



Week of September 24, 2017

● [U.S. Crude Exports to Asia May Shake Up Global Oil Pricing: Russell](#)

"The great disruptor that is U.S. shale oil is coming to Asia, as refiners in the energy-hungry region look to expand and diversify their sources of crude, and the consequences will likely go well beyond a shift in oil trade flows."

Why this is important: U.S. crude oil exports to Asia have grown ten-fold since the same period last year. As shale oil production continues to rise, it is expected the exports to Asia will continue an upward climb. One reason for the export growth is that most U.S. refineries along the Gulf of Mexico are set up for heavier and sour grade crude from offshore Gulf platforms and imports from the Middle East, while the shale production is lighter. However, the major reason for the increased export is pricing. U.S. shale oil is priced against West Texas Intermediate, while other light grades from Angola and Nigeria are priced at the higher Brent benchmark. --- [Gerald E. \(Gee\) Lofstead III](#)

● [EU Power Generators Warn Plan to Cut Use of Coal May Backfire](#)

"A group representing power generators across the European Union warned that the bloc's plans to limit the use of coal may backfire, encouraging utilities to seek returns on new fossil-fuel plants instead of putting money into clean energy."

Why this is important: Once again, this is the Law of Unintended Consequences in action. An effort to force European electricity producers toward more renewables, by limiting coal-fired generation, is going to encourage more use of natural gas. The central problem is the inherent instability of the grid when renewables increase their share of the generation market beyond a certain point. In theory, loads can be leveled using renewables over a broad, multi-country area. In practice, the generation mix still needs to be primarily fossil fuels or nuclear, in order to keep the system going in a reliable fashion. --- [David L. Yaussy](#)

● [Digging Down Ontario's Cap and Trade Plan](#)

"With Premier Kathleen Wynne announcing yet again that Ontario will join the California/Quebec cap and trade carbon pricing market Jan. 1 - today, let's consider some important questions. For example, will it work? Will it effectively lower Ontario's industrial greenhouse gas emissions linked to climate change, given that we're paying for it?"

Why this is important: Ontario is going to place a tremendous burden on its citizens and businesses by joining the California/Quebec carbon cap and trade market. The move is being heralded as a triumph for limiting greenhouse gases despite the fact there will only be a small reduction in emissions. There are no rules as to how the emissions are to be reported, leaving the real possibility each jurisdiction may take credit for decreases in emissions made in the other jurisdictions. In fact, Ontario may actually increase its emissions so long as it buys credits from Quebec or California. Also, this move will generate an additional \$2.2 billion in new government revenue for Ontario. A skeptic may believe this move is less about limiting greenhouse gases and more about creating a new revenue stream for struggling governments. --- [Nicholas S. Preservati](#)

● [New Company Planning \\$73M Synthetic Fuel Plant in Greenbrier County, West Virginia](#)

"At the plant, PPD of WV One will convert solid waste materials to diesel fuel and biochar, a charcoal used in soil for agriculture, said WVEDA Executive Director David Warner."

Why this is important: This cutting-edge alternative fuel production facility, for whom the Spilman law firm serves as counsel, has the potential of both transforming biomass waste into synthetic diesel fuel or hydrogen cell power, as well as biochar bi-product from the fuel production process capable of use in agriculture and high-tech manufacturing. The hydrogen cell technology is scalable and could provide excellent stand-alone or augmenting energy production for industrial and commercial facilities. The biochar bi-product has immediate agricultural usage, but also contains component constituents that can be refined for use in a variety of state-of-the-art high-tech manufacturing applications. --- [John C. \(Max\) Wilkinson](#)

● [\\$3B Gas Pipeline Construction Begins](#)

"Energy firm Williams Partners announced earlier this week that construction is underway on the Atlantic Sunrise natural gas pipeline in central and eastern Pennsylvania, which the company says will connect shale gas drilling sites in the northeastern part of the state with consumers in the Mid-Atlantic and Southeast."

Why this is important: The Atlantic Sunrise natural gas pipeline is a \$3 billion expansion of the interstate Transco system, which is designed to move Marcellus Shale gas from northeastern Pennsylvania to points up and down the East Coast. Construction of the Atlantic Sunrise began this month. In July 2016, the EPA questioned the project's environmental impact statement issued by the Federal Energy Regulatory Commission. However, the plan received certification from FERC in February 2017 and received final permits from the Pennsylvania Department of Environmental Protection last month. A completion date of July 2018 is expected. When finished, the Atlantic Sunrise will add 1.7 million dekatherms per day of pipeline capacity to the Transco system. --- [Christina S. Terek](#)

● [Dan Byers: If You Store It, They Will Come](#)

"The implications of Appalachia one day rivaling the Gulf Coast petrochemical industry speak for themselves, but why does a storage hub make so much economic sense for northern Appalachia?"

Why this is important: What is a "hydrocarbon storage hub" and how could the "Appalachian Storage Hub" affect the Appalachian region? According to [this excerpt](#), a "hydrocarbon storage hub" is:

[A] single or set of, storage locations for raw material hydrocarbons such as ethane and butane. It can also include manufactured chemical intermediates such as ethylene. These storage locations are typically below ground in salt domes, natural gas caverns, or other non-porous formations. ... [T]he largest economic impact [of a storage hub] is simply the increase in attractiveness of the region to additional - and very large - investments [i.e. petrochemical processing investments] along with potentially hundreds or thousands of high-paying, STEM (Science, Technology, Engineering and Mathematics) jobs. These include investments and jobs in upstream, midstream and downstream facilities.

Could such an economic game-changer become a reality in the Appalachian region? This editorial explores the increasing chances due to a confluence of factors in the region, including the proliferation of Appalachian shale gas liquids (such as ethane, propane and butane), favorable geological conditions for hydrocarbon storage, and recent supply disruptions caused by hurricanes at our nation's traditional hydrocarbon storage hubs located within the Gulf Coast region.--- [Travis H. Eckley](#)

● [U.S. Utilities Appear Unconcerned as Coal Stockpiles Decline: Analyst](#)

"Mark Levin, with Seaport Global Securities, said in a research note that in discussions with industry sources, 'we continue to get the sense that major U.S. utilities are not particularly worried about getting the coal they need when they need it.'"

Why this is important: Coal inventory procurement decision makers may be assessing long-term winter weather predictions and gas market signals before committing to purchases. June total utility coal stockpiles were down 12.4 percent from the year-ago period, down 5.8 percent from the five-year average for the month and down 17.2 percent from the five-year peak of 194

million standard tons at the end of April 2016. This is likely due to coal plant retirements and low gas prices, in addition to a general trend of utilities transitioning to more alternative sources. Rail shippers warn, however, utilities should keep inventories higher as future procurement will likely be constrained by reduced rail assets in coal production regions due to declining demand. If a peak demand hits in winter, logistical challenges may impact coal generation capabilities if stockpiles are exhausted. --- [John C. \(Max\) Wilkinson](#)

● [Senator Manchin Won't Vote for Trump's Mine Safety Nominee](#)

"Senator Joe Manchin (D-W.Va.) on Wednesday said he plans to vote against confirming President Trump's nominee to head the Mine Safety and Health Administration. In his statement, Manchin recalled the numerous miner deaths in West Virginia, including 12 so far this year."

Why this is important: Despite Senator Manchin's objections, Dave Zatezalo has a solid background in the coal industry - beginning his career as a union miner and finishing as Chairman and CEO of Rhino Resources. He has the experience and a unique background to head the Mine Safety & Health Administration. A Senate confirmation vote will be scheduled later this fall and he is expected to be confirmed. --- [Mark E. Heath](#)

● [Administration Officials Meet to Develop Climate Strategy](#)

"Trump administration officials huddled at the White House in a bid to chart a more cohesive energy and environmental policy strategy, including a game plan for communicating its position on climate change, according to three people familiar with the meeting."

Why this is important: The United States must develop a comprehensive energy policy that incorporates all available sources of energy. However, the energy policy cannot be created in a vacuum and must be synchronized with a common sense environmental policy. By focusing on technology and innovation, instead of regulation, the U.S. will be able to lower carbon emissions while still having access to cheap and abundant sources of energy. --- [Nicholas S. Preservati](#)

● [U.S. Energy Secretary Asks Oil Industry to Study Carbon Capture Technology](#)

"U.S. Energy Secretary Rick Perry on Monday asked an oil industry advisory council to help find ways for oil drillers to exploit technology that captures carbon emissions from coal-fired power plants, by injecting the carbon dioxide into the ground to help drill for oil."

Why this is important: Carbon capture is the solution that won't go away. American Electric Power, Southern Company's Kemper plant, the United Kingdom and a host of others have tried to make carbon capture work, but the expense and energy required to do it economically have been insurmountable. Texas has tried it with the Texas Clean Energy Project, but so far has been unable to advance its own effort to move CO2 from a coal-fired generator into nearby oil and gas fields for advanced recovery. Secretary Perry's proposal is a suggestion and additional federal funds will be made available, but the long-term prospects of carbon capture remain doubtful. --- [David L. Yaussy](#)

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