

# CEE ENERGY SECTOR RESPONSE TO COVID-19

## Policy Note

*The GLOBSEC Energy Transition Task Force was launched in the fall of 2019 at the Tatra Summit to focus on the impact of climate change policy on the CEE energy sector and low carbon transition. The Task Force is composed of leading energy companies from the CEE region that recognize the value of collaborative engagement and creative policy solutions.*

Task Force members met via teleconference Thursday, 2 April to discuss the impact of the COVID-19 crisis and most urgent issues facing energy companies which are summarized below.

### KEY TRENDS

- ▶ Dramatic decline in energy demand (15-30%) on balance (mostly in industry while household consumption grows) leading to drop in spot prices
- ▶ Travel restrictions piling onto downward spiral of oil prices
- ▶ Volatility in prices of other commodities including EU carbon price
- ▶ Working management of critical infrastructure including TSOs, DSOs, nuclear and petrochemical plants has adapted to quarantine measures
- ▶ Operations and maintenance complicated and in some cases even prevented by lockdowns
- ▶ Companies are cutting OPEX/CAPEX and carefully maintaining cashflow position
- ▶ Increasing liquidity crunch in some cases aggravated by governmental decrees tolerating non-payment from vulnerable customers (households, SMEs) threatens liquidity of utilities
- ▶ Shifting in-house processes and CRM online
- ▶ Increased municipal solid waste

### KEY POLICY CHALLENGES

- ▶ **Government actions**
  - ▶ Role should be limited to injecting money into the economy and maintaining liquidity
  - ▶ Short-term crisis response measures should not have lasting distortive impact and should not be negatively impacting operating strategic assets and critical infrastructure
  - ▶ Overstepping into enterprise activities by changing basic established rules valid under the present market design (e.g. imbalances, deviation) and legal frameworks (e.g. take-or-pay contracts)
- ▶ **Corporate modus operandi**
  - ▶ Implementing additional health protective measures
  - ▶ Coping with imposed constraints and limitations while shielding negative influence on providing products and reliable services to clients and society
  - ▶ Implementing cost cutting measures in response to fall in revenues while under pressure from government and trade unions to maintain employment levels and stabilize salaries
  - ▶ Reviewing investment programs
  - ▶ Focusing on CSR / providing support to most impacted group of society
  - ▶ Careful approach to customers with operational and financial struggles
  - ▶ Determining how long the current situation is sustainable and what type of financial support will be necessary
- ▶ **EU measures**
  - ▶ Perceived risk and uncertainty over availability of EU funds for long-term R&I objectives that could be redirected to more immediate post-COVID-19 recovery priorities
  - ▶ Stabilization of economy and restarting economic growth

### UPCOMING AGENDA

The meeting also resulted in agreement on Green Deal strategic policy priorities that will guide activities in coming months under EU Climate Law, Sustainable finance/taxonomy, Circular Economy Action Plan, and EU Industrial Strategy.