



Issue 4, 2018

## ● [West Virginia Surface, Mineral Rights Owners Say Details Will be Key to Getting Co-Tenancy Bill Passed](#)

*"Surface and mineral rights owners most affected by co-tenancy legislation say they're wary of jumping on the bandwagon until they see exactly what form the much-talked about legislation takes."*

**Why this is important:** The proposed co-tenancy legislation is expected to address the problem that arises when a single tract of minerals has multiple owners. For example, property transferred down through generations commonly results in ownership divided among dozens, if not hundreds, of people. Currently, if 100 percent of the owners do not consent, a mineral tract cannot be developed absent a court-ordered sale of the property--a cumbersome and timely process. The anticipated legislation is expected to allow development if a certain percentage (less than 100 percent, but to be determined) consents. Both Pennsylvania and Ohio already have co-tenancy laws in place and most West Virginia interest-groups (both industry and landowners) support the proposed legislation. The devil is in the details, but it appears the West Virginia legislature is ready to take another step to level the playing field for oil and gas development in West Virginia. --- [Matthew P. Heiskell](#)

## ● [Coal Delays Seasonal Price Decline on Robust Asia Demand](#)

*"It's getting to the time of year when a seasonal decline in thermal coal prices in Asia is to be expected as winter's demand peak passes - but so far the power station fuel is defying gravity."*

**Why this is important:** The Newcastle thermal price index has not begun a post-winter price correction due to the strength of demand in Asia's top importers. Australia's exports are on track for record exports in January with 38.5 million tons in thermal and metallurgical coal. Vessel tracking port data indicates China imports appear to be up more than 3 million tons over December figures. Japan likewise appears to have increased 2 million tons over December, with South Korea steady on its figures for December, but 2 million tons above its January imports. India dropped 2 million tons below its December figure of 18 million, but December was India's highest import level since June 2016. Domestic indicators suggest lowering of imports by China, Japan and India. However, Newcastle futures for now show all contracts pricing over \$100/ton until June. --- [John C. \(Max\) Wilkinson](#)

## ● [Analysts Predict Oil Demand Will Peak by 2030](#)

*"A new research note from Bank of America Merrill Lynch analysts predicts that global crude oil demand will peak by 2030 thanks to very fast electric vehicle adoption beginning in the early 2020s."*

**Why this is important:** Bank of America sees rapid adoption of electric vehicles (40 percent by 2030; 95 percent by 2050) leading to a peak demand (as opposed to peak production) of oil by 2030. That is far earlier than most predictions. A good dose of skepticism is warranted, particularly in light of increased demand from other sectors, such as plastics manufacturing. --- [David L. Yaussy](#)

## ● [Trump's Tariffs on Solar Mark Biggest Blow to Renewables Yet](#)

*"Trump approved duties of as much as 30 percent on solar equipment made outside the U.S., a move that threatens to handicap a \$28 billion industry that relies on parts made abroad for 80 percent of its supply."*

**Why this is important:** Keeping his campaign promise to the American fossil fuel and manufacturing industries, the tariffs start at 30 percent and gradually drop to 15 percent. The idea behind the tariff is to raise the cost of cheaper Asian imported parts, thereby leveling the playing field for domestic parts manufacturers. Analysts estimate the costs for large solar farms will increase by 10 percent, while residential systems will increase by 3 percent. As should be expected, solar industry players provided mixed commentary, depending on whether they are in favor of domestic parts or imports. --- [Gerald E. \(Gee\) Lofstead III](#)

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## ● [Mid-Atlantic Ports Benefit From 2017 Coal-Export Revival](#)

*"Hampton Roads is the biggest coal-exporting port in the country. Baltimore is right behind it. And they're both in the vanguard of what appears to be a U.S. coal-export revival."*

**Why this is important:** Hampton Roads coal exports grew nearly 60 percent between 2016 and 2017. Baltimore exports grew by 40 percent over the same period. According to an analyst for the U.S. Energy Information Administration ("EIA"), the emergence of major U.S. coal concerns from bankruptcy and Australia's diminished export capabilities due to last year's severe tropical storm port damage combined to account for much of the increase. Analyst firm IHS Markit predicts continued strong exports through the first half of 2018. EIA forecasts U.S. met-coal exports will exceed 50 million tons this year and next, but thermal coal exports will decrease by 3 percent this year and 15 percent next year. --- [John C. \(Max\) Wilkinson](#)

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## ● [Top Energy Executive Says Natural Gas Industry Will Need 'Over \\$150 billion of Infrastructure Investment'](#)

*"Energy guru Charif Souki, the chairman and co-founder of Tellurian, told CNBC that the natural gas industry is going to need a major fund infusion to keep drilling."*

**Why this is important:** Companies are unlikely to invest the necessary \$150 billion into infrastructure projects if the ability to complete the projects are threatened by litigation or regulatory uncertainty. There is less regulatory uncertainty as the new quorum at FERC has resulted in the issuance of certificates of necessity and authority for several major pipeline projects. Those projects are now in the condemnation phase and the result of that litigation may be a harbinger for additional infrastructure investment. --- [Nicholas S. Preservati](#)

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## ● [EIA Expects Total U.S. Fossil Fuel Production to Reach Record Levels in 2018 and 2019](#)

*"In its January 2018 Short-Term Energy Outlook, EIA forecasts that total fossil fuels production in the United States will average almost 73 quadrillion British thermal units (Btu) in 2018, the highest level of production on record. EIA expects total fossil fuel production to then set another record in 2019, with production forecast to rise to 75 quadrillion Btu."*

**Why this is important:** The most recent Short-Term Energy Outlook forecast by the EIA shows the continuing trend over the next two years for booming production levels in shale-related dry gas, oil and hydrocarbon gas liquids. For dry gas, the areas with the greatest production growth will continue to be from Appalachia's Marcellus and Utica shales and with the Permian Basin in Texas and New Mexico. The forecast also interestingly shows significant consumption growth in hydrocarbon gas liquids (11.7 percent in 2018 and 9.1 percent in 2019) and notes there will be seven (six new and one restarted) ethylene-producing petrochemical plants that use ethane as their feedstock operating in the U.S. by the end of 2019. --- [Travis H. Eckley](#)

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## ● [Why are Russia and China Investing in the Arctic? Could it be the Oil, Gas, Gold and Diamonds?](#)

*"Possibly the most under-reported 'flyover' countries are not technically countries at all: the vast unpopulated areas around the North and South Poles."*

**Why this is important:** The Arctic region contains 13 percent of the world's estimated undiscovered oil reserves, 30 percent of unrecovered natural gas deposits and 20 percent of undiscovered natural gas liquids. The Arctic also is rich in diamonds, gold and nickel. Since 2007, Russia has been asserting increasing sovereignty over areas of the Arctic and scaling up military capabilities to defend those claims. In 2013, despite its northernmost border being 1,000 KM from the Arctic Circle, China was granted observer status of the Arctic Council. Russia's financial snags at its huge Yamal LNG plant led to China acquiring a 36 percent share in that facility. EU and U.S. sanctions against Russia, due to limiting Arctic gas and oil exploration to Gazprom and Rosneft, also led directly to Chinese presence in Russia's Arctic exploration. Chinese financing, investment and/or trade in Iceland, Greenland, Canada and Norway were certainly factors in support for its observer status. China's massive, multi-trillion dollar "One Belt, One Road" infrastructure initiative includes an "Ice Silk Road" running north of Russia as a means of avoiding potentially vulnerable southern ports that currently handle 85 percent of China's energy imports and 90 percent of its exports. An Arctic passage for China would reduce fuel transport costs by 30 percent. --- [John C. \(Max\) Wilkinson](#)

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## ● [Gas Field Earthquakes Put Netherland's Biggest Firms on Extraction Notice](#)

*"Two hundred of the Netherlands' biggest companies have been told by their government to stop sourcing fuel from a major Dutch gas field within four years following a series of increasingly significant earthquakes."*

**Why this is important:** Withdrawing natural gas from the Groningen field in the Netherlands has allegedly triggered minor earthquakes, and the Dutch government has ordered production to cease and to be replaced by alternative energy sources. Renewables are unlikely to be able to make up for the loss of the natural gas. If not, it is likely to put (a small) upward price pressure in Europe on fossil fuels that will be needed to replace that supply. --- [David L. Yaussy](#)

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## ● [China Becomes World's Second Largest Importer of LNG](#)

*"China imported 38.1 million tonnes of LNG in 2017, representing an increase of 12 million tonnes on the previous year. The data also showed a surge in the export of gasoline and diesel, with China producing a greater surplus of oil."*

**Why this is important:** Japan remains the global leader of liquid natural gas imports. China's increased imports are a result of government mandated caps in the use of coal as a heating fuel in an effort to alleviate the problem of smog in China's largest cities. Paradoxically, China's exports of petroleum products are estimated to increase by 31 percent in 2018, after expanding its refinery industry. These increased exports could affect the global market prices. --- [Gerald E. \(Gee\) Lofstead III](#)

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## ● [EIA Energy Statistics](#)

Here is a round-up of the latest statistics concerning the energy industry.

### [PETROLEUM](#)

[This Week in Petroleum](#)

[WTI Crude Oil Futures](#)

[Crude Oil Inventories](#)

[Weekly Petroleum Status Report](#)

### [NATURAL GAS](#)

[Weekly Natural Gas Storage Report](#)

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**Natural Gas Futures Price**

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**Weekly Coal Production**

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**Carbon Dioxide Emissions by State**

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