THE OXFORD INSTITUTE FOR ENERGY STUDIES

24 June 2020

Brainstorming 2020

Timetable and further information

Session 1……………………………………………………10.00 – 11.00 (GMT)

Macroeconomic trends and energy demand in the wake of COVID-19

COVID-19 has created one of the biggest global crises in generations, impacting economies and societies around the world. Globally, decision makers, energy companies and markets are struggling to estimate the economic and energy impact of the quarantines imposed to curb the spread of the virus and the potential pathways to recovery. Overall, the IEA estimates that countries in full lockdown are experiencing an average 25% decline in energy demand per week and countries in partial lockdown an average 18% decline. Yet the impact of the COVID-19 pandemic and its economic consequences on energy demand has shown marked differences by fuel and to a lesser extent by region: The immediate impact on oil has been dramatic as countries constrained movement of people and goods. And since mobility accounts for more than half of global oil demand, oil consumption has fallen dramatically. Similarly, full lockdown measures have reduced daily electricity demand by an estimated 15-20%, although the fall has taken a greater toll on fossil fuel consumption than it has on renewable sources. Finally, the impact on gas has been less immediate, but based on global historical trends, it is estimated to be closely correlated with global GDP.

The session will discuss the following questions:

- How has COVID-19 impacted the global economy and what is the outlook for the recovery?
- Is the much touted V-shaped economic recovery realistic?
- What do government support measures tell us about the trajectory for global growth and energy demand in 2020 and in 2021?
- Which factors (macroeconomic and political) have informed and will shape energy demand trends for some of the key commodities?
- What are the main lessons from lockdowns in key consumer markets (China, India, EU) and what are the prospects for an economic recovery and energy demand?

Speakers:

- ❖ **John Walker, Chairman, Oxford Economics**
- ❖ **Simon Warren, Head of demand analysis, Vitol**

Discussants: Michal Meidan (OIES), Anupama Sen (OIES) and Anouk Honoré (OIES).

Session 2……………………………………………………12.00 – 1.00 (GMT)

Pricing pressure post COVID-19

Oil and gas markets have been subject to a severe demand shock, which has tested these markets to their limits. In oil markets, concerns about storage constraints pushed benchmark prices to low levels, only to be followed by a rally which creates new uncertainties about the supply response. Oil futures and physical markets diverged, and all the key benchmarks came under stress. In gas markets, there are growing concerns that storage will also reach its limits causing gas prices to fall further this summer and even turn negative. This is a pressing issue in some locations like Europe, as a result of high levels of gas stocks, lower demand and an increase in LNG and pipelines flows. Finally, the drastic changes in relative fuel prices is already impacting coal both in terms of trade patterns and its role in the power generation mix. Electricity markets are used to negative prices, but these have become more frequent as electricity demand has fallen, and the share of renewables in the power mix continues to rise.

This session will address some key questions:

- Is the worst of the oil price crisis behind us?
- What are physical oil markets telling us?
- When will we reach the limits to gas storage in Europe?
- Could negative gas prices be on the way?
- How are the drastic changes in relative prices impacting coal trade and its position in the power mix?
- Will the frequency of negative prices in electricity markets increase?

Speakers:

- **Bassam Fattouh (OIES)**
- **Mike Fulwood (OIES)**
- **Jake Horslen, Editor, Argus coal daily international**

Discussants: Adi Imsirovic (OIES) and Anupama Sen (OIES)

Session 3……………………………………………………2.00 – 3.30 (GMT)

Investment and Financing of the Energy Transition – the 'Domino Effect' of COVID-19

Please note this is a 90 minute session

After years of debating how to move consumers onto more sustainable consumption pathways, government policies to mitigate the pandemic have forced radical changes in consumer behaviour in a matter of weeks. Energy consumption has not just dropped precipitously, but has also become more decentralised. While demand will recover in the medium-term, some of these changes could endure beyond the end of the pandemic, contingent on policy. Governments with decarbonisation goals have the option of focusing their economic recovery packages on accelerating the 'green transition', while those without such targets may opt to support their economic recoveries with low-priced fossil fuels. Either way, the COVID-19 pandemic and consequent economic crisis could prompt a complete re-think of energy investment, with implications for company corporate strategies. Will the pandemic lead to government policy, investor preferences and consumer behaviour becoming more aligned towards a faster energy transition, or will the three continue to diverge? Will alignment in Europe lead to alignment elsewhere? This longer session explores questions around the investment and financing of the energy transition, in the wake of the pandemic.

- Will governments be inclined to invest heavily in green energy as part of their strategy for re-starting their economies?
- Can we anticipate other types of policy interventions to speed up the energy transition, and if so, what?
- Can any hydrocarbons find a way of justifying their position in this re-start (especially decarbonised gas)?
- What are the current incentives to invest in oil and gas in the present price environment?
- Have historically low oil and gas prices changed the relative economics of investments in clean energy vis-à-vis fossil fuels?

- How are investors viewing investment in different energy sources, and will they continue to put pressure on hydrocarbon companies to re-direct investment funds either towards renewable energy or towards dividends?
- Is there a risk of a supply crunch in oil or gas during the next decade as a result of a disinclination to support investment in these industries?
- Can energy companies build different, more sustainable business models (e.g. energy services) and what are the prospects for this?

Speakers:

- **Tatiana Mitrova (OIES)**
- **Dr Tudor Constantinescu, Principal Adviser, European Commission Directorate General for Energy**
- **Edward Winter, Managing Director, BlackRock Global Energy & Power Infrastructure**
- **Dr Valentina Kretzschmar, Vice President Corporate Research, Wood Mackenzie**

Discussants: **Giuseppe Montesano, Deputy Director, Enel Foundation and Jonathan Stern (OIES)**.

- We encourage participants to actively engage in the debate using the Zoom Q&A and menti.com (an easy-to-use, anonymous, presentation software that encourages engagement and interaction).

- Please do download the Mentimeter app to your phones ahead of the brainstorming, or go to www.menti.com on the day.