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Issue 16, 2020

● Industry Expert Insights



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

Marc van Beuge is an Advocaat and Senior Associate with Houthoff in the Netherlands. He specializes in energy law, and energy and chemical projects.

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[Marc van Beuge](#)

**Advocaat, Senior Associate
Houthoff**

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

The COVID-19 pandemic is contributing to a drop in demand and lower oil and gas prices, making the already strained upstream oil and gas investment climate all the less attractive. Fields will come to the end of their economic field life sooner, and if certain operators cease their use of a pipeline, it may be less attractive for others connected to the same pipeline to continue production. The likely result is that operators with relatively high overhead costs will cease operations in the Netherlands and shift their attention to other regions.

To alleviate some of the financial pressure on large users of electricity and natural gas, i.e. companies that receive a monthly invoice for their actual consumption, energy suppliers have agreed to grant them a tax deferral for energy tax, the surcharge for sustainable energy and VAT over April, May and June 2020 to assist them in addressing COVID-19 related financial issues. In the same vein, electricity and gas grid operators have agreed to exercise restraint in shutting off the energy supplies of - generally smaller - customers that cannot timely settle their debts.

The developers of renewable energy projects that have been granted so-called SDE+ subsidy for the production of renewable energy (in particular wind and solar projects) are generally required to develop, i.e. construct and start operations of, the relevant project within a limited period of time. The Minister of Economic Affairs and Climate Change has decided that in relation to projects that were set to be completed in 2020, project developers can now apply for a 'corona extension' of one year.

Finally, the Minister of Economic Affairs and Climate Change has announced that, due to the COVID-19 crisis, the Dutch government is, for the time being, postponing new climate plans aimed at substantially reducing CO2 emissions. This will make it increasingly difficult for the Dutch government to comply with the Netherlands' Supreme Court's ruling in the Urgenda-case, confirming a lower court's ruling that the Netherlands must cut its greenhouse gas emissions by at least 25 percent by the end of 2020 (compared

to 1990 levels). Interestingly, the expected drop in industrial CO2 emissions resulting from the COVID-19 pandemic may, over time, contribute to the Netherlands meeting the court-imposed reduction.

● [Houston Unveils First Climate Action Plan](#)

"Despite decades of familiarity with floods and natural disasters, climate change was never an easy topic for Houston to formally address due to the city's history as the home of oil and gas, Cottingham said."

Why this is important: Houston is considered the "energy capital of the world," as it is home to more than 4,600 energy related businesses. The vast majority of those businesses are in the oil and natural gas sector, which would be significantly affected by a climate action plan that proposes the city become carbon neutral by 2050. Of significant importance is the first item listed in the plan that contemplates a switch to "low-emission vehicles." This cannot be welcome news to Houston's nine oil refineries that produce over 2.3 million barrels of crude oil per day. The overarching takeaway from this article is that if Houston is successful in achieving its climate action goals given its reliance on the oil and gas industries, other cities will be hard pressed to not follow its example. --- [Nicholas S. Preservati](#)

● [COVID-19 Crisis Upsets Germany's Coal Phase-Out Timetable](#)

"Instead, Datteln 4, a state-of-the-art 1,100 megawatts coal power station situated on the Dortmund-Ems canal, is scheduled to go into operation in June."

Why this is important: The COVID-19 outbreak is slowing down German environmental efforts to move away from coal-fired electric generation. This summer, a new 1,100 MW coal-fired electric generation plant, Datteln 4, will begin operating. Originally a small 4,000 MW coal-fired generation plant was to close this year, but closures need German parliamentary action. The government can't meet with the COVID-19 outbreak ongoing. Germany will be the last European Union nation to move away from coal-fired generation, but not until 2030 or 2038. Most of Europe will do so by 2025 or 2030. --- [Mark E. Heath](#)

● [Work to Install a Tidal Turbine in Waters off China has been Completed, Despite the Coronavirus Pandemic](#)

"The 500-kilowatt tidal stream turbine, which has a rotor diameter of 18 meters, was installed in the past week in the Zhoushan archipelago off China's east coast."

Why this is important: China is installing a 500 KW tidal stream turbine, a small source of power when a single wind turbine now easily produces 2.5 megawatts or more. But the turbine, if successful, could be joined by many more that would take advantage of the more regular and predictable tidal flows. However, the economic problems caused by the coronavirus pandemic is causing tidal turbines and other renewable energy projects to be reconsidered in light of harsh economic realities. --- [David L. Yaussy](#)

● [Seaborne Thermal Coal Prices Slide as India Takes Coronavirus Hit](#)

"The coronavirus pandemic has finally caught up with seaborne thermal coal in Asia, as soft demand in major importers India and China sends prices to multi-year lows and dents the polluting fuel's relative outperformance against other energy."

Why this is important: The COVID-19 outbreak continues to dramatically affect thermal coal markets

in Asia. Prices for Indonesian coal have fallen 29 percent, to levels last seen in 2008, while Australia prices are down 24 percent. Further complicating world thermal prices is that oil is trading at less than \$20 a barrel. Some Asian countries still generate power with oil. These prices have affected U.S. thermal export prices. --- [Mark E. Heath](#)

● [Despite Dire Budget Predictions, WV Governor Justice Says He isn't Worried about Fiscal Problems](#)

"State revenue officials have described a possible \$500 million deficit because of the economic slowdown that has resulted from coronavirus response."

Why this is important: With further pandemic-related budget problems looming in FY2021, Governor Jim Justice is not ready to sound the alarm bells just yet on FY2020. The ongoing stay-at-home order, combined with the decision to postpone the state tax payment deadline from April 15, 2020 to July 15, 2020, has caused an approximately \$500 million budget shortfall in the current fiscal year that ends on June 30, 2020. With almost every other state confronting the same issue, Governor Justice and his fellow Governors anticipate that Congress and the Trump administration will provide some kind of short-term fiscal relief. The timing of this relief remains to be seen after the U.S. Treasury Department released guidelines last week that explicitly prohibited states from spending the existing CARES Act allocation to cover budget shortfalls and revenue losses. With the fiscal year almost over, one likely option at the Governor's disposal is to call the Legislature into extraordinary session and ask them to appropriate money from the state's robust Revenue Shortfall Reserve Fund (Rainy Day Fund) that would cover the shortfall as the issue of state and local government aid gets sorted out in Washington, D.C. --- [Jason C. Pizatella](#)

● [China to Help build US\\$3 Billion Sengwa Coal Plant](#)

"ZIMBABWE'S Rio Energy Limited, a unit of RioZim Limited, will build a 2,100 megawatt thermal power plant with China Gezhouba Group Corp in northern Zimbabwe at a projected cost of US\$3 billion, Rio Energy said."

Why this is important: China continues to help finance coal-fired electric generation plants around the world, despite public statements it is moving away from CO2 emissions. The new \$3 billion, 2,100 MW Sengwa plant in northern Zimbabwe will replace several older inefficient plants. Some parts of the country have only eight hours of power a day. The African nation must currently import 1,300 MW of power, which the new plant will replace. Despite decreases in Europe and North America, coal usage continues to grow in Africa. --- [Mark E. Heath](#)

● [Is Fusion Really Close to Reality? Yes, Thanks to Machine Learning](#)

"There are now people who are projecting small-trial fusion plants that couldn't have been done before without higher computing."

Why this is important: Nuclear fusion, which in theory would produce huge amounts of power with no radioactive residue, has been the Holy Grail of energy for the past 50 years. It's always just a few years away. A further step in the right direction now has taken place with the ascendance of higher computing, principally machine learning, to optimize the fusion process. Proponents say commercialization now may be just five years away, but that is a claim that has been heard before. --- [David L. Yaussy](#)

● [Imports of Coking Coal from Mongolia to China Plunged 98.48% in March](#)

"China's coking coal imports fell 8.1% year on year to 5.64 million mt in March mainly due to a decline in the inflow from major suppliers Mongolia and Russia."

Why this is important: China imported less coking coal in March due to declines in imports from Russia and Mongolia. However, for the year, Chinese imports of coking coal have increased as China has found imports are cheaper than domestic production. Despite these developments, the world demand for coking coal is soft and is causing a continuing decline in U.S. coking coal export prices. --- [Mark E. Heath](#)

● [This Too Shall Pass: and Then What? Part 2 - Legal Considerations for Return-to-Work Decision-Making - From Spilman's COVID-19 Task Force](#)

In our first piece in this returning to work series, we examined the logistical issues associated with returning employees to work. In this latest segment, we will address the legal considerations underpinning the return-to-work process.

Click [here](#) to read the entire article.

● [Challenges to Shutdown Orders Reach the U.S. Supreme Court - From Spilman's COVID-19 Task Force](#)

On April 27, 2020, a group of petitioners asked the Supreme Court of the United States to stay the enforcement of Pennsylvania Governor Tom Wolf's March 19, 2020, executive order that closed many of the Commonwealth's businesses. The case ***Friends of Danny DeVito et al. v. Wolf et al.***, No. 19A1032, reaches the Supreme Court from the Supreme Court of Pennsylvania, where the petitioners' King's Bench petition was denied on April 13, 2020.

Of the challenges raised in the King's Bench petition, only four present questions under federal law may be taken up by the U.S. Supreme Court.

Click [here](#) to read the entire article.

● [Energy Question of the Week](#)

Last Week's Question and Results

Which country benefited the most from the recent agreement on petroleum production?

- Saudi Arabia - 77.8%
- United States - 11.1%
- Do not know - 11.1%
- Russia - 0%
- Venezuela - 0%
- Other - 0%

Which source of renewable energy has the most promise for the U.S.?

Wind

Select

Solar

Select

Hydroelectric/Tidal

Select

Biomass

Select

Geothermal

Select

Hydrogen Fuel Cells

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

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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If you have any energy questions, please feel free to [contact us](#) .

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