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● Industry Expert Insights



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

Emma Covacevich is a Partner with Clayton Utz. She specializes in energy and corporate matters, with a particular focus on upstream and midstream petroleum projects.

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[Emma Covacevich](#)
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How is the COVID-19 pandemic affecting the energy sector in Australia?

In response to the COVID-19 pandemic, the Australian federal government and the state and territory governments formed a National Cabinet, similar to a war cabinet, for the purposes of coordinating the response of the states and territories and the federal government. Each state and territory government has declared some form of public health emergency, resulting in the lockdown of non-essential businesses, schools, and restrictions on public movement across Australia. The closure of businesses resulted in a decreased demand for energy and the corresponding loss of employment for many Australians.

The primary focus of the Australian and state of territory government has been to prepare a nationally consistent approach to hardship support for businesses and households impacted by the COVID-19 pandemic and the corresponding government response. In response, energy market and industry bodies and energy regulators have announced a range of measures and relief packages to assist affected businesses and households. Energy Networks Australia, the key industry body representing electricity and gas network operators, announced a relief package focused on providing payment relief or deferrals to affected customers. The Australian Energy Regulator published a set of ten principles, which it expects retailers and distributors of electricity and gas to adhere to during the COVID-19 pandemic. The principles include restrictions on the disconnection of customers, and the offering of payment plans and hardship arrangements to residential and small business customers who may be in financial distress.

The Australian Competition and Consumer Commission ("ACCC") has additionally provided interim authorisation to the Australian Energy Market Operator to allow gas and electricity market participants to co-operate on measures to ensure reliable energy supply during the COVID-19 pandemic. Similarly, the ACCC authorised major petroleum refiners to coordinate measures to ensure fuel remains available during the COVID-19 pandemic.

For upstream petroleum and gas exploration, the South Australian and Queensland state governments have provided relief to oil and gas licence holders from their licence fee obligations, and the Queensland governments announced relief for exploration licence holders to vary their work programs if affected by the COVID-19 pandemic.

Similarly, for offshore oil and gas exploration activities governed by the Australian government (in waters beyond the state and territory coastal waters), new measures adopted will provide flexibility to exploration licence holders to meet their ongoing work program obligations.

● [World to Canada: You're Raising Your Carbon Tax During a Global Pandemic?](#)

"Prime Minister Justin Trudeau has chosen to make life more expensive for Canadians by raising the federal carbon tax by 50 percent amidst the COVID-19 economic and health crisis."

Why this is important: Most nations are putting carbon tax hikes on hold during the pandemic, given the damage to economies already done by the lockdown that has accompanied the virus. Canada is an outlier. It is raising its carbon tax 50 percent. It will directly affect Canadian consumers, but its effect on the environment is difficult to quantify, in light of Canada's 1.5 percent contribution to global greenhouse gas emissions. --- [David L. Yaussy](#)

● [U.S. Shale's Quick Response to Falling Oil Prices is Paying Off](#)

"In brokering the end to the global oil-price war last month, the Trump administration assured leaders that America's shale patch would throttle back production."

Why this is important: In response to downward spiraling oil prices due to low demand during the coronavirus pandemic, drillers began shutting production as storage tanks risked brimming. Some of the country's largest producers reduced oil volumes by 758,000 barrels a day, according to data compiled by BloombergNEF. This has resulted in lower inventories and higher prices for the first time since January, with WTI being close to \$30 last Friday. Producers are expected to open production once prices increase, although pre-crisis oil prices likely will not return until stocks are reduced. This also assumes no second wave of COVID-19 and the continued re-opening of global economies. --- [Dennise R. Smith](#)

● [Duke University Testing Shows Kingston Coal Ash Uranium at Triple Report Levels](#)

"The coal ash produced at a Tennessee Valley Authority coal-fired power plant near Knoxville is more than three times richer in uranium – and the dangerous radioactive elements it produces as it breaks down – than documented in public reports after a massive coal ash spill in 2008."

Why this is important: Issues from the 2008 Tennessee Valley Authority's Kingston Fossil Fuel plant coal ash spill continue to make headlines. At the request of a Tennessee newspaper, Duke University tested coal ash from the spill in 2008, and ash from 2017, 2018 and 2019. Duke University found the level of uranium in the coal ash was three times higher than earlier reported. The 2008 cleanup is now part of a lawsuit against TVA, and a clean-up contractor is alleging contamination from the spill and clean-up. Environmentalists are trying to force utilities to clean up existing liquid ash disposal ponds. The

groups claim the uranium breaks down to lesser radioactive particles that in dust form affect workers and residents nearby. Duke Energy earlier this year agreed to clean up its ash ponds at power plants in North Carolina. --- [Mark E. Heath](#)

● [Shrinking Fossil Fuel Demand Could Hit California's Cap-and-Trade Auction, Experts Say](#)

"The issue is, if energy consumption is down — which is what we are seeing in this report — then your emissions from the energy sector are therefore also down, which means they have a lower compliance obligation under the cap-and-trade program."

Why this is important: California's system of cap-and-trade for carbon emissions may be depressed during the coronavirus pandemic because of the significant drop in demand for fossil fuels. The last auction raised nearly \$600 million for California. The next auction stands to bring in significantly less revenue to state coffers. Depressed revenues will impact clean energy alternatives that rely on state funding through cap-and-trade including transportation programs such as auto electrification and low-carbon public transportation. This downturn also may cause California to replace the program with a carbon tax, which may generate revenue more reliably. --- [Bryan S. Neft](#)

● [Details Released of a Huge Offshore Wind Turbine that Can Power 18,000 Homes Per Year](#)

"A prototype of the turbine is set to be ready by 2021, and it's expected to be commercially available in 2024."

Why this is important: Siemens is developing huge new off-shore wind turbines with blades longer than a football field, generating up to 15 megawatts each. Off-shore installations make good sense, with more predictable wind and limited effect on humans. Fewer turbines producing more power also makes sense in light of the difficulty of servicing the installations. Installations could begin in a few years. --- [David L. Yaussy](#)

● [Russia Begins Work on New Gas Pipeline to China](#)

"Nord Stream-2 is not yet completed, but Russian gas giant Gazprom has already started designing a new gas pipeline, which will transport Russian gas to China via Mongolia."

Why this is important: Amid declining gas prices and weakened demand, Russia began preparatory work on a new pipeline through Mongolia that is expected to transport 50 billion cubic meters of gas from the Yamal Peninsula in Siberia to China. Once operational and ramped to capacity, the transit pipeline, "Power of Siberia-2" will make Russia one of China's largest and most important gas suppliers, providing China with an alternative to U.S. LNG imports. The pipeline project also is seen as a symbol of a deepening relationship between the two countries as China-U.S. ties are fraying. --- [Dennise R. Smith](#)

● [Court Tells Federal Agencies to Review Coal Mining Impacts on Endangered Species](#)

"Under the agreement, the Office of Surface Mining — the agency that regulates mountaintop coal mining — and the U.S. Fish and Wildlife Service — the agency that protects endangered species — will review a 1996 document or 'biological opinion,' that lays out how coal mining is likely to affect endangered species or their habitat."

Why this is important: A federal court on Friday, May 15 approved an agreement for the U.S. Fish and

Wildlife Service and Office of Surface Mining to review studies on potential effects from mining on endangered species. The review is to be completed by October 16 and focuses on the Big Sandy crawfish and the Guyandotte River crayfish in southern West Virginia, eastern Kentucky, and western Virginia. Last January, Fish and Wildlife proposed designating 445 miles of streams in the three states as critical habitat for the endangered crayfish. Limits on mining could affect mining for metallurgical and some steam coal in these areas. --- [Mark E. Heath](#)

● [How has COVID-19 Affected Big Coal?](#)

"COVID-19 has hit the coal industry hard, presenters noted during a virtual meeting of the Virginia Coal and Energy Alliance and Southern States Energy Board."

Why this is important: VCEA Chair J.P. Richardson, Vice President of Operations for United Coal Co., reported that coal production is down 45 percent and steel production is down more than 35 percent during COVID-19. Most U.S. coal producers are reportedly cash negative in their operating markets and coal is eager for a comeback. Whether this happens remains to be seen and will depend on restoring the nation's economic strength after this pandemic. It will be a difficult road, regardless, as coal plants are retiring due to bottomed-out natural gas prices and costly improvements necessary to keep many aged structures operating. --- [Dennise R. Smith](#)

● [China's Coal Industry Reports Steady Growth in 2019](#)

"More benefits were brought to the sector thanks to the integrated development of its upstream and downstream industries, with the total profits of major coal enterprises reaching 283 billion yuan (about 39.9 billion U.S. dollars) in 2019."

Why this is important: China continues to rely heavily on coal for its energy needs. Last year, the country closed 500 small mines and is shifting to larger modern mines for production. The Chinese coal industry had steady growth in 2019 and had an estimated \$33.9 billion (U.S.) profit as coal usage rose 1 percent nationwide. Production for the year rose 4 percent and imports rose 6.3 percent. --- [Mark E. Heath](#)

● [Energy Question of the Week](#)

Last Week's Question and Results

Agree or disagree, ephemeral streams should not be included as WOTUS under the Clean Water Act.

- Strongly Agree - 37%
- Agree - 22.2%
- Neither Agree Nor Disagree - 18.5%
- Disagree - 11.1%
- Strongly Disagree - 11.1%

What issue poses the most significant threat to the electric grid?

Cyber Attack

Select

Physical Attack

Select

Severe Weather Events

Select

Demand Variability

Select

Lack of Maintenance

Select

Other

Select

Do Not Know

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

What are your areas of interest? If there are particular industries or issues that you would like to hear about, email us! We have a large number of attorneys willing to weigh in on the

issues that impact you and your business.

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