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COVID-19 vs ASEAN Energy Sector: Renewables (Q2)

Q2 2020 update on the impact of COVID-19 to the region's RE sector and the post-pandemic recovery measures

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This edition is part of the related analysis on the impact of Covid-19 on energy in ASEAN. Further detail, please access: **https://accept.aseanenergy.org/covid-19/.**

To update the readers on how the COVID-19 pandemic hits the energy sector, and how the recovery road will affect the energy sector in ASEAN, ASEAN Centre for Energy (ACE) releases several energy insights highlighting the impact of COVID-19 in the ASEAN Energy Sector from our archived news. In this insight, we highlight the impact of COVID-19 in the ASEAN Renewable Energy sector.

Entering the second half of 2020, Covid-19 keeps haunting the economic activity in the region, albeit with differing level of severity. Some countries already experienced slowed-down infection rate, while others still struggle to contain the spread of the highly infectious disease.

Against that backdrop, ASEAN needs to put its 23% renewable target in total primary energy supply within the framework of post-pandemic recovery. As in 2017, the renewables stood at 61 GW or 26% of energy supply mix, which around 166 GW of capacity is required to reach the regional target by its deadline in 2025. To keep that inspirational target in sight, a well-designed green recovery should be rolled-out, aiming at both economic recovery and sustainability.

RE development was pushed back a little as projects delayed

The grip of covid-19 pandemic on the energy sector including renewables, was still strong in the Q2 2020. In Indonesia, the demand for photovoltaic panels plummeted, attributed to the economic slow-down, forcing consumers to refrain from non-essential spending. Commercial PV demand found to be decreased by up to 70 percent in the March-April period from previous year. Indonesian government also decided to delay its Geothermal Working Area (WKP) management offer, slated to be auctioned this year.

Hydropower projects continued to be stalled due to the pandemic. In addition to various projects in Mekong area, the completion of the US$1.5 billion hydro power plant of Batang Toru would be delayed as well, from 2022 to 2025. As reported in our first COVID-19 Energy Insight series before, supply chain disruption, including foreign workers, was part of the issue. Planned to be one of the nation's largest hydropower plants at 510 MW, such delay would dent the renewable target in the country.

Another domino impact of the pandemic is the disincentive of non-fossil fuel energy production. The oil price crash was behind the delay of B40 (40% biodiesel blend) strategic policy in Indonesia. Determined to continue the B30 program for now, the government also pushed back its target of producing B100 or "green diesel" by three years from 2023 to 2026. The palm oil-based biofuel industry also faced challenges due to labour shortage, such as the case of Malaysia.

Faced with such challenges, studies forecast that huge chunk of renewable energy projects would be delayed over the next five years. Beyond Southeast Asia, up to 150GW of renewable projects in Asia Pacific would be at risk, if the recession brought by the pandemic continues.

"Renewable Energy projects continuously experience inevitable struggles during the covid-19 pandemic. However, currently ASEAN governments see that RE could be an integral part in re-building energy resiliency of the region as the new normal begin. RE shall and will be the driver for ASEAN to look towards green recovery plan, ensuring the economy rise and sustainability are inline. After half-year pandemic hit, there might be a silver lining that this covid-19 outbreak is giving ASEAN a chance to re-orient its economy to be greener with renewables being the key solution."

The resilient effort of RE amid the new normal roll-out

After months of movement restriction measure and social distancing protocol, some countries in the region showed promising progress in containing the spread of covid-19. The talks of 'new normal' and economic recovery were in town.

At the same time, governments also pushed their RE policies, showing potential resiliency of the sector. Vietnam government was taking a bold move in progressing with their RE efforts by unveiling the new second round of Feed-in-Tariff (FiT) for solar while the country is still in recovery time from covid-19. This move has a positive impact in keeping the optimism lit for RE industry players in the country to keep progressing on the on-going solar projects.

Although the pandemic brings ample uncertainties to the country RE targets and programs, several ASEAN countries choose to carry on with their plan. Philippines Department of Energy reported that there will be no suspension on the bioethanol blending program which is mandated through Biofuels Act of 2006 to have E10 blend in all gasoline products sold in the country. Another resilient acts are also presented in some private sectors amid being the most impacted sector during the lockdown. Thailand's biggest electric vehicle venture has stayed in gear and continuing construction on its battery plant and vehicle development.

This pandemic not only induces resiliency on RE sector, but to certain degree creates new opportunities and stronger collaboration. The International Finance Corporation (IFC) is considering investing US$87 million to the country energy firm for helping off-grid communities in getting electricity access from solar installation.

Countries are urged to not lose sight of the long-term Green Recovery

The Covid-19 pandemic will pass and accelerated economic recovery is required. Undoubtedly, focus should be given to the health sector and key public sectors towards job creation and protection of vulnerable communities. Discourses on the roll out of "new normal" mention sustainable development as key. The momentum of pathway reorientation should not be wasted.

Moreover, as shown in our previous insight, strong dependency of foreign supplies and experts could jeopardize domestic renewable projects amid adversity. As part of green recovery, countries could improve their local capabilities in producing, installing, and operating renewable energies.

Post-pandemic spending and stimulus could be aimed towards capacity building of local content production and technical expertise. In relation to resiliency, renewable energy generation could provide better return during difficult times since they do not rely on fuel supply with higher level of price uncertainty.

Following Malaysia with its spending plan towards green investment including LED street lighting and rooftop solar panels installation, Thailand plan to spur 30 billion baht for Energy for All scheme. Meanwhile, Indonesia is conducting studies to design rooftop solar-centred recovery scheme called Solar Archipelago. Aimed to install a combined capacity of 1 GW over the next four to five years, it requires annual budget of 1 billion dollar and potentially creates 22,000 jobs. The Philippines also urges to switch to 'resilient' renewables after the pandemic.

Such potential sped-up in energy spending can benefit from international supports as well, such as that of South East Asia Clean Energy Facility (SEACEF). Supported by philanthropies such as Bloomberg Philanthropies and Children's Investment Fund Foundation (CIFF), the facility already gathered $10 million of fund, with additional $40 million more in the pipeline. Such post-covid19 recovery fund will focus on renewable energy projects in three countries in Southeast Asia, Philippines, Vietnam, and Indonesia. Another international boost to green recovery comes from the EU, who will provide $5.97 million to fund two new projects in Cambodia, "Switch to Solar" and "Promotion of sustainable energy practices in the garment sector in Cambodia".

In Q2 2020, development of renewable energy in ASEAN is still hampered by the pandemic blitz. Projects were halted, and ambitious targets were postponed. It is not all bleak, though. Amid such challenging times, governments are pushing efforts of resiliency in promoting renewables. These should be leveraged to design renewables-centred green recovery, which can create jobs, boost economy, and build capacity domestically.

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