demand means emissions will go down. Companies who want to future-proof will have to incorporate a renewable strategy. Natural gas will remain strong. **The industry is starting to talk about hydrogen more, especially in the last year.** The excitement is reminiscent of when storage was first on the radar. Producing hydrogen requires electricity, and there is a huge opportunity for the energy market in the U.S. to produce hydrogen as storage or a carrier for electricity.

Northeast energy providers remain concerned about a slowdown, especially in regions heavily dependent on hospitality and tourism. Emergency preparedness is imperative with a major storm season of hurricanes in our midst. The workforce is still remote and the pandemic numbers are rising in parts of the U.S. Expect the electric market to bounce back if the summer holds without a resurgence. **Some are gearing up for a significant increase in distributed generation in renewables.**

One issue now is a soft investment tax credit market which affects financing for solar projects. The massive effort to decarbonize our economy will accelerate; however, the industry may see the concept of contracting for firm capacity in the future (i.e., customers paying for the ability to procure power 24/7).

**Social justice and environmental issues are important.** Participants are conscious of making projects affordable due to COVID's negative impact on the economy. They do not want to raise the cost of energy to those who can least afford it. Expect more small-scale solar and utility projects in response.

## Next Steps: Future Discussions

We want to stay connected! VHB will be hosting more virtual roundtable discussions, connecting varying perspectives across geographies. Future questions and discussion around this roundtable topic could include:

- » How did global energy demand fluctuations impact your business in Q3 and Q4?
- » Have pandemic setbacks and local/federal policy response changed your approach to employee engagement and retention?
- » How have clean energy goals set before COVID-19 been impacted?

## Connect With Our Our Energy Thought Leaders



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