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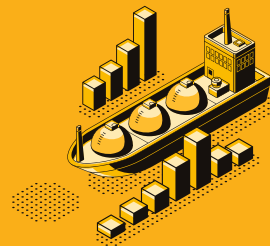
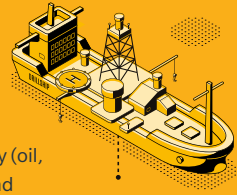
ENERGY AND POWER

COVID-19's Impact on the Global Energy and Power Industry Survey Results



Energy and Power Companies Have Responded

Approximately **a third (31%)** of energy (oil, gas, petrochemicals, and derivatives) and power companies have **experienced “no disruption”** since COVID-19 emerged as a global threat earlier this year.



More than **a tenth (13%)** of energy and power companies said the current year-to-date **financial impact had exceeded \$100 million**; 10% expect the overall 2020 financial impact to exceed \$500 million.

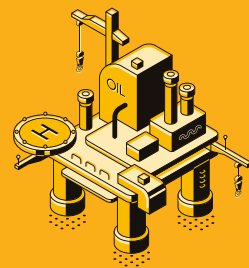
More than **a third (38%)** of companies, however, experienced **disruption in April 2020**, according to Marsh JLT Specialty’s recent survey of global energy and power companies. **Another 28% witnessed disruption from January 2020.**

North American power and renewables companies most commonly experienced **no disruption** or disruption only **since April 2020.**

Meanwhile, Western European and integrated national or international oil companies were **most likely to have experienced earlier disruption**, as far back as **January 2020.**

Large companies (measured by combined production size) were most commonly **not disrupted**, while small- and medium-size operators were affected most often.

When respondents were asked **how long they expected the disruption to last** from April 2020, the most common response was **4-6 months (22%)**, followed by **7-9 months (19%)** and **10-12 months (13%)**. Only 3% said it would last three months or less.



Very few (3%) operators reported **process safety incidents** that could be attributed to COVID-19. None of the responses were API-754 tier 1 or tier 2 classified process safety incidents.

Operational Limits

Two-thirds of energy and power companies did not expect maintenance and mechanical integrity/fit for service assessments to become operational risk constraints that drive business disruption.



Nearly half (41%) of surveyed operators **had been impacted by customer demand.**

However, companies cited their critical suppliers’ capabilities to deliver and logistics limitations as most likely to impact them next, although most had not yet been affected by suppliers. The impact of storage of raw materials and/or products had not yet peaked and was reported as the cause of disruption most likely to become more severe.

Most operators did not expect technical operating limits to cause business disruption. This demonstrates strong industry turn-down capabilities, with operators finding ways to circumvent engineering constraints on large process equipment.

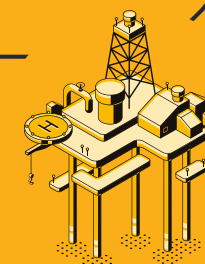
Cost Control

Energy and power companies were only considering implementing **carefully selected, and risk managed, temporary cost reductions** to mitigate short-term cashflow constraints.

Capex reduction/delay was the most commonly considered mitigation, with more than half of companies planning this or already doing so. Non-essential maintenance reduction/delay was the second most commonly deployed cash saving mitigation, with more than half of companies saying it was at least likely they would reduce these activities for 2020.

Critical maintenance was being protected, however, with almost 60% of companies saying this was not even considered. Most companies were adhering to turnaround schedules, with around two-thirds not even considering planned delays.

Some companies were making **headcount reductions on non-critical roles** outside of process operations, although a greater number were not considering this.



Recovery

In the large majority of cases (**>85%**), **companies were not chasing opportunities** to re-optimize their businesses and were **instead focused on defensively safe-parking operations.** Limited operators were marketing new products, repurposing equipment, and renting external facilities to minimize disruption or respond to sudden consumer demands.

Almost all companies had **segregated staff and changed working patterns** (including remote working). Overtime for operations personnel had typically been increased.

Around half of companies were at least reviewing, with a plan to **reducing their minimum staffing level requirements in operating areas**, with some already doing so.

Related resources

- [Rethinking Business Interruption Risks](#)
- [100 Largest Losses](#)
- [Managing the Defeat of Safety Instrumented System Trips and Alarms](#)
- [Pre-startup Safety Review](#)

Conclusion

New operational risks could creep into a business, whether driven by rapid change or insufficient measures to mitigate the currently challenging situation.

Each of these emerging operational risks is predictable and manageable. For example, deferral of non-essential maintenance may be managed with a rigorous risk-based selection maintenance program with increased focus on risk accumulation.

With greatly increased remote working, now is a good time to reflect on lessons learned from large industry losses and ensure the quality of supervision remains high following the relocation of plant engineers.

Companies were planning for the worst, but so far the issues haven’t been as bad as they expected. As part of their cost reduction measures, some maintenance deferrals and reductions have been made. Companies should proceed with caution, however, as loss data shows a strong correlation between reduced maintenance and higher loss incidents.

Arguably, this underlines the industry’s tendency to be overly optimistic when assessing capex reductions’ potential negative impact as well as its ability to protect critical maintenance activities. Although underpinned by good intentions, history shows that increased losses may follow.

For more information, please contact riskengineering@marsh.com or visit <http://riskengineering.marsh.com>



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