

CEER Citizens' Q&A

Analysis of the COVID-19 Pandemic's Effects on the Energy Sector – Second Report

8 February 2022

With this report, CEER continues its analysis of the effects of the COVID-19 pandemic on the energy sector. The report is based on the replies of 24 regulatory authorities and covers a period ranging from January 2020 to June 2021. It examines the measures taken by public authorities in CEER countries to limit the spread of COVID-19 (notably lockdowns), as well as the effects on electricity and natural gas consumption and prices (which registered historical lows in several countries notably due to the lockdowns of spring 2020). The report also addresses the specific impact of the pandemic on consumers, energy suppliers, network operators, as well as the measures taken to support them. It presents the measures taken by NRAs with regard to their internal organisation, notably telework. It concludes that the energy system has proved resilient and that measures such as disconnection moratoria have shielded consumers from the worst impact. The pandemic-related restrictions have also fostered teleworking, remote operations and digital solutions across the energy sector.

1 What is the pandemic's impact on the energy system as a whole?

The COVID-19 pandemic had far-reaching economic and social repercussions across the globe which also impacted the energy sector heavily. The report finds that a majority of CEER countries imposed nationwide lockdowns which restricted social and economic life and, as a consequence, reduced electricity and gas consumption, as well as electricity and natural gas prices. The relative impact of the pandemic was more pronounced for electricity than for gas. Moreover, the first wave of lockdowns, which was imposed simultaneously in most countries in spring 2020, had a more obvious effect on energy indicators than the later waves of restrictions, which were generally less severe. Hence, other factors such as weather conditions and commodity prices played a bigger role towards the end of 2020 and in 2021.

2 What is the impact on energy consumers?

Most CEER countries took measures to protect energy consumers from the economic effects of the pandemic. The most prevalent were temporary bans on disconnections, which helped to secure energy supply for consumers in case of payment difficulties. To help energy consumers, governments, regulatory authorities, suppliers and other actors also introduced measures such as postponement of energy bills, social tariffs for vulnerable consumers, or financial aid measures for households and businesses. There were also cases in a few countries of financial interventions on prices and taxes as well as regulatory interventions on the execution of energy contracts.

Measures to protect energy consumers included:

- **Financial interventions:**
 - Temporary bans on disconnections
 - Spacing out and postponement of energy bills
 - social welfare measures for households
 - aid for businesses
- **Regulatory interventions:**
 - on prices or taxes
 - on the execution of energy supply contracts

3 How did the pandemic affect energy prices?

The COVID-19 pandemic and the associated restrictions had an unprecedented impact on electricity market prices across several countries. For many of the countries that provided the data, the first six months of 2020 are characterised by significantly lower electricity prices compared to 2019. The months of March and April 2020 stand out, as the year-on-year drop sometimes exceeds the mark of 50%. These months were associated with lockdowns in various countries. However, not all CEER countries were affected by the drop in electricity wholesale market prices, as for instance, the Nordic countries did not find any significant effects of the pandemic on their electricity price levels.

The second half of the year 2020 shows rather a mixed picture, given that year-on-year price drops were not as significant as in the first half and that some countries also experienced price increases. The reasons for this include less restrictive pandemic restrictions, but also seasonal and weather effects, lower renewable energy production and the incipient recovery of economic activity.

The report measures year-on-year price change from 2019 to 2020 and from 2020 to 2021. Given the unprecedented low price levels in the months of January to June 2020, it was very likely that prices would be higher in the first half of 2021. In those countries that provided data, year-on-year price decline was the exception and price increase the rule. The price increases exceeded up to 100% or even up to 200%. The increases have been attributed to the easing of pandemic restrictions, but also to low temperatures, low renewable energy generation, and increases in natural gas and CO₂ prices. These factors have also been among the causes of the continued and unprecedented price spike that Europe faced at the end of 2021.

4 What was NRAs' role in making the energy system more resilient?

NRAs played a key role in managing the impact of the COVID-19 pandemic on the energy system. Across CEER countries, they took measures to support consumers and suppliers and/or complemented or carried out governmental measures to that effect.

In the face of an unprecedented crisis, it was crucial to gather information on what was happening in the energy sector. NRAs stepped up their monitoring efforts regarding network operators and energy suppliers by requesting additional information on their situation or by making more frequent requests. Regulators also coordinated or participated in the close exchange of information with national governments, network operators and other energy sector stakeholders. Many regulators provided information and assistance specifically to consumers. In addition, some NRAs took steps to lower the financial burden on consumers and suppliers. Lastly, regulators adapted their enforcement practice as well as procedural requirements to cater for pandemic-related delays.