



GOVERNOR'S OFFICE OF ENERGY DEVELOPMENT



COVID-19 Energy Sector Status Report

June 10, 2020

To continue assisting Utah residents and businesses during the COVID-19 pandemic, the [Governor's Office of Energy Development \(OED\)](#) and [Utah Geological Survey \(UGS\)](#) are partnering to provide up-to-date information on the status, impacts, and efforts underway to support Utah's energy and mineral sectors.

Summary

The energy and mineral sectors in Utah are continuing to face varying degrees of market uncertainty and disruption due to the COVID-19 pandemic. While production and employment numbers are still below average, some industries are beginning to show an upward trend after reaching record lows in April 2020. On May 15, Gov. Gary R. Herbert issued an [Executive Order](#) moving the majority of Utah's counties to the Low Health Risk Status (Yellow), helping alleviate some of the challenges to local businesses. In addition to the relaxing of restrictions and opening of businesses, coordination efforts between the Utah Department of Public Safety and Utah's oil, gas, and mining industries has resulted in increased testing operations and distribution of safety equipment along the Wasatch Front, Uinta Basin, and central Utah. As Utah's energy and mineral sectors recover, continued support is needed as outlooks, partnerships, and safety protocols are established to address the impacts of the COVID-19 pandemic.

Utah Energy and Mining Sector Overview

Energy Commodity Prices

Market Grade	Source	2/20/2020	3/20/2020	4/20/2020	6/1/2020	% (2/20-5/29)
Brent	Market Insider	\$59.31	\$26.98	\$25.57	\$39.99	-32.57%
WTI	EIA	\$53.77	\$19.48	-\$36.98	\$35.49	-34.00%
UB Wax	Big West Oil	\$41.28	\$7.87	-\$50.13	\$22.94	-44.43%
Natural Gas (Henry Hub)	Market Insider	\$1.92	\$1.60	\$1.92	\$1.82	-1.10%

Table 1: Recent oil prices trends (USD (\$)/bbl), and natural gas Henry Hub (USD (\$)/MMBtu) 6/5/2020.

The petroleum industry in Utah is continuing to face multiple challenges in maintaining production and storing petroleum products during the COVID-19 pandemic. While some datasets are catching up to the initial outbreak in March, daily and weekly metrics are showing oil prices and refinery utilization slowly rebounding from record lows in April (Figure 1). Over the past month, West Texas Intermediate (WTI) has climbed to \$35.49/bbl (Table 1).¹ Uinta Basin (UB) Wax prices (yellow, brown, and black wax combined) rose to \$22.94/bbl, but natural gas prices have remained low at \$1.82/MMBtu. In addition, Utah's drill rig count remains at zero.²

With the state easing restrictions, Utah's refineries are seeing utilization rates beginning to display upward trends (Figure 2). Utah-specific refinery utilization rates dropped from 90% in January to 60% in March, before rebounding to 65% in April. This is supported by EIA data from the Rocky Mountain (PADD 4) refineries, reporting a COVID-19 related drop in utilization rate, from 88% in early March to 63% in early April, before rebounding back to around 71% in mid-May. However, it should be noted that the rebounding numbers are still well below the 90% average utilization rate for the region.³

The Utah Department of Public Safety has been working with the Utah Petroleum Association to expand testing operations and provide safety equipment to Utah's oil and gas industry. This has included mobile test facilities being deployed to select refineries along the Wasatch Front and communities in the Uinta Basin. Additional coordination activities are underway between the two groups as the industry prepares for any future pandemic-related impacts.

¹[EIA Petroleum & Other Liquids, Cushing OK WTI Spot Price FOB](#)

²[Baker Hughes, North America Rig Count, Rigs by State - Current and Historical](#)

³[EIA, Petroleum & Other Liquids, Weekly Rocky Mountain \(PADD 4\) Percent Utilization of Refinery Operable Capacity](#)

Monthly crude oil prices and monthly Utah oil production, January 2014 to May 2020.

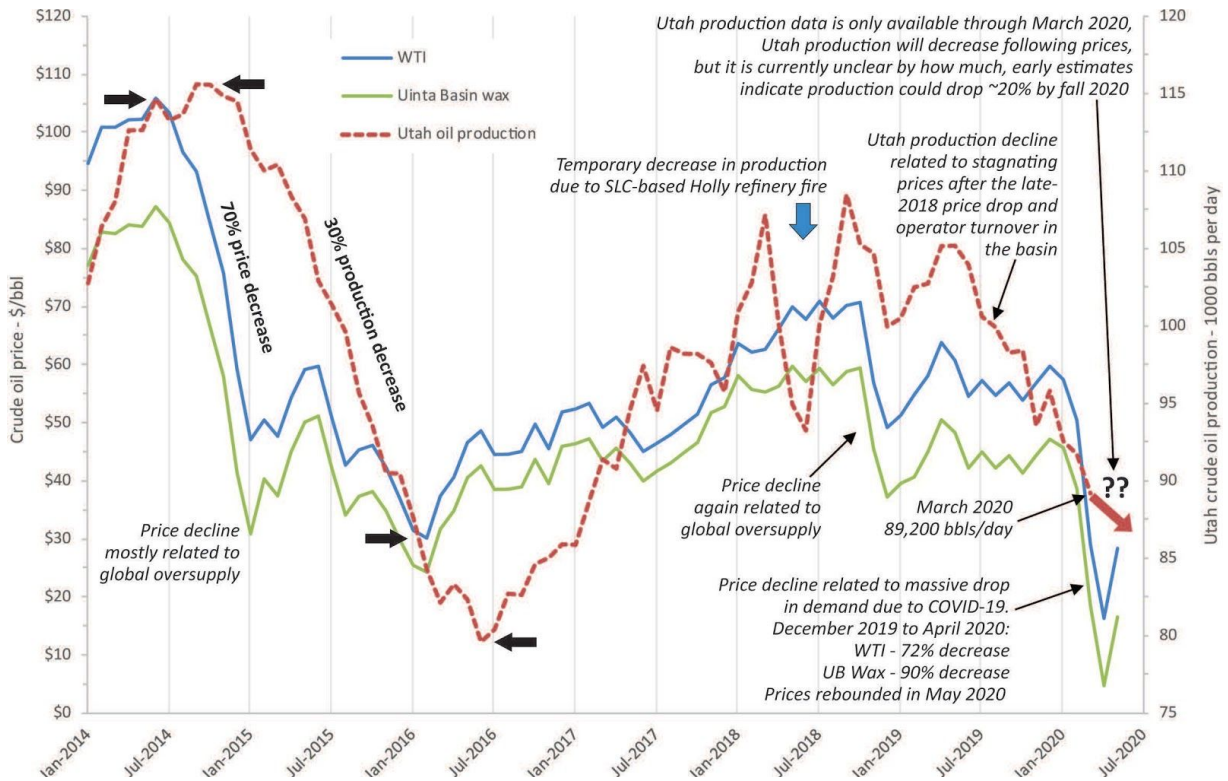


Figure 1: Courtesy of Michael Vanden Berg, Utah Geological Survey's (UGS), May 20, 2020, crude oil prices and Utah oil production representation. With WTI data from EIA, UB Wax data from Big West Oil price bulletins, and production data from the Utah Division of Oil, Gas and Mining.

Weekly PADD 4 refinery data, January 2014 to May 2020

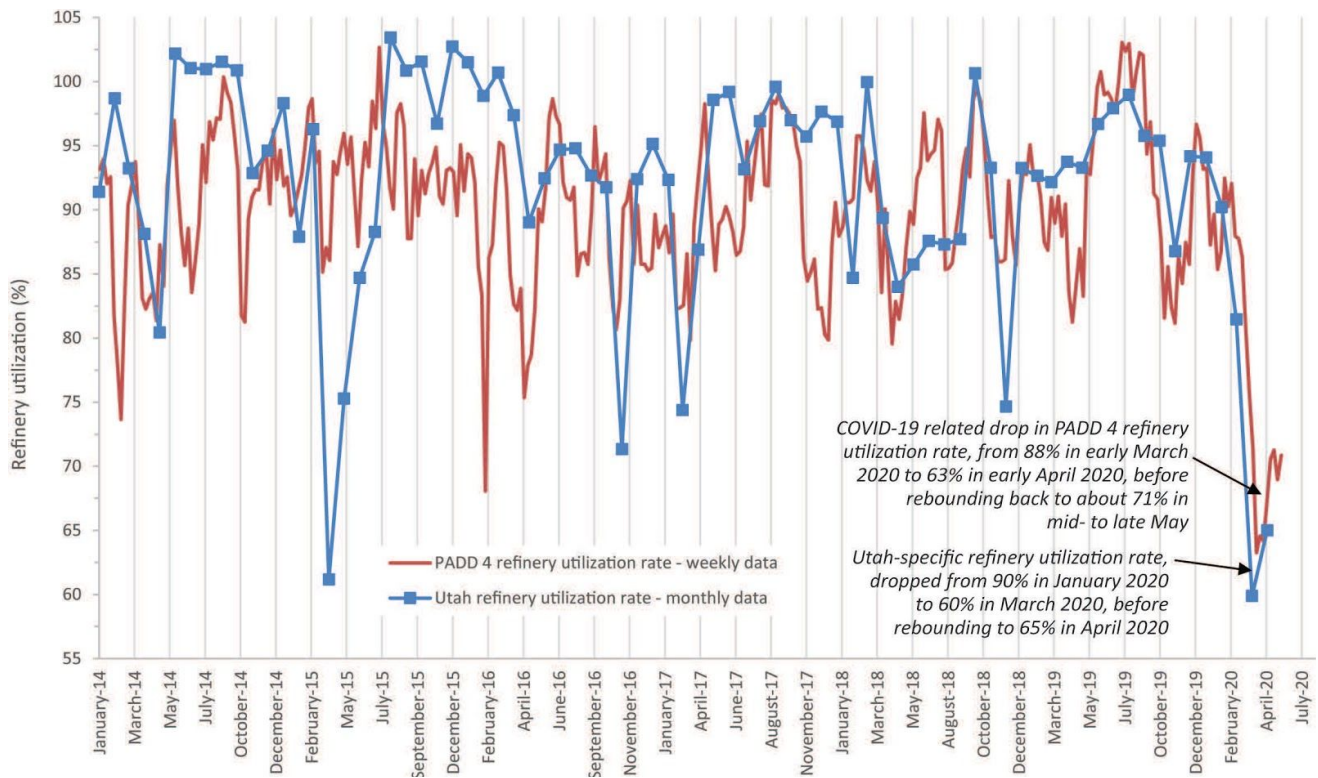


Figure 2: EIA, Rocky Mountain (PADD 4) Refinery Data, with Utah specific data from UGS.

The renewable and energy efficiency industries in Utah are continuing to face job losses and uncertainty due to the COVID-19 pandemic. In early 2020, the solar industry was beginning to face a decline due to several factors including the rollback of incentive programs and market saturation, but now it appears the total workforce will fall back to 2014 levels, negating five years of solar industry growth (Figure 3).⁴ Nationally, the industries lost another 447,200 jobs in April totaling more than 594,300 jobs lost since the beginning of the pandemic in March. However, Utah seems to have fared better than most states with industry employment falling less than 7 percent over the past two months.⁵

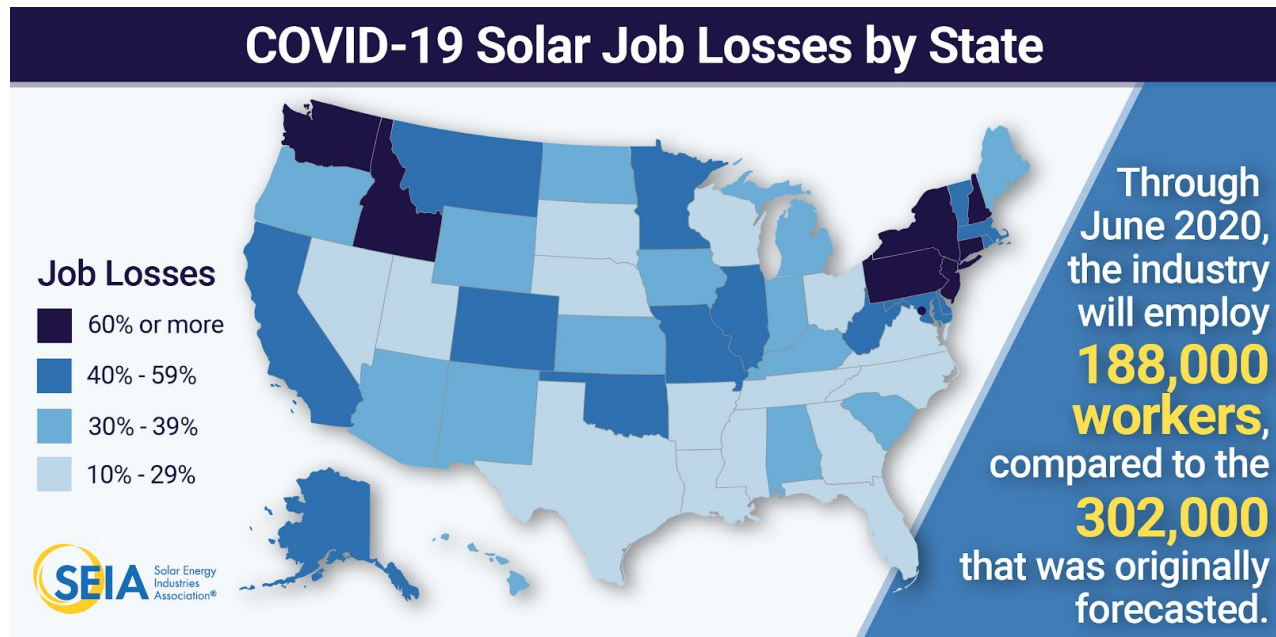


Figure 3: SEIA, National solar job losses by state through May 2020.

The utility industry in Utah is continuing to analyze the impacts of the pandemic while ensuring safe working conditions for their essential employees. Nationally, the utility industry is expected to see declining energy consumption rates for the next several months, with experts predicting retail sales of electricity in the commercial sector to fall by 6.5 percent in 2020.⁶

In other news, on May 8, 2020, Rocky Mountain Power (RMP) filed a general rate case seeking to increase its retail electric utility service rates in Utah with the Public Service Commission of Utah.⁷ It has been over five years since its last general rate case. RMP is asking for roughly \$96 million in increases. This increase represents a roughly 4.6% increase to rates, which RMP is proposing to phase in over three years. The increase is based on a 10.2% return on equity. This compares to the 9.5% increase recently awarded to Dominion in its last general rate case.

The mining industry in Utah is facing multiple challenges in response to the COVID-19 pandemic. Economic uncertainty, job losses, and declining production are some of the major issues the industry is facing during these difficult times. With current data sets lagging several months behind, initial reports from industry partners have been used to assess the current status and short term outlook for Utah’s mining industry.

⁴ [SEIA, COVID-19: Resources for the Solar Industry, May 18, 2020](#)

⁵ [BW Research Partnership, May 18, 2020](#)

⁶ [EIA, Short-Term Energy Outlook, May 12, 2020](#)

⁷ [Rocky Mountain Power, Docket 20-035-04, May 8, 2020](#)

Utah's copper industry has suffered from both the COVID-19 pandemic and recent 5.7 magnitude earthquake that shook the Salt Lake Valley on March 18, 2020. This has led Rio Tinto to cut 2020 production guidance, with mined copper (all operations) this year is now expected to be 475,000-520,000 tonnes, down from 530,000-570,000 tonnes previously, while guidance for refined copper production has been cut to 165,000-205,000 tonnes from 205,000-235,000 tonnes previously. This is in response to deteriorating growth expectations globally, earthquake damage sustained to the furnace at the Rio Tinto Kennecott Smelter in Magna, UT which will require a full rebuild, and a 45-day planned shutdown to the smelter scheduled for this May.⁸ In addition, the Lisbon Valley Copper Mine in San Juan County closed at the end of March, laying off most of its 65 employees, and being ordered by the state to "take immediate action to address the imminent environmental hazards."⁹

To support the mining industry, the Utah Department of Public Safety has been working with the Utah Mining Association to expand testing operations and provide safety equipment to mining operations. This has included mobile test facilities being deployed to select mining operations throughout the state. Additional coordination activities are underway between the two groups as the industry prepares for any future impacts as a result of the pandemic.

Closing

Utah's energy and mining sectors face numerous challenges in addressing the impacts of the COVID-19 pandemic. Further collaboration through public-private partnerships will be needed in advancing recovery efforts for the state. Data detailing the impact of the pandemic from April through June is expected to be released in Quarter 2, 2020 reports starting in July. At that time a detailed analysis will assess the impact of the COVID-19 pandemic on Utah's energy and mining sector. As Utah continues to recover from the pandemic, the Governor's Office of Energy Development and Utah Geological Survey will continue to assist our residents and the energy and mining industry during these challenging times. For more information or to subscribe to our COVID-19 Energy Sector Status Report, visit energy.utah.gov or contact [Kevin Brooks](#), Energy Analytics Manager.

About Us

The Utah Geological Survey provides timely scientific information about Utah's geologic environment, resources, and hazards. For more information, please visit geology.utah.gov.

The Governor's Office of Energy Development's (OED) mission is to implement State Energy Policy and the Governor's energy vision that supports affordable, reliable, diverse and cleaner energy options. OED accomplishes this through strategic planning and programs, market-based incentives, and education/outreach tools that promote wise resource development, economic opportunity, innovation and workforce development. For more information, please visit energy.utah.gov.

⁸[Nathan Richardson, Metals, SNL, April 17, 2020](#)

⁹[Doug McMurdo, The Moab Times-Independent, March 20, 2020](#)