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IMPACT OF COVID 19 ON THE RENEWABLE ENERGY MARKET

**Analysis of the Imposing Challenges and A
Quick Look into Strategies to Address the
Pandemic-induced Challenges in the
Renewable Energy Market**

HERE'S WHAT TO EXPECT

- **Introduction**
 - **What are imposing challenges in the renewable energy market against the backdrop of the impact of COVID 19 that require an immediate address?**
 - **Strategies that must be obtained to address the challenges induced by the impact of COVID 19 in the renewable energy market**
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INTRODUCTION

The evident impact of COVID 19 on the renewable energy market will hurt the global aspiration of shifting to cleaner sources of energy. However, this is currently not a major source of concern as enterprises in the renewable energy market have far worse concerns to tackle as the impact of COVID 19 on the global economy worsens. Prior to this pandemic, the reduction of carbon dioxide levels in the environment was safely deciphered as more investments in the renewable energy market. While there is no doubt that even in the present day the level of carbon dioxide is relatively low, but it bears no good news of the renewable energy market. It paints a bleak picture of the global economy that is ravaged with project cancellations and the shutdown of manufacturing units owing to the impact of COVID 19.

CHALLENGE #1 IN THE RENEWABLE ENERGY MARKET AGAINST THE BACKDROP OF THE IMPACT OF COVID 19 THAT REQUIRE AN IMMEDIATE ADDRESS

Supply-chain disruptions in the renewable energy market

The current pandemic has resulted in the shutdown of most of the manufacturing units that were the sources of supply of critical components require for the energy generation process. The imposition of lockdown has restricted the import or export of components that are essential for the infrastructure of renewable energy installations. For instance, solar photovoltaic installations in India will be gradually rendered non-functional owing to the supply disruption of photovoltaic modules that were majorly imported from China. About 19 manufacturing units are shut across Europe. While this is seen as a measure to contain the impact of COVID 19 it is creating major supply-chain disruptions that are bringing productions to a stand-still in the renewable energy market.


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CHALLENGE #2 IN THE RENEWABLE ENERGY MARKET AGAINST THE BACKDROP OF THE IMPACT OF COVID 19 THAT REQUIRE AN IMMEDIATE ADDRESS

Price volatilities in the renewable energy market

To expedite the construction process of projects that were already commissioned, stakeholders are resorting to second supply sources. This is entailing a major increase in the project expenses as they are turning to import sources from developed economies in the US and Europe than the LCCs. As an impact of COVID 19 on the economy, phases of volatilities are characterizing the currency values of countries that are also the major exporters of the key components. Procurement from such countries are resulting in the capital costs skyrocket for enterprises in the renewable energy market.

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CHALLENGE #3 IN THE RENEWABLE ENERGY MARKET AGAINST THE BACKDROP OF THE IMPACT OF COVID 19 THAT REQUIRE AN IMMEDIATE ADDRESS

Impact of the oil price dip on the renewable energy market

With the rate of unemployment reaching its record height on an almost everyday basis, economic activities are declining in tandem owing to the worsening impact of COVID 19 on the global economy. This decline is resulting in a consequent decline in the demand for oil and gas. This gradually plummeting oil price is affecting the motivation to shift to renewable sources of fuel.

Want to mitigate supply chain risks in your business?

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STRATEGY #1 THAT MUST BE OBTAINED TO ADDRESS THE CHALLENGES INDUCED BY THE IMPACT OF COVID 19 IN THE RENEWABLE ENERGY MARKET


Procure from suppliers that have advanced energy storage facilities

Buyers are advised to procure from suppliers who are known to have advanced energy storage facilities. Predictions of worsening supply crunch faced in the renewable energy market owing to the impact of COVID 19, it is prudent of buyers to partner with suppliers who have the capability to provide stored energy as and when needed while providing a continuous flow of renewable energy during periods of high demand. For instance, Invenergy has an advanced energy storage facility. It has a large-scale advanced battery system that instantaneously absorbs and injects energy to help with grid management while minimizing infrastructure costs.

STRATEGY #2 THAT MUST BE OBTAINED TO ADDRESS THE CHALLENGES INDUCED BY THE IMPACT OF COVID 19 IN THE RENEWABLE ENERGY MARKET

Assess suppliers' inventory management solutions

Buyers must assess suppliers' capability in providing inventory management solutions to minimize stock levels at their production facilities. This includes the availability of inventory management solutions, such as JIT procurement and automated inventory systems through IT software, as these help suppliers to manage inventory. Selecting suppliers that provide inventory management solutions will help buyers minimize inventory costs. In addition, the incorporation of effective inventory solutions, such as vendor-managed inventory, will help to minimize buyers' management effort and minimize risks related to stock-outs during hours of emergencies such as the degrading impact of COVID 19 on the renewable energy market.

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STRATEGY #3 THAT MUST BE OBTAINED TO ADDRESS THE CHALLENGES INDUCED BY THE IMPACT OF COVID 19 IN THE RENEWABLE ENERGY MARKET

Procure from suppliers that conduct technical audits at their plants

Buyers are advised to engage with suppliers who perform technical audits at their plants. Technical audits can be conducted on energy projects under development or on already-existing infrastructure. This can help suppliers avoid major costs associated with maintenance and repair. Positive results of technical audits provide buyers with an assurance of the operational efficiency of suppliers, which in turn ensures an uninterrupted supply of electricity for buyers.

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STRATEGY #4 THAT MUST BE OBTAINED TO ADDRESS THE CHALLENGES INDUCED BY THE IMPACT OF COVID 19 IN THE RENEWABLE ENERGY MARKET


Engage in power purchase agreements

A power purchase agreement is defined as an agreement between the buyer and the supplier for the installation and maintenance of power plants at the buyer's location. Category managers can engage in power purchase agreements for benefits that are long-term hedging against the risk of fluctuating energy prices, achieve sustainability goals, no/low upfront capital cost, and limited system performance and operation risks.

STRATEGY #5 THAT MUST BE OBTAINED TO ADDRESS THE CHALLENGES INDUCED BY THE IMPACT OF COVID 19 IN THE RENEWABLE ENERGY MARKET

Assess suppliers' production capacity and scalability

Buyers must evaluate the production capacity of suppliers before engagement. This helps buyers understand whether suppliers have the necessary resources to handle their order quantities and demand fluctuations. Category managers should assess the scalability of suppliers in terms of production capacity. It provides them with a better understanding of the suppliers' capability to fulfill sudden surges in demand. In addition, it provides an understanding of the suppliers' capability to fulfill demands in case the buyer scales up its business.

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STRATEGY #6 THAT MUST BE OBTAINED TO ADDRESS THE CHALLENGES INDUCED BY THE IMPACT OF COVID 19 IN THE RENEWABLE ENERGY MARKET

Procure from suppliers that utilize refinery systems

Buyers prefer to engage with suppliers that do not rely on a single feedstock to produce clean fuels. Reliability on multiple feedstocks to in a refinery system will help buyers to minimize the risks associated with supply disruptions as the supply shortage of one feedstock will be met by another feedstock. It will also assure improved consistency in the price of biofuels. For instance, if the price of one feedstock increases, suppliers can switch to another feedstock with minimal impact on production cost.

Want to secure your business from the future market uncertainties

WE CAN HELP YOU

**WE CAN HELP YOU WITH
INSIGHTS INTO STRATEGIES
TO MITIGATE SUPPLY CHAIN
RISKS AND PRICE
VOLATILITIES CAUSED BY
THE IMPACT OF COVID 19 IN
THE RENEWABLE ENERGY
MARKET**

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**WE'D LOVE TO ASSIST YOU!
PLEASE CHOOSE A MODE
OF ENGAGEMENT**

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