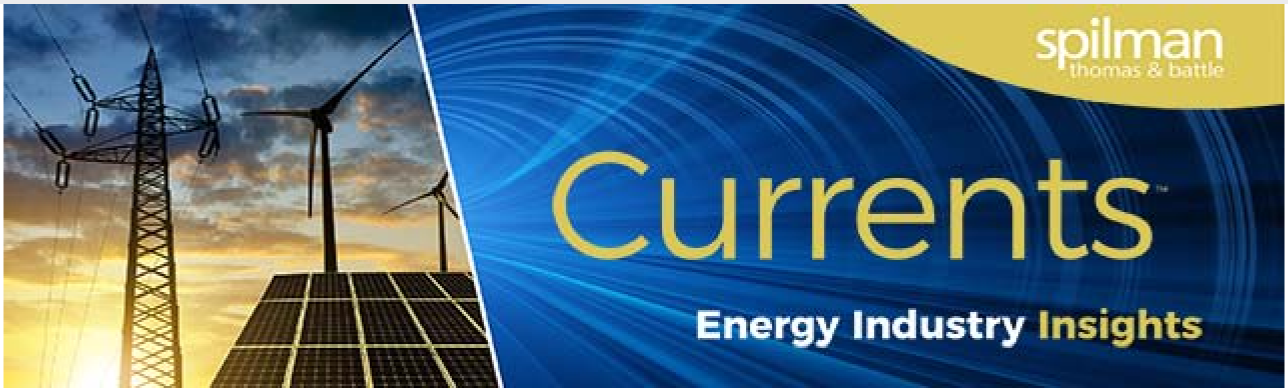

Issue 9, 2018

Anti-Secrecy Lawsuits Soaring Against Pruitt's EPA

"The suits have come from open government groups, environmentalists and even conservative organizations that have run into a wall trying to pry information out of Pruitt's agency."

Why this is important: The United States Supreme Court explained the basic purpose of FOIA "is to ensure an informed citizenry, vital to the functioning of a democratic society, needed to check against corruption and to hold the governors accountable to the governed." While FOIA is an important mechanism that allows the citizenry to keep tabs on its government, it has also been abused in order to overwhelm governmental agencies or to attack individual office holders. In 2017, the EPA had 55 FOIA lawsuits filed against it. That is an increase of 250 percent compared to 2015, which was the year the most FOIA lawsuits were filed against the EPA during President Obama's administration. It is also just two lawsuits fewer than the 57 that were filed against the EPA during President Bush's eight years in office. Without speaking to the merits of these lawsuits, the sheer number of lawsuits not only indicates significant disapproval of the EPA's policy decisions, it portends a significant wave of litigation challenging the substance of those policy decisions. --- Nicholas S. Preservati

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U.S. Forecast to be World's Top Oil Producer by Next Year

"The United States will eclipse Russia to become the world's top oil producer by 2019 at the latest, the head of the International Energy Agency forecast."

Why this is important: Thanks in large part to the shale energy industry, the U.S. is expected to produce more than 11 million barrels of oil per day by the end of 2018. Last year, domestic production reached 10 million barrels per day for the first time since the 1970s. Unfortunately, America is still a net importer of crude oil. But, in the past two weeks, imports fell to 4.8 million barrels per day, the lowest since the U.S. Energy Information Administration started keeping records of imports. So it seems that, with continued focus, true energy independence for our country is a real possibility. --- Gerald E. (Gee) Lofstead III

Shell Sees Potential for LNG Supply Shortage in Mid 2020s

"The growth in demand for liquefied natural gas can lead to a global shortage if corrective measures are not undertaken, according to Shell's annual LNG Outlook 2018."

Why this is important: Liquified natural gas exporters want long-term contracts to justify expensive LNG export facilities. While LNG demand is likely to be strong for the foreseeable future, LNG importers want shorter contracts to preserve flexibility. The long-term need to reduce coal usage in China and India may tip the balance in favor of LNG exporters. --- David L. Yaussy

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World Coal Boss Urges BHP Not to Dump Lobby Group

"The boss of the World Coal Association says coal can co-exist with renewables and urged BHP to remain a member of the international lobby group."

Why this is important: The head of the international lobbying group, the World Coal Association ("WCA"), tried to bolster views of coal's future in response to Anglo-Australian mining giant BHP's late 2017 signal to withdraw from the association. WCA's executive stated that while thermal coal would decline over the next two decades, it still will have an important role to play in world electricity generation. Although declining in the west, there are healthy increases in India and China, and Australia is in a beneficial position to capitalize on those Asian market demands. Even though relative market share will decrease, because the electrical generation "pie" is growing, there will still be growth in overall electricity generation from coal. --- John C. (Max) Wilkinson

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Kenya: Coal Plant Confirmed for Coast

"Kenya's first coal-fired plant is set to bring electricity to an area of high unemployment and puts the country at the table for a global alliance on fossil fuels."

Why this is important: Africa needs power to climb out of poverty, and a coal plant in Kenya promises a reliable source of electricity for an underserved area. International NGOs and the IMF oppose coal projects, but worries about global warming in poor regions are surpassingly weaker than the impetus for development. --- David L. Yaussy

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FERC May Rethink Pipeline Permits When LNG is Headed Overseas

"As more liquefied natural gas comes into the market and the U.S. has facilities to ship it overseas, energy industry arguments that the new pipelines are in the public interest will be tested, especially when the projects involve landowners who don't want to sell their land."

Why this is important: This is important because FERC can grant Certificates of Public Convenience and Necessity only when the public benefits of the pipeline project outweigh the adverse consequences. In most instances, the public interest component is met by showing the proposed pipeline will provide additional capacity to transport natural gas to underserved markets. It is difficult to argue the taking of private property is justified and in the public interest when the underserved market justifying the construction of the pipeline is moved overseas. --- Nicholas S. Preservati

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Oil Nears Three-Year High on Inventory Expectations

"The Organization of Petroleum Exporting Countries and its allies are committed to erasing a supply glut as they deliver deeper production cuts than promised, United Arab Emirates Energy Minister Suhail Al Mazrouei said. Still, oil is struggling to regain the highs of January as the U.S. pumps record volumes."

Why this is important: In what appears to be an ongoing battle between OPEC and U.S. domestic oil producers, OPEC continues to cut production while U.S. domestic production continues a strong upward climb. OPEC's current policy of cutting production in order to drive up worldwide oil prices ends up providing an incentive for U.S. domestic producers to supply oil at the higher prices. To the extent OPEC is trying to curtail U.S. production, the current situation is a conundrum - U.S. domestic production will only slow if the price drops. In the short term, the price will only drop if OPEC increases production. Neither of these scenarios is necessarily good for OPEC. As it stands now, the number of rigs drilling for oil in the U.S. has risen for five straight weeks to the highest amount in three years, an indication American oil is planning on keeping domestic production high. --- Gerald E. (Gee) Lofstead III

Saudi Arabia Says It's in Talks with 10 Other Nations on Its Nuclear Energy Ambitions, Calls for Fairness from the U.S.

"Saudi Arabia's foreign minister called on the U.S. to give it the same rights as other nuclear nations in its push to process its own nuclear fuel, revealing that it's currently in talks with 10 other countries should America refuse."

Why this is important: Saudi Arabia recognizes oil's greatest and best use is not to produce electric power. It is planning on building nuclear plants to provide electricity for the Kingdom, and is seeking help from the U.S. However, American help comes with strings attached, in the form of commitments to peaceful use of atomic power. The Saudis may not have any interest in martial use of nuclear fuel, but working with other countries in developing their nuclear plants may be less complicated. --- David L. Yaussy

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Citibank Says Coal Prices Will Remain 'Higher for Longer'

"'We now expect medium-term coal prices to stay 'higher for longer', and raise our thermal coal price forecast for 2019 to $85 a tonne from $75 a tonne and forecast for 2020 to $80 a tonne from $65 a tonne,' Citi says."

Why this is important: Citibank's commodity research team - who expects limited growth in Chinese coal output to underpin prices for both thermal and coking coal over the next two years - believes coal prices will remain higher for longer. The forecast upgrades assume China will remain a strong coal importer of seaborne coal until 2020, due to rising domestic coal production costs and limited prospects for large-scale supply growth from stricter environmental and safety regulations. --- John C. (Max) Wilkinson

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Wind to Make Up 50 Percent of Renewables Generation by 2027

"Analysis firm BMI Research forecasts solar to account for almost 46 percent of total renewables capacity, excluding hydropower, in ten years compared to wind-power's 45 percent share. But wind will make up about 50 percent of renewables generation by 2027, compared to solar's contribution of 28 percent and biomass' 20 percent, the analysts added."

Why this is important: Renewable (non-hydro) energy sources run intermittently, which is why potential capacity can differ from actual generation. Solar can produce energy only when the sun is shining, which is less than half the day on average. Wind power can produce whenever the wind blows, which is generally more than half the time. Consequently, while installed capacity of wind and solar are expected to be roughly the same in 10 years, the power actually generated by wind is projected to be two times greater. --- David L. Yaussy

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Chinese January Coal Imports Hit Multi-Year High

"China imported 11.75 million mt of thermal coal in January, up 23 percent from 9.58 million mt in the year-ago month, and 30 percent compared with December, the highest monthly total since April 2014, according to customs data released."

Why this is important: While the fact China's thermal coal imports increased by 30 percent from the previous month may be significant, it may only be short-term good news since the increase was the result of unusually cold weather. The more significant issue is the reason why China had to import so much more thermal coal. China cut its coal production in an effort to move more power generation to natural gas. The increase in imports during January indicates China does not have sufficient amounts of readily available thermal coal and the transition to natural gas is not a short process that can be achieved easily. --- Nicholas S. Preservati

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EIA Energy Statistics

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

COAL

Weekly Coal Production

Coal Markets

PETROLEUM

Petroleum Marketing Monthly

Monthly Crude Oil and Natural Gas Production

NATURAL GAS

Natural Gas Monthly

Monthly Crude Oil and Natural Gas Production

Natural Gas Inventories

Natural Gas Futures Prices

UTILITIES

Electric Power Monthly

Electricity Monthly Update

Monthly Energy Review

RENEWABLES

Monthly Biodiesel Production Report

Monthly Densified Biomass Fuel Report

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If you have any energy questions, please feel free to contact us.