



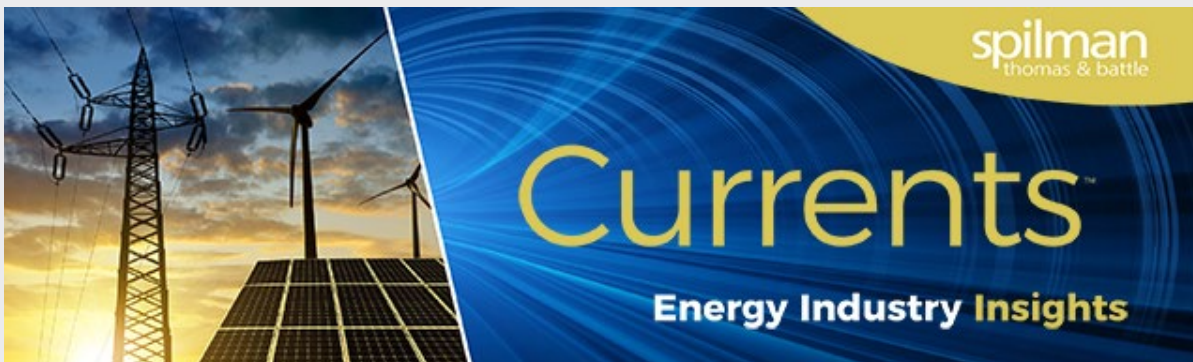
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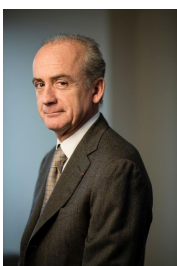


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Issue 18, 2020

● Industry Expert Insights



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

Michel Guénaire is a Partner with GIDE LOYRETTE NOUEL A.A.R.P.I.. He advises on public law & environment litigation; energy; mining, oil & gas; and institutional reforms.

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Michel Guénaire

Partner

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

In reaction to the COVID-19 pandemic, the French government has adopted the law no. 2020-290 of 23 March 2020 declaring the state of emergency and setting up a lockdown, leading to a decrease of energy consumption.

The players of the sector (system operators, producers, and suppliers) have quickly taken action by activating their business continuity plan. The said plan allows them to preserve essential activities to ensure the continuity of production and of the supply of electricity and gas to consumers, whilst protecting their workers.

To support small businesses and help them face the economic consequences of the pandemic, the French State has implemented several measures. For example, the ordinance no. 2020-316 dated 25 March 2020 gives some firms the opportunity to ask electricity and gas suppliers for payment deadlines to be postponed. It applies to invoices submitted between 12 March 2020 and the end of the state of emergency.

Regarding renewable energies, ongoing projects are also impacted although the development of such projects remains fostered by the French State. Indeed, several support mechanisms are in place in France, like call for tenders allowing the securing of a feed-in-tariff, organized by the French regulation authority (Commission de Régulation de l'Énergie). However, with the COVID-19 pandemic, call for tenders deadlines cannot be met. The government has decided to delay the calendar for certain procedures and to freeze the tariffs of power purchase agreement for facilities of 100 kw or less. The Minister in charge of energy also announced on 1 April 2020 that 300 wind and solar projects have been selected amounting to more than 1700 MW in total. Thus, even in the middle of a state of emergency and a pandemic, the development of renewable energies is strongly encouraged in France.

Eventually, the COVID-19 pandemic has also impacted the ARENH mechanism (regulated access to historical nuclear electricity) that enables electricity suppliers to buy back to the historical supplier, EDF, a part of the production of nuclear electricity at a fixed price. Currently, some suppliers are demanding the suspension of electricity deliveries through such a mechanism due to the fall of market prices. My team is currently involved in this matter.

● [Key Indicators on the Oil Price Path 'After' COVID-19](#)

"Watching oil prices minute by minute tells us what traders think is occurring with regard to supply and demand, which is based on the news, real or faked, but as days and weeks pass, the price of oil increasingly tracks the fundamentals of supply and demand."

Why this is important: The quintessential question asked in the oil markets is when demand will increase and the sector will come back to life. The author postulates that oil demand will increase based on the ability of industrialized nations to contain hot spots after attempting to reopen after initial shelter-in-place orders are lifted. The biggest unknown is whether a second wave of the coronavirus pandemic will occur. A second wave may not become apparent until late summer 2020. Key indicators of supply and demand include contango (the price to be paid to defer payment for oil and the cost of tankers to ship petroleum). Other factors that may indicate increased demand are toll road revenues and credit card charges. These should all be reviewed to determine the health of the markets. --- [Bryan S. Neft](#)

● [U.S. Coal-Fired Electricity Generation in 2019 Falls to 42-Year Low](#)

"The decline in last year's coal generation levels was the largest percentage decline in history (16%) and second-largest in absolute terms (240,000 GWh)."

Why this is important: Coal-fired electric generation dropped to its lowest level in 39 years last year at 966,000 GWh. That was a 16 percent drop from 2019. In 2010, coal-fired plants ran at 67 percent capacity -- they operated at 48 percent capacity last year. The U.S. had 318 GW of coal-fired generation in 2011. It was 229 GW last year. The difference has been made up with natural gas power generation and wind turbines. Natural gas was up 8 percent last year to 1.6 million GW and wind was up 10 percent at 300,000 GW. These trends are expected to continue or be accelerated by the COVID-19 economic downturn. --- [Mark E. Heath](#)

● [North Dakota's Largest Power Plant Looks Set to Close as the Owner Bets on Wind Energy](#)

"Looking ahead, Great River Energy, which operates as a not-for-profit cooperative, is aiming to purchase over 1,100 MW from new wind energy projects by late 2023, an investment of more than \$1.2 billion."

Why this is important: A utility in North Dakota, home to extensive lignite deposits, is looking to close its largest coal-burning power plant and hopes to purchase more newly constructed renewable wind power to take its place. It is also going to modify a coal/gas plant to run solely on gas. It's not clear how much total demand will be met by wind, and how much by the natural gas plant, or how much spinning capacity the gas plant will have to provide in reserve while wind power fluctuates. --- [David L. Yaussy](#)

● [Asia's Pandemic Stimulus May Slow the Demise of Coal](#)

"Coal power plant construction will push ahead in Asia despite falling electricity demand and environmental concerns as policymakers prioritise boosting economies crippled by the

coronavirus pandemic, analysts say."

Why this is important: The COVID-19 outbreak has led the European Union, United Nations, and International Monetary Fund to suggest the outbreak is an opportunity to move toward green power. Despite a drop in electricity demand, Asia is going in an opposite direction. China, South Korea, and Japan all are increasing coal use to generate electricity. China is completing five coal-fired plants and allowing its provinces to build more such plants in 2023 to revive their economy from COVID-19. --- [Mark E. Heath](#)

● [Can Rice University's Hydrogen 'Leaf' Technology be a Game Changer?](#)

"The artificial leaf concept proven by Rice researchers is an evolution of the hydrogen generation process, able to produce H2 fuel from sunlight and water."

Why this is important: The hydrogen economy might receive a boost with the development of a new process that generates hydrogen from water, through electrolysis, rather than from natural gas, which results in production of carbon dioxide, a greenhouse gas. The key breakthrough appears to be replacement of expensive components that power the electrolysis with cheaper and more effective materials. The article notes the cost of turning this into a large-scale process for supplying vehicles and industrial processes with hydrogen is unknown, and practical application is many years away. --- [David L. Yaussy](#)

● [America's Oil and Gas Jobs Could Soon Come Roaring Back](#)

"They argue that the dozens of small companies fueling America's fracking boom, toughened by a credit crunch last year, are ready to pivot back into high gear as soon as demand recovers."

Why this is important: Some economists believe the current recession in the oil market is temporary and based upon a lack of credit, and is not a speculative drop in the market. Those economists predict bank lending to resume after oil producers restructure on a path to profitability. This type of recovery is not unprecedented and was last seen in 2015 when there was glut in the oil markets. There are also indicators that demand for gas will increase. Some cities in China are already reporting traffic jams and more people are seeking driving instructions through telephone apps. On the one hand, the pandemic likely will increase the number of single drivers on the road. On the other hand, more people may continue to work at home due to increases in technology that allow remote work. Oil and gas supply will follow the demand. Once prices stabilize, it is anticipated that shale oil suppliers will reopen. --- [Bryan S. Neft](#)

● [Alliance CEO Craft Sees Need for Consolidation in U.S. Coal Industry](#)

"Though the pandemic has yet to push U.S.-based coal-fired power plants toward earlier retirements, a Trump administration official recently told virtual attendees of a fuel buyers conference the industry may perform worse than the U.S. government's already-grim predictions and that coal plants may retire early."

Why this is important: Alliance Resource Partners CEO Joe Craft believes the U.S. coal industry needs consolidation in the face of difficult market conditions and sinking coal demand from COVID-19. A Trump administration official last week said he expects more coal-fired electrical generation plants to close following COVID-19 and one consultant has opined current U.S. coal production is unsustainable. These changes are affecting Alliance. It has idled mines in the Illinois basin, cut its estimated 2020 coal production by 25 to 30 percent, and recorded a \$144.8 million loss in the first quarter. --- [Mark E. Heath](#)

● [Cold Storage: Organic Proton Batteries Show Disposal, Solar Pairing Advantages in Advance to Market](#)

"Scientists in Sweden are stepping up in the global race to efficiently store renewable energy with an all-organic proton battery whose capabilities surprised even the researchers."

Why this is important: Swedish scientists have overcome some initial challenges to developing an organic proton battery that can be charged directly from a solar cell and retains capacity even at low temperatures. It would be inherently more sustainable if mined metals can be replaced by naturally occurring biological materials. What remains unknown is the cost of putting together these batteries at larger scale, the number of recharges possible, and other constraints. --- [David L. Yaussy](#)

● [Coal Miner Contura Says Sites Back to Near Normal Staffing Levels](#)

"Early last month, the coal-mining company idled the majority of its operations for about four weeks, although some were suspended for a shorter period of time."

Why this is important: Contura Energy has announced its mines are back to work after a four-week idling, and its workforce is back to near normal staffing levels. The producer announced a \$39.8 million loss for the first quarter that included a \$33.7 million non-cash tax impairment charge. Despite the loss, the producer announced it had reduced metallurgical production costs from \$82.26 to \$70.68. Many mines at other producers in the east remain closed or idled. --- [Mark E. Heath](#)

● [Kanawha Mining Company Issues WARN Notice; Dozens to be Laid Off](#)

"The commission said the WARN notice affects 78 employees of Panther Creek Mining with operations at 100 Toms Fork Road."

Why this is important: The COVID-19 pandemic continues to wreak havoc on the U.S. coal industry. On May 4, 2020, Panther Creek Mining issued a WARN Act notice for the closing of its operation in Kanawha County, outside Charleston, West Virginia. The June 4 closing will cause a loss of 78 mining positions due to unforeseen business circumstances from the COVID-19 outbreak. There have been numerous mine layoffs and shutdowns since the pandemic began. --- [Mark E. Heath](#)

● [Energy Question of the Week](#)

Last Week's Question and Results

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

- Energy Efficiency - 19.4%
- Carbon Capture & Sequestration - 19.4%
- Energy Storage - 19.4%
- Renewable Generation - 12.9%
- Advanced Small Modular Reactors - 9.7%
- Other - 9.7%

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

Strongly Agree

Select

Agree

- Do Not Know - 9.7%

Select

Neither Agree Nor Disagree

Select

Disagree

Select

Strongly Disagree

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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