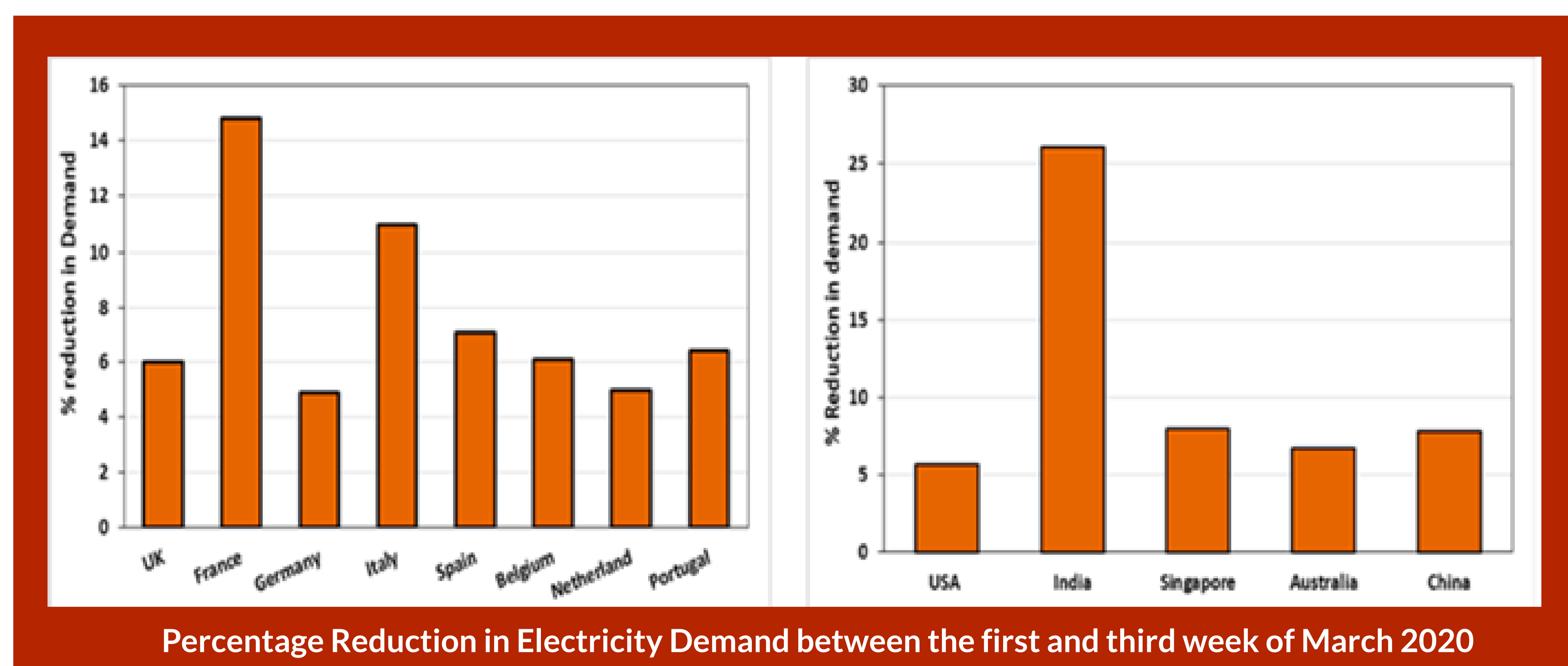


The Impact of COVID-19 on Electric Utilities

Lindah Ddamba
Research Assistant
Summer 2020

Collaboration with
Dr. M. V. Ramana

What are the impacts of the Covid-19 pandemic on the demand for electricity, revenue and investment plans of electric utilities as well as the corresponding organisational and policy responses to address the emanating challenges?

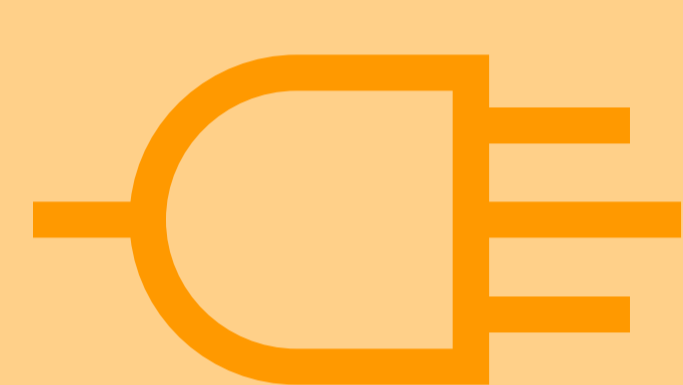


Broadly, the global trends across different utilities were similar, with minor exceptions. The impacts on utilities have been both financial and operational due to the lockdowns and declines in various economic activities.

Main Findings



Decrease in Electricity Demand: The electricity industry experienced a significant reduction in the commercial and industrial consumption due to the shut down of non-essential businesses. On the other hand, residential electricity consumption increased because of the shift to work from home. From the utility perspective, the aggregate demand for electricity declined significantly as most utilities heavily rely on volumetric purchases by commercial/industrial consumers.



Policy Responses: Many governments and energy regulators responded by issuing utilities with mandatory directives to maintain reliable supply of electricity during the pandemic, and moratoriums on disconnection. This exacerbated the adverse impacts of the pandemic on utility finances. The impact is more severe for rural cooperatives that have little or no savings to cover the revenue gaps.



Utility Responses: Many utilities resorted to sale of non-core assets, revision of investment forecasts, postponement of construction works on electricity projects, increased borrowing to cover short term liquidity, submission of tariff review applications, lobbying of government to provide stimulus packages and government backed credit schemes, among others.

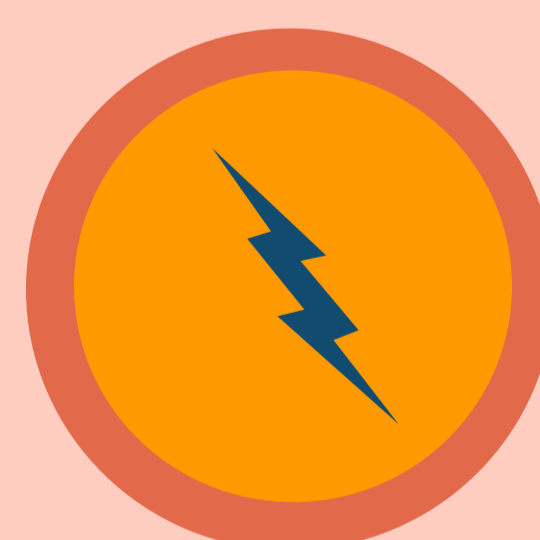


Energy Mix: The pandemic has resulted in some positive outcomes for renewable energy development. For instance, the US Energy Information Administration (EIA) forecasted a 5% decline in total U.S. electric power generation in 2020, with electricity from coal falling 25% and renewable sources rising by 11%. Likewise, in the European Union and the United Kingdom, electricity generation from coal fell by 25.5% in the first three months of 2020.



Financial Impact: Majority of the electric utilities experienced revenue shortfalls and liquidity challenges during the pandemic. According to Oliver Wyman (2020), the pandemic is projected to impose significant financial constraints on US electric utilities. A prolonged pandemic combined with a 15% -20% drop in electricity demand will trigger revenue losses.

Policy Relevancy

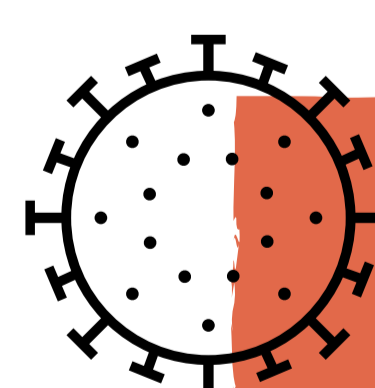


Adequacy of the current electricity tariff frameworks to address emergencies:

Many utilities submitted tariff reviews and requested for the adoption of emergency riders within the tariff determination framework. The emergency riders are intended to cater to situations like the Covid-19 pandemic as well as other severe natural disasters like hurricanes.

Impact of the pandemic on the clean energy transition:

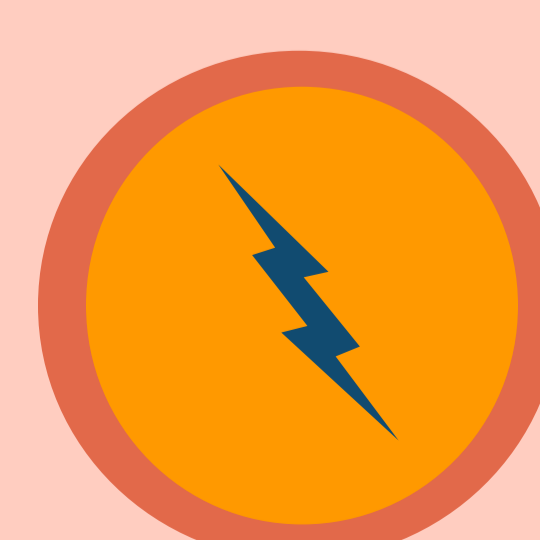
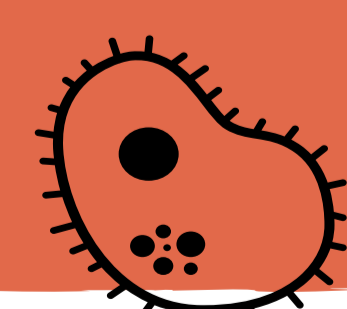
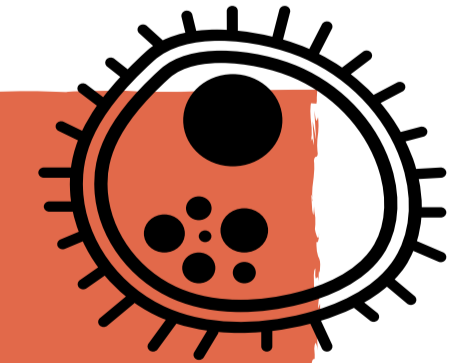
A number of countries committed to various climate strategies under the Paris Accord. In the last couple of months, we have observed greater government and investor inclination for basing the recovery from the pandemic on expanding renewable and sustainable energy sources, but this has been contested by established energy industries.



Covid-19 Impact

Based in part on this research, Prof. M.V Ramana, Dr. Sara Nelson and Lindah Dbamba prepared an article on Energy, Injustice and the Green New Deal that was published in the Progressive International's Blueprint series

[See the Full Article Here](#)



Lobbying by the Fossil Industry:

Lobbying by wealthy and powerful incumbent industries is shaping policy in ways that slow down a transition to a more sustainable future. Electricity supply during the pandemic, fossil fuel proponents have seized this period as an opportunity to advocate for funding to support the operation of coal plants and other fossil-fueled energy sources. Industries' ability to influence policy is greater during economic recessions, as the public transfers its focus from environmental justice to economic recovery.