



Understanding the sector impact of COVID-19

Power, Utilities & Renewables

As the effects of COVID-19 ripple across the globe, power, utilities & renewables (PU&R) companies are understandably focused on keeping their assets online and providing safe, reliable supplies of electricity and natural gas. Many Power, Utilities & Renewables (PU&R) companies are being proactive in helping their communities by deferring payments, suspending shut-offs, and providing free supplies to unemployed people and hospitals. Overall, demand has declined but it has not collapsed. The most significant impact is being felt in manufacturing and production centers where industrial demand has decreased, but there is an increase on residential customer demands. Owing to the decrease in demand, prices in electricity wholesale markets have decreased, along with LNG and CO2 prices. On the renewables side, many companies have been suffering from disruption in the supply chain over the last two months. However the recovery of activity in China will reduce significantly the impact in the near term.

Potential medium-term impact on power, utilities & renewable companies

The PU&R sector has a degree of resiliency, given multi-year regulatory and planning horizons. Nonetheless, potential medium-term impacts, if the crisis extends by four to five months, will include:

- Wholesale electricity prices are expected to remain very low, putting pressure on generators; however, the impact may be offset somewhat by decreased carbon prices in some regions.
- Supply chain interruptions will likely continue, affecting the availability of parts and equipment, and eventually will lead to maintenance and infrastructure development challenges.
- Nuclear generation will have operative problems due to issues in combustible recharging and difficulties in maintaining the periodic inspections of the installations.
- Renewable projects may be delayed due to lack of capital as well as equipment.
- Strains on the workforce, such as a shortage of engineers or restrictions on the movement of personnel, may create a new wave of operational challenges.

Key questions executives and boards should be asking

- How can we guarantee the safety and well-being of own people first?
- How do we make sure our assets and operations centers stay online in an environment where everyone feels at risk?
- How can we proactively secure a long-term supply of spare parts and equipment?
- What else can we do to support our customers and suppliers?



Practical next steps

PU&R leaders will be defined by what they do along the three dimensions of managing a crisis: respond, recover, and thrive. Some key next steps include:

- Develop contingency plans for keeping critical personnel on site and operating safely should employee movement be restricted.
- Re-assess global supply-chain dynamics and consider if sourcing more parts and equipment closer to operational territories may be appropriate.
- Consider if the crisis can be used as a catalyst to usher in the future of work by rethinking how and where work is done and accelerating adoption of automation and digital capabilities.

For additional steps that companies should consider taking, visit www.deloitte.com/covid19-resilient-leadership

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