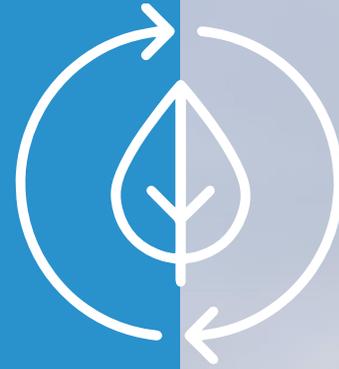


Covid-19



Market Watch: Cleantech and Energy Industry Bulletin

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The View from Ireland



Karen Conroy

Senior Development Advisor,
Cleantech
Enterprise Ireland

COVID-19 has caused significant disruption to the Cleantech and Energy sector. Similar to other sectors, this ongoing situation has impacted on working capital levels, on the sourcing of raw materials and the ability to reach customers.

However, hard lessons were learned from the global recession that began in 2008. In the intervening decade, Irish SMEs in the sector focused on measures to ensure that they were competitive, lean and relevant to their target markets. As such, Irish Cleantech companies have gone into this crisis from a relative position of strength. Irish companies providing essential services and products are doing all they can to keep their operations going, are supporting staff remote working and are taking up revenue and social welfare wage subsidy schemes for employees. They are also working with Enterprise Ireland to prepare financial plans which can be presented to SBCI/Banks to avail of the €200m working capital scheme and are also developing robust re-start plans to avail of the new €180m Sustaining Enterprise Fund.

Adversity seems to bring out the best in the Irish people and the Cleantech sector is no different. Many Cleantech companies are offering the services of their key staff to work with others engaged in COVID-19 product development while some companies are responding to the call to manufacture protective clothing.

There is no doubt that these are challenging times for the climate action agenda. However, clean and green technologies and services can play a significant role in helping to stimulate Ireland's industrial recovery. In these challenging times, Enterprise Ireland is here to support you, to navigate the challenges and address concerns. For full information on Enterprise Ireland's Covid-19

Business Response and supports, visit: www.enterprise-ireland.com/businessresponse



Introduction



Darragh Cotter

Lead Market Advisor,
Cleantech
London

The global cleantech and energy sector is in the midst of remarkable changes and challenges as a result of COVID-19.

The sector is also experiencing fundamental change through the proliferation of renewable energy production and the publication of national and intergovernmental climate action plans.

Traditional energy industries such as oil are struggling to maintain their historical position of strength due to dramatic price and demand declines, with many major stakeholders looking to diversify their business activities and implement clean and sustainable business models. Consequently, Enterprise Ireland client companies operating in the sector are experiencing high levels of flux and changing demands on supply chain products and services.

COVID-19, combined with the continued emergence of clean sources of energy and a focus on energy efficiency, is likely to change the cleantech and energy sectors fundamentally. Enterprise Ireland's international market advisors are here to advise and guide Enterprise Ireland client companies through these challenging times and highlight new opportunities across global cleantech and energy markets.

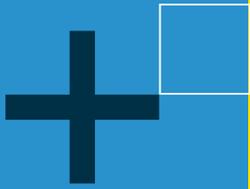
Our Market Watch for the Cleantech and Energy industry provides insights from Enterprise Ireland's leading market advisors across the world, which you should find beneficial as you seek a comprehensive guide to what COVID-19 may mean for your business moving forward.

Reporting from each market, we share information on the client and buyer sentiment and outlook, and also consider demand and expectations from partners in market. We assess the short, medium and long term impacts of COVID-19 on various technologies and energy sources and seek to identify emerging trends across the breadth of the cleantech and energy sectors.

We also outline the major challenges and opportunities facing industry and the supply chain as well as the different Government mandates and financial supports in place for businesses impacted by Covid-19.



Cleantech & Energy – UK & The Nordics



SUMMARY

- UK energy/electricity/water sectors are classified as critical industries and sites remain open. However, the focus is on maintaining operations on critical existing assets rather than on new builds. With commodity prices dropping and demand side weakness and contraction now biting, companies are starting to hit the pause button. Additional challenge accessing projects/sites in person.
- In the Nordic market, COVID-19 and declining oil prices is impacting on revenues and project plans. This dual crisis may accelerate the O&G sector's diversification strategies towards clean and renewable energy and technologies. In the Nordic cleantech sector, revenue is linked to strong investment grade state-owned or state-guaranteed entities and, to a lesser extent, utilities and corporates. As such, major stakeholders see the credit risk as contained and medium to long term project pipeline unaffected.

DEVELOPMENTS

- UK's progress towards its net zero emissions commitment and on the availability of capital to invest in a large scale overhaul of national infrastructure may be impacted. There have been calls in industry for post-COVID-19 recovery to be linked directly to the green economy/renewable energy industry. New build projects are likely to slip a number of months. Impacts on customers, consumption, work programmes and the regulatory framework are inevitable even if the scale is still unquantifiable.
- Offshore wind sector could prove more resilient than its onshore counterpart due to larger capital levels behind offshore wind developers. Developers are currently keeping North Sea construction campaigns on track but a wave of yard closures and delays in the supply chain is likely to push back timelines somewhat.
- UK water utilities are setting strategic priorities to ensure security of supply. Utilities are developing a protocol to ensure supply chain cashflow amongst its suppliers. In the oil and gas sector, both demand and the price of oil has decreased significantly, which will have a big impact on its competitiveness with cleaner forms of energy.

SUPPORTS

- Employers can claim for 80% of furloughed employees' (employees on a leave of absence) usual monthly wage costs, up to £2,500 a month, plus the associated Employer National Insurance contributions and minimum automatic enrolment employer pension contributions on that wage. VAT payments due between March 20 and June 20 can be deferred for 3 months.

OPPORTUNITIES/CHALLENGES

- Covid19 will leave utilities and the energy sector a far more flexible and technologically confident industry than it was before. This should create opportunity for Irish SMEs who have strong IoT, robotics, energy efficient, smart tech solutions/services. There may be opportunities for the Irish supply chain to supplement industry shortfalls and capacity issues as industry rebounds post-pandemic. There are ongoing proposals across a number of UK cleantech sectors to map out available supply chain capacity and develop an open source surplus resource capacity database.
- Irish SMEs exporting to the UK and to The Nordics will, to varying degrees, face challenges with cash flow; currency fluctuations, delays to project start times; difficulty accessing sites and potential for reduced industry capital expenditure. Local partnering may become more important and challenging than ever before.



Cleantech & Energy – Eurozone

SUMMARY

- Industry is adjusting to communicating and working remotely. While there has been a slowdown in the expansion of renewable energy developments and a delay to project timelines, there is a growing industry call for post-COVID-19 economic recovery in Europe to be linked to the EU's Green Deal.

DEVELOPMENTS

- A short term slowdown is expected in expansion of renewable energy developments. For example, Vattenfall have announced that they will not take part in a Dutch tender for a 700 megawatt (MW) offshore wind farm in the North Sea because of the uncertainty created by the coronavirus pandemic. However, Spanish multinational electric utility Iberdrola, has announced that it will put its investments in 2020 on a fast track with an aim to surpass last year's investment record and reach EUR 10 billion. The company have said that the speeding up of investments and projects will contribute to economic activity and prevent loss of jobs, referring to the current global situation with the COVID-19 pandemic.

- EU leaders have called on the European Commission to start preparing "a comprehensive recovery plan" that integrates green and digital aspects. Once the immediate crisis has passed attention will move to reflation economies, and clean energy, transport and smart infrastructure may be integral to any longer term EU stimulus.
- In France, the calendar for public tenders in the energy sector has been modified - two thirds of the tenders due to be published in July won't appear until November.

OPPORTUNITIES/ CHALLENGES

- Energy sector expected to focus more on digital solutions post-crisis.
- Particularly for companies with energy-saving solutions, their potential customers are facing a significant drop in revenue which may impact on their ability to invest in new technologies in the medium term. However, for companies able to offer off balance sheet energy savings there may be a considerable opportunity.



Cleantech & Energy – USA & Canada

SUMMARY

- The oil and gas industry faces substantial challenges due to falling demand and prices.
- An economic slowdown may impact finance available for clean energy projects.
- Workforce shortages are knocking project timelines off course.

DEVELOPMENTS

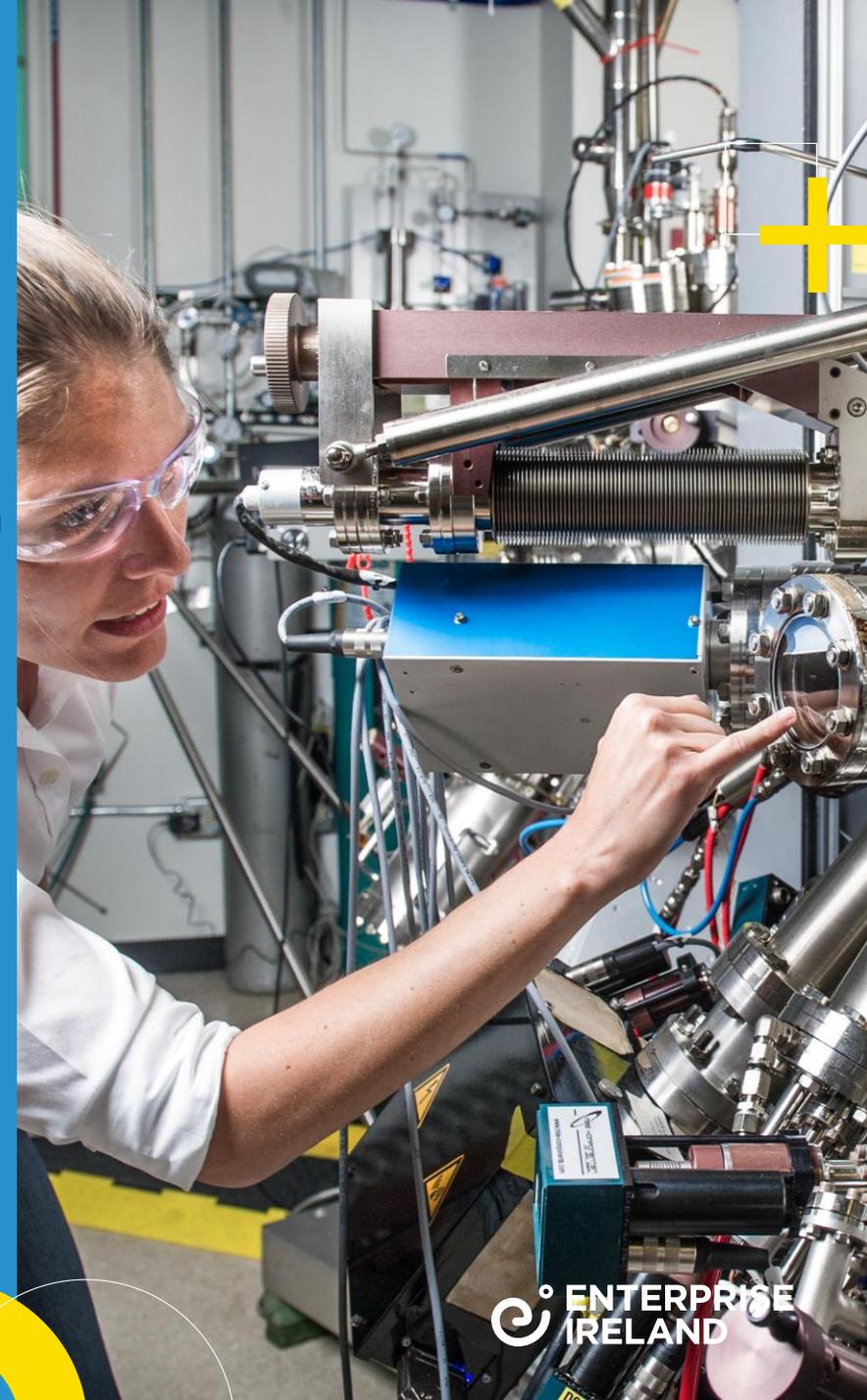
- US oil and gas industry is having its worst quarter on record. Early predictions of best case scenario outcomes show 75,000 layoffs. Demand for US oil is down 25%. In Canada heavy oil from oilsands fell to a record low of \$4 per barrel. Oil prices at such levels will see production shut for much of Canada's conventional drilling. In both markets offshore fields will be least affected due to higher crude quality and decommissioning liabilities.
- An economic slowdown could dent the demand for energy or reduce the amount of finance available.

SUPPORTS

- The US government is extremely concerned with developments in the oil and gas industry. An attempt to buy \$3 Bn of oil reserves was rejected by Congress. The idea of an import tax has been floated.
- Oil and gas industry workers can avail of provisions in the Coronavirus Aid Relief and Economic Security Act (CARES). The \$ 2 trillion stimulus package also has a number of specific provisions aimed at energy infrastructure.
- Canada is to launch a multibillion dollar aid package for Canada's energy industry. Alberta Premier Jason Kenny has said he would like to see federal cash for a program to help clean up abandoned and inactive oil and gas wells.

OPPORTUNITIES/ CHALLENGES

- Covid-19 will leave US and Canadian energy sectors in a position to more readily embrace new technologies. Industry leaders have acknowledged the need for both employee communication and IoT/robotics technologies. Grid interaction technologies will move into the industry spotlight as clean energy/utilities will come out of this pandemic in a more favourable condition.
- Irish SMEs exporting to the USA and Canada will face challenges in the short term. An inability to travel, reduced customer demand in the short term; staff retention; supply chain capacity and cashflow will be dominant challenges. Pivoting product offering to reflect ability to alleviate new challenges may help companies in the short term.



Cleantech & Energy – Middle East

SUMMARY

- Ongoing projects largely on hold until situation stabilises. New projects are off the table currently with a focus on maintaining existing customer base. Immediate concerns related to cashflow, employee health & safety and access to sites dominates business agenda. Declining oil prices also impacting spending decisions in the region.

DEVELOPMENTS

- Energy classified as an essential sector. Utilities working on rotating staff basis, to ensure ongoing projects stay on track while new deals are on hold.
- Declining oil prices and COVID-19 crisis both causing supply disruptions and increasing production costs.
- In early April, Dubai ordered a 50% cut in capital spending and delayed all new government projects.
- GCC have cut industrial, commercial and residential utility bills. Residential power demand is high but overall demand is lower as Middle East's mega malls, construction sites and exhibition centres are shut down for foreseeable future.
- Postponement of EXPO 2020 has ramifications for the UAE economy and construction sector. Diversification away from O&G to develop the travel and tourism sector has been governments main objective. The region's largest Water & Electricity event (WETEX) due to be postponed.

SUPPORTS

- Multiple stimulus packages have been implemented region wide. Governments have announced automatic renewal of work permits and visas, and exemption from medical tests for workers. New measures implemented for SMEs and companies located in free zones, include; license fee cuts, postponement of rent for 6 months, refunding security deposits and guarantees, cancellation of late fee penalties. FTZE accounts for 33% of GDP.

OPPORTUNITIES/ CHALLENGES

- While organisations look to reduce operational costs, solar and renewable alternatives can offer a sustainable solution for the longer term. With more pressure on governments to diversify the energy mix, opportunities for smart grid and smart energy solutions are increasing alongside the need to strengthen traditional electricity networks. Governments are still putting sustainability at the top of the national agenda and we are seeing growing calls to shift to the green economy out of this crisis.
- Plummeting oil prices in short term make it difficult to promote the cost-saving aspect of energy efficiency projects and renewable energy installations. No new visa issuances causing delay to hiring further affecting new projects.



Enterprise Ireland – Your Partner Overseas



Enterprise Ireland is the government organisation responsible for the development and growth of Irish enterprises in world markets. We work in partnership with Irish enterprises to help them start, grow, innovate and win export sales in global markets. In this way, we support sustainable economic growth, regional development and secure employment.

During this unprecedented period Enterprise Ireland is on hand to support you in overseas markets, to help you secure and sustain existing business relationships and to research opportunities that may emerge during the crisis. Please connect with our experienced Market Advisors by email to discuss further.

Learn more at www.enterprise-ireland.com

UK

Darragh.cotter@enterprise-ireland.com

Europe

kim.horion@enterprise-ireland.com

Middle East

roisin.white@enterprise-ireland.com

North America

Stephen.keogh@enterprise-ireland.com

Ireland

[Karen.conroy@enterprise-ireland](mailto:Karen.conroy@enterprise-ireland.com)

