



## Issue 17, 2020

### ● Industry Expert Insights



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

Charles Laubach is a Partner with Afridi & Angell Legal Consultants. He advises on general corporate matters, contracts and government procurements, project finance, employment, and international trade controls.

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#### [Charles Laubach](#)

**Partner**

**Afridi & Angell Legal Consultants**

#### ***How is the COVID-19 pandemic affecting the energy sector in the UAE?***

Fortunately, the impact of COVID-19 pandemic on the UAE energy sector has been limited. However, if the crisis continues for a prolonged period, then construction activity in the energy sector could be noticeably impacted.

The generation and distribution of electricity in the UAE has not been affected. Electricity in the UAE is generated in large part by gas-fired plants, many of which are co-generation plants that also desalinate sea water for the municipal grid and for industrial consumers. They are owned and operated by a combination of independent power projects in some Emirates and public sector authorities in other Emirates. (Renewables have a small but increasing role, and nuclear generation plants are expected to come online in the near future.) Gas feedstock is available locally and from reliable regional suppliers. Interruptions of power or water supply to consumers are very rare occurrences. In an effort to encourage efficient consumption, most Emirates now impose charges at rates that increase as consumption increases.

In the oil and gas sector, production has been unaffected. Supplies of crude and supplies of LNG to the UAE's global customers are proceeding without interruption. Likewise, the supply of refined products, such as fuel for motor vehicles, jet fuels and ship bunker, has not been affected.

In contrast, the impact of COVID-19 on the supply chain and on the availability of manpower has led to delay or suspension of new infrastructure projects in the oil and gas sector (and generally in all sectors of the economy). The arrival of the COVID-19 pandemic was particularly unwelcome, since it aggravated a sector of the economy that was already stressed by the acute global drop in hydrocarbon prices. The full extent of how this will impact the oil and gas sector is still unclear, although many observers anticipate

changes that will be transformative in nature.

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## ● [17 States Sue to Derail New Trump Clean Water Rule](#)

***"A coalition of 17 Democratic-leaning states sued the Trump administration for rolling back Obama-era protections for waterways, arguing the move ignores science on the interconnectivity of water."***

**Why this is important:** Critics of the Obama administration's WOTUS rule succeeded in tying it up in court for years, even restricting its enforcement to certain parts of the country. Now critics of the Trump administration's WOTUS rule that replaced it are taking a similar tact. In a lawsuit filed on May 1, they argue that the Trump administration's rule takes too narrow a view of the Environmental Protection Agency and Army Corps of Engineers' jurisdiction, lacks any reasoned explanation for departing from past policy and practice, and fails to meet the Clean Water Act's goal of restoring and protecting the nation's waters. The lawsuit is in its infancy but, if the Obama administration's experience is any guide, the Trump administration can expect a drawn-out fight over what it considers to be one of its key achievements. --- [Joseph V. Schaeffer](#)

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## ● [Saudi, Russia, U.S. Share Fight Intensifies in Oil Market](#)

***"Riyadh and Moscow have focused mostly on oil buyers in Asian and European markets, but their action of ramping up their oil output levels are hurting U.S. shale oil producers the most."***

**Why this is important:** The coronavirus pandemic has caused a glut of oil in the markets as demand has weakened significantly. Saudi Arabia and Russia began a price war that suppressed prices even further. Although in 2018, the United States was the largest oil producing nation in the world, the recent seismic shifts in supply and demand have had the most significant effect on U.S. shale producers, which have stopped unprofitable production. This has caused Saudi Arabia to flood U.S. markets with cheap oil, much to the chagrin of U.S. politicians who see the price war, from which it may be difficult to recover, as a direct assault on the U.S.'s own petroleum industry. --- [Bryan S. Neft](#)

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## ● [Weakness in China's Thermal Coal Prices May Prompt Government Action](#)

***"The recent sharp decline seen in Chinese domestic thermal coal, caused by the price competition of imported coal amid oversupply, have raised alarm bells within the Chinese government agencies as domestic thermal coal prices have moved into the 'red zone', potentially signaling an intervention in the form of stricter port policies."***

**Why this is important:** Sharp declines in China's domestic coal prices have moved into a red zone that analysts believe will result in China instituting import controls. China did this in 2008 to combat prices that make their domestic production uneconomical. From January to March 2020, China imports of steam coal were 95.8 million tons, up 28.4 percent, and metallurgical coal imports were 20.8 million tons, up 26.7 percent. China typically imports more steam coal for electric generation than metallurgical coal. In 2019, China imported 225.8 million tons of steam coal and 24 million tons of metallurgical coal for steel making. --- [Mark E. Heath](#)

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## ● [Energy Demand Will Never be the Same After COVID-19, IEA Report Finds](#)

***"This crisis is, without exaggeration, the biggest shock to the global energy system in at***

***least seven decades, and the implications of that shock will be with us for years to come."***

**Why this is important:** According to a recent report from the International Energy Agency that analyzed more than 100 days of data this year, there has been a 6 percent decline in global energy demand, five times the decline lost in the 2008 crisis. "In absolute terms, this is equivalent to losing the entire energy market of India." In some cases, there has been up to a 20 percent decrease in electricity demand, the largest drop since the Great Depression. The reduced demand has led to bottomed out prices for almost all energy sources, causing a domino effect throughout the entire industry. The report includes projections of energy consumption through the remainder of the year, and those projections are dire. The IEA predicts demand in the U.S. will fall 9 percent and 11 percent in the EU. The full impact, however, depends on the duration of the lockdown as the report projects a 1.5 percent decrease in demand each month it continues. As succinctly stated by the author of this article: "Bold vision, leadership, and technical expertise will be needed to turn this crisis into an opportunity for a cleaner, more abundant and resilient energy sector." --- [Dennise R. Smith](#)

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## ● **'Like Watching a Train Wreck': The Coronavirus Effect on North Dakota Shale Oilfields**

***"With businesses locked down and billions of people staying at home, demand for oil to fuel cars, planes and industry has dropped around 30% worldwide."***

**Why this is important:** The coronavirus pandemic continues to suppress worldwide demand for oil by nearly 30 percent. The global supplies exceed demand significantly and is causing oil producers to shut down operations to reduce supplies. In particular, high cost shale operations are the first to close since they cannot be profitable without a significant increase in crude oil prices. Since North Dakota is the second largest oil producing state, the effect there has been monumental. The result is likely to be significant restructurings among the North Dakota shale producers. --- [Bryan S. Neft](#)

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## ● **New Report Highlights Fragility of Indian Coal Sector During COVID-19**

***"The Covid-19 pandemic could help trigger an uptake in renewable power infrastructure and generation in India, according to a new report published by the Institute for Energy Economics and Financial Analysis."***

**Why this is important:** The COVID-19 pandemic is causing some analysts to reexamine India's coal usage. In the past four years, new thermal coal projects were down 80 percent, while two-thirds of the new energy projects in 2019 and 2020 were renewables. The pandemic has dropped energy demand 26 to 34 percent across India and has caused some to question how to pay for new coal-fired plants. --- [Mark E. Heath](#)

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## ● **Is The U.S. Using Sanctions to Elbow Russia Out of the European Natural Gas Market?**

***"The stated aim has a dual purpose — to prevent Western Europe from becoming dependent on Russia's energy sources while also diminishing Russia's economic leverage in Eastern Europe."***

**Why this is important:** Totally apart from foreign policy considerations regarding Russia, the use of sanctions to slow the development of the Nord Stream 2 Pipeline makes economic sense for both the U.S. and European Union. Delaying the completion of this pipeline gives U.S. exporters time to capture a greater portion of the LNG market for Europe and hopefully boosts domestic gas prices. It also gives our European partners an alternative and reliable source of affordable natural gas. This sort of competition is beneficial for all concerned. --- [William M. Herlihy](#)

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## ● [China Fires Up Coal Power Plant Construction](#)

***"China approved nearly 10 gigawatts of new coal-fired power generation projects in the first quarter, roughly equal to the amount approved for all of last year, amid a broader scramble to jump-start an economy hobbled by the COVID-19 epidemic."***

**Why this is important:** Despite promises to reduce coal usage, China is again building new coal-fired electric generation plants to stimulate their economy recovering from the COVID-19 outbreak. China did this in 2008 and is on course to do so again. In the first quarter of 2020, China officials approved 10 GW in the form of six new coal-fired electric generation plants. --- [Mark E. Heath](#)

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## ● [Elon Musk Eyes UK Electricity Market as Tesla Posts 32% Q1 Revenue Uptick](#)

***"The move came after South Australia was plagued by blackouts in 2016 and Musk stepped in saying Tesla would get the battery storage systems installed and working within 100 days of the contract being signed or the \$50 million renewable energy project would be installed for free."***

**Why this is important:** Just as COVID-19 is ravaging global economies and decimating energy-related markets, on May 4, Tesla posted first quarter revenues nearly \$6 billion higher compared to the corresponding quarter last year. Days before, Tesla applied for a license to generate electricity in the UK. While Tesla is most prominently known for making electric vehicles, it is a key player in battery energy storage technology and manufacturing solar panels and roof tiles. While its renewable energy project in South Australia has been, by all measures thus far, a success, Tesla's move in the UK is a bold one even in a time free of COVID-19. Last year, many independent UK energy producers went under due to tough economic conditions, tight political controls, and a marketplace dominated by six large producers. If Tesla's UK project succeeds, Tesla will prove innovators and risk-takers create their own future, even in the midst of chaos. --- [Dennise R. Smith](#)

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## ● [West Virginia's Coal Industry Takes Hit from COVID-19 Pandemic](#)

***"Raney said that despite the state's exporting and production prowess, those advantages have meant little in the past month as the spread of COVID-19 has had a major impact on the production and shipping of coal."***

**Why this is important:** West Virginia mined 97 million tons of coal last year, 75 percent from underground mines. Bill Raney of the West Virginia Coal Association notes the first three months of 2020 have been very different. Due to the COVID-19 outbreak, electric generation has dropped dramatically, lowering prices and the need for steam coal. Exports of metallurgical coal also are down due to the world-wide economic slowdown. That has resulted in many mines having to furlough workers. This all means likely budget problems for the state due to lower severance taxes. Raney hopes an uptick in the economy will bring back demand, but only after stockpiles at the mines and power plants are drawn down. --- [Mark E. Heath](#)

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## ● [Energy Question of the Week](#)

### **Last Week's Question and Results**

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

Where should the U.S. focus its research and development?

**Energy Efficiency**

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- Solar - 25%
- Wind - 17.9%
- Hydrogen Fuel Cells - 14.3%
- Biomass - 10.7%
- Geothermal - 10.7%
- Hydroelectric/Tidal - 7.1%
- Other - 14.3%

Select

#### Renewable Generation

Select

#### Carbon Capture & Sequestration

Select

#### Energy Storage

Select

#### Advanced Small Modular Reactors

Select

#### Other

Select

#### Do Not Know

Select

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## ● 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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**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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