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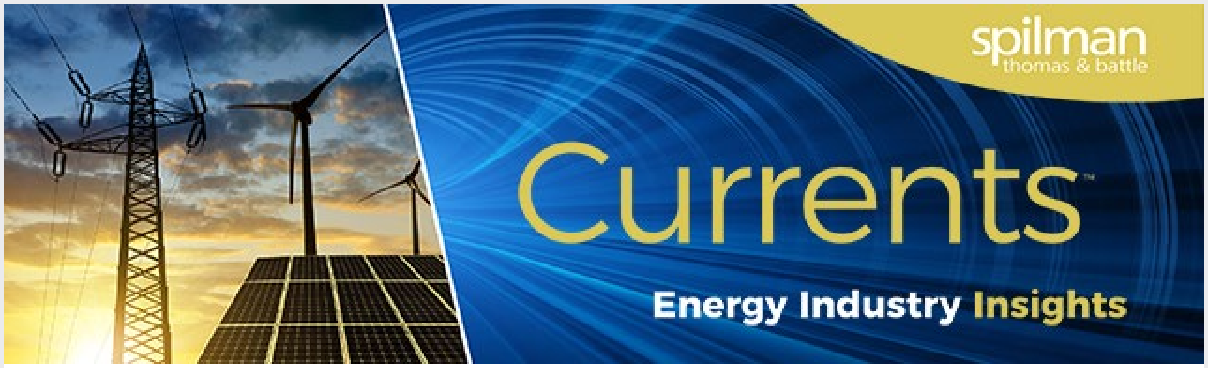

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Industry Expert Insights

We reached out to one of our Lex Mundi partners and a well-known expert in Poland in the energy and legal industries to get his thoughts on the current energy climate.

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How is the COVID-19 pandemic affecting the energy sector in Poland?

As of today, the Polish economy faces no greater challenge than COVID-19. It is clearly evident that a halt to the pandemic itself will only be the first stage of dealing with the crisis that this virus has caused. Nearly all sectors of the economy, including the energy sector, confront an economic slowdown.

The state of epidemic introduced in Poland in March has resulted in complete suspension or significant limitations on activity in numerous sectors of the economy. Retail trade and services have suffered the most. A domino effect, however, has been felt throughout the economy. In response to the situation, Poland adopted a series of regulations commonly referred to as anti-crisis shields. They have also included provisions addressed to the broadly defined energy sector.

Regulations adopted in connection with or for the duration of the epidemic primarily concern: extended deadlines for duties arising from winning bids for the sale of energy from renewable sources ("RES"); extension of grid connection contracts terms; a streamlined process for compensation to energy intensive enterprises due to an increase in energy prices or extended permit periods; and, in particular, concessions. Additionally, new regulations have limited the ability of power companies to suspend power supplies to customers with payment arrears. This temporary regulation serves to protect energy consumers (both individuals and corporates) exposed to a loss in financial liquidity against risks associated with cut off power supplies and suspension in ongoing business.

The economic crisis that may arise as a result of the epidemic will not spare the energy sector in Poland. This sector is undergoing a transformation in the form of gradual departure from high emission sources to a more balanced model that COVID-19 may accelerate.

The transformation process was vigorously halted until now by the present ruling administration unwilling to move away from coal power providing approximately 80 percent of the Polish energy mix. This model is nevertheless proving to be more and more costly. This mainly stems from growth in coal prices and emission allowances. This trend appears to be permanent and may accelerate as a result of the New Green Deal strategy announced by the European Commission. Further maintenance of the present energy market model will result in higher energy prices. This, in turn, will affect costs and decreased competitiveness in the entire economy that cannot be allowed in a time of economic crisis.

In light of the above, it can be assumed that Poland will have to continue a high-level investment in energy. In particular, this will concern investments in renewable energy sources, primarily offshore wind farms. It cannot be excluded that regulations hindering the construction of new onshore wind turbines will be amended. Further growth should also be expected in the PV sector. Additionally, the construction of new gas blocks should not be excluded. Poland is making great efforts to free itself of dependence on Russian gas, expand the LNG re-gasification installation, as well as continue the project of gas pipeline from Norwegian reserves. Plans to build the first Polish nuclear power station may also move forward.

● COVID Crisis Could UNIFY World's Largest Oil Companies

"Giant M&A deals are in the making following the oil price crisis, but the market may not see the typical kind of merger."

Why this is important: The coronavirus pandemic could lead to mergers among the largest global oil companies and industrial conglomerates including Exxon/Mobil, Shell, BP, Chevron, GE, and others. The 2008 recession, when United States officials permitted large mergers among financial institutions that would otherwise have not been approved, serves as an example. Governments may be looking for operational efficiencies in the economy that emerges after the pandemic lockdown. Global energy producers also may take the opportunity in the regulatory climate to purchase low carbon and renewable energy plays. --- Bryan S. Neft

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● Experts Criticise Proposed German Coal Exit Law for Deviating from Commission Compromise

"NGOs and researchers said changing market conditions mean that the text effectively prolongs the use of coal in Germany beyond what would otherwise be economically viable thanks to compensation payments."

Why this is important: Last year, Germany agreed to end coal-fired electric power generation by 2038. Now, trying to put that agreement into law has proven difficult. Cheaper natural gas prices, lower electricity demand, and higher renewable power production, made 90 percent of Germany's coal-fired generation uneconomical last year. Coal's share of electric generation in April 2019 was 30 percent; this April its 16 percent. While some want subsidies ended that they believe allow uneconomical plants to operate, others are calling for compensation to plant owners to close the plants. All these competing views must resolved by the German parliament. The amount of coal-fired electric generation in Europe continues to decline dramatically. --- Mark E. Heath

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● The World's Biggest Green Hydrogen Plant is Planned for California. Its Prospects for Electric Power and Transportation?

"To that end, a plant in Lancaster, California, which is just north of Los Angeles, is in the design phase and it will use plastics and recycled paper as a feedstock — waste that would otherwise go to a landfill."

Why this is important: A large hydrogen generating plant is being planned for Lancaster, California. Rather than using renewable energy to split water into hydrogen and oxygen, or stripping hydrogen from coal or natural gas, the plant will subject waste plastic to high heat from a plasma torch in a high oxygen environment, generating copious amounts of hydrogen gas that could be used in fuel cells. What is unclear from the article and from the company's website is the source of the energy that produces such high heat. --- David L. Yaussy

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No Better Time to Modernize America's Energy Infrastructure

"Mounting job losses caused by the COVID-19 crisis are hammering the clean energy sector and threatening two decades' worth of progress in expanding the share of renewable resources used to power the U.S. economy."

Why this is important: This article highlights how stimulus funding can be best used to jumpstart the economy by focusing on upgrading energy infrastructure. It supports two critical elements of Senator Barrasso's proposed "America's Transportation Infrastructure Act." First, the Act would make much needed increases to the resiliency standards for roads, bridges, and other transportation projects. Second, it would update the environmental review process and reduce unnecessary delay to critical infrastructure projects. --- Nicholas S. Preservati

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Charting a Decade of U.S. Coal Company Bankruptcies and Plant Retirements

"Between 2010 and 2019, more than 546 coal-fired power units were retired — representing about 102GW of generating capacity."

Why this is important: Coal-fired electrical generation plant closings and the number of coal company bankruptcies both have risen dramatically in the past nine years. From 2010 to 2019, 546 coal-fired units (102 GW) closed along with hundreds of coal mines. That is one-third of U.S. coal-fired plants. And the number of coal mines dropped to 671 mines in 2019 from 1,435 in 2008. During that same nine years, only 21 GW of coal-fired generation opened, and the largest new plant, a 10 GW lignite plant in North Dakota, is now set to be converted to natural gas. These events have resulted in 50 U.S. coal company bankruptcies and eight major coal companies filing in the 12 months prior to October 2019. These developments continue to put strong pressure on remaining U.S. producers as the collapse of coal markets will only continue with low natural gas prices and the steady addition of wind and solar power. --- Mark E. Heath

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Three Factors Driving Oil's Dramatic Rebound

"So, while the oil industry still faces challenges in the face of weak demand, it looks like the worst is over for now."

Why this is important: The oil industry is seeing a rebound over last month when prices dived into negative territory for a brief second. The reasons for the rebound include the closing of at least half of the rigs in the United States because of high operating costs that cannot compete with oil produced in Russia and the Middle East. This has caused a marked decrease in domestic production. As the pandemic lockdown eases, demand has also increased, allowing prices to stabilize. With less supply and more demand, prices should steadily increase. --- Bryan S. Neft

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Australia 'Very Concerned' Over Reports Beijing is Boycotting Its Coal

"The move would be the latest in a diplomatic dispute over Australia's push for an independent probe into the origins of the coronavirus pandemic."

Why this is important: Last week, Australia expressed concerns that China will no longer buy its thermal coal and will instead use Chinese coal mines to power the country's electric generation plants. Australia had called for an investigation into the origins of the COVID-19 outbreak, which led to Chinese calls to boycott Australian products from beef to coal. These developments likely will further depress world thermal coal export markets. --- Mark E. Heath

Energy Question of the Week

Should the ACE Rule prevent states from adopting market-based compliance mechanisms?

Yes Select

No Select

Undecided Select

Other Select

EIA Energy Statistics

Here is a round-up of the latest statistics concerning the energy industry.

PETROLEUM
This Week in Petroleum

Weekly Petroleum Status Report

NATURAL GAS
Short-Term Energy Outlook - Natural Gas

Natural Gas Weekly Update

Natural Gas Futures Prices

COAL
Short-Term Energy Outlook - Coal

Coal Markets

Weekly Coal Production

RENEWABLES
Short-Term Energy Outlook

Monthly Biodiesel Production Report

Monthly Densified Biomass Fuel Report

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If you have any energy questions, please feel free to contact us .