



Issue 23, 2018

● **Spilman Conversations on Climate Change Forum**

It's not too late to buy tickets to a premier event we are hosting on June 12 in Charleston, West Virginia! Limited seating!

Climate change is undeniable. But is human activity causing it, and if so, to what degree? How are current public policies helping or hurting the situation? All these questions and more will be addressed at Spilman's Conversations on Climate Change.

We're thrilled to be bringing together world-renowned scientists and policy experts to the stage at the University of Charleston to discuss these issues from both sides of the table. Expect an exciting exchange of ideas on the causes and effects of climate change, the prognosis for the future, and what can and should be done to prepare for those changes. We'll hear from those whose research leads them to believe human activity is having a dangerous impact on the climate, as well as those who believe such theories are overblown and unsupported by the science.

Join us for this unique opportunity to see scientists who rarely share the same stage presenting a balanced discussion about this important topic affecting our planet, our lives, and our businesses. Click [here](#) for more information and to purchase tickets.

If you cannot attend the event in person, click [here](#) to register for our live broadcast.

● **State Files Motion to Dismiss Federal Lawsuit by EQT**

"Lawyers representing the Secretary of the state Department of Environmental Protection have filed a motion to dismiss a lawsuit by the natural gas company EQT over a new West Virginia royalties law."

Why this is important: When the Supreme Court of Appeals of West Virginia issued its decision in *Leggett* in May 2017, EQT could claim it had snatched victory from the jaws of defeat: the Court reversed a decision issued only months prior and held that EQT had the right to deduct post-production expenses from royalty payments. Then, however, the West Virginia legislature passed a bill abrogating *Leggett's* holding and requiring payment of minimum 1/8 royalties without allowance for post-production expenses. EQT responded by filing constitutional claims in federal court for contracts clause and due process violations. Now, the West Virginia DEP has told the Court EQT's claims must end before they can begin. According to the DEP, not only are EQT's claims barred by the 11th Amendment (relating to claims against an unconsenting state), but they also fail to state any violation, at all. The DEP argues a "veritable mountain" of U.S. Supreme Court precedent has upheld statutes just like the one passed by the West Virginia legislature. Whatever the Court's decision, it will have substantial effects on thousands of West Virginia leaseholders. --- [Joseph V. Schaeffer](#)

● **US Methanol CEO: Plant in Institute to Open in Late 2019**

"The company building a methanol production facility in Institute aims to start production in late 2019, according to its CEO, more than a year out from its originally anticipated mid-2018 start."

Why this is important: US Methanol is reconstructing a natural gas-to-methanol plant in Institute, West Virginia. It is a poster child for the value-added benefits that arise from the new surplus of natural gas that has been unlocked by hydraulic fracturing in the Marcellus region. Plant production has been delayed until late 2019 because, while the rest of the plant is being moved from elsewhere to Institute, a new gas compressor is needed. The lead time for the order is almost a year, which is a further indication of the demand for equipment that is associated with increased production and use of natural gas. --- [David L. Yaussy](#)

● [EUROPE POWER - Carbon, Coal and Gas Rally Boosts Year-Ahead Power Contracts](#)

"European electricity contracts for year-ahead delivery extended gains, boosted by a rally in coal, gas, oil and carbon emissions prices, with the EU emission contract for December hitting a new seven-year high."

Why this is important: The increase in coal, gas and oil prices for the European Union shows the reality of its power needs. The third try by the German government to phase out coal-generated power and the demands by the G7 investors for the abandonment of coal ignores the realities of their respective countries. While the power demands of European countries continue to increase, the technology of renewable sources for storage and distribution cannot nearly keep pace. Prior attempts in the European Union to force higher-priced and subsidized renewable sources on to the utility markets have resulted in wide-spread objections from both residential and industrial producers. The European Union should view coal as one of several power sources that can serve to bridge the gap in time until advances in technology and energy conservation can make a renewable future realistic. --- [William M. Herlihy](#)

● [What Ever Happened to the Dakota Access Pipeline?](#)

"DAPL has been quietly transferring crude oil from the Bakken fields in North Dakota at a rate of over 500,000 barrels per day. That has helped bolster North Dakota's daily production numbers."

Why this is important: Thanks in large part to the DAPL, North Dakota's crude production reached 1.16 million barrels per day in March. The roughly 10,000 jobs created during DAPL's construction infused millions of dollars into local economies. Landowners received nearly \$190 million in easement payments, and state and local governments added \$55 million in property taxes to their coffers. North Dakota's oil production increases are strengthening U.S. energy independence. The DAPL has already conveyed in its first year of service approximately 182.5 million barrels of oil. Moreover, the significantly over-designed for safety (exceeding federal regulatory requirements) pipeline has been free of significant incidents, and the few minor leaks that occurred were quickly contained at the source with lost product only amounting to mere gallons escaping. Yet, despite these impressive metrics in production and safety, opponents of the project continue to insist that DAPL is a serious public risk. --- [John C. \(Max\) Wilkinson](#)

● [West Virginia Lawmakers Approve Trump Action to Help Coal Plants](#)

"According to a memo obtained by Bloomberg, the strategy would involve compelling grid operators into purchasing electricity produced at these power plants over two years, as well as establishing a 'Strategic Electric Generation Reserve.'"

Why this is important: West Virginia's governor and congressional delegation are backing a Trump administration proposal to compel the nation's electrical grid operators to purchase electricity produced at coal-fired and nuclear power plants over the next two years. The plan first reported by Bloomberg and commented on by the White House Press Secretary on June 1 would establish a "Strategic Electric Generation Reserve," to keep coal-fired and nuclear generation in the nation's electrical generation fleet. Competition from gas-fired power plants has led to the likelihood of additional closings of nuclear and coal-fired electrical plants in many parts of the United States. Currently, 31.7 percent of the nation's electricity is produced from natural gas, compared to coal-powered plants with 30.1 percent and nuclear facilities at 20 percent. However, West Virginia produces large quantities of natural gas in the Marcellus Shale formation and also has significant steam coal reserves throughout the state. --- [Mark E. Heath](#)

● [Pennsylvania Justices Shut Down Challenges to Sunoco Pipeline Project](#)

"The Pennsylvania Supreme Court has rejected a series of appeals aimed at blocking Sunoco from taking private land for its

Mariner East 2 pipeline project."

Why this is important: Sunoco's power to exercise eminent domain as part of its Mariner East 2 pipeline project had been challenged by several landowners in Pennsylvania's Commonwealth Court. Although theories varied, each suit challenged the Public Utility Commission's issuance of the "certificate of public convenience" underlying Sunoco's eminent domain power. The Commonwealth Court, however, rejected those challenges, and the Pennsylvania Supreme Court recently denied the landowners' appeals. The effect is that, while the Mariner East 2 project has experienced its share of starts and stops, Sunoco's eminent domain power remains, for the moment, on track. --- [Joseph V. Schaeffer](#)

● [Wrangling Over German Coal Exit Discussion Reveals Difficult Task Ahead](#)

"The government postponed at the last minute the official launch of the phase-out commission for the third time. The quarrels over the commission's leadership and remit bear witness to the enormous task ahead, and also foreshadow difficult negotiations."

Why this is important: Germany wants to phase out use of coal, but the commission charged with establishing a framework for doing so has cancelled its meeting, for the third time. The hang up appears to be the composition of the commission, which has not yet been finalized. This may not bode well for charting a path that would eliminate the "climate gap," i.e., achieving by 2020 a 40 percent reduction in greenhouse gases, using 1990 as the benchmark. --- [David L. Yaussy](#)

● [Perry, Citing Cyber Threat, Says Trump is "Right" on Coal, Nuclear Closures](#)

"Energy Secretary Rick Perry said that the closure of coal and nuclear plants could hurt the United States' ability to recover from a cyberattack against its electric grid."

Why this is important: U.S. Energy Secretary Rick Perry on Monday, June 4, announced support for a Trump administration plan to help struggling nuclear and coal-fired generation plants. Secretary Perry said he believes a further decline in those plants could hurt the United States' ability to recover from a cyberattack against its electric grid. This argument is a new approach to the administration's push to help coal and nuclear plants operators, which the administration argues provide critical backup should pipelines to natural gas plants on the U.S. power grid be disrupted. However, in January of this year, the Federal Energy Regulatory Commission rejected a proposal favoring nuclear and coal-fired gas plants that would have allowed those plants to recover costs for keeping a 90-day fuel supply at their sites for electrical generation. --- [Mark E. Heath](#)

● [Shale Surge Crashes Into Bottlenecks from Pipelines to Ports](#)

"From West Texas pipelines to Oklahoma storage centers and Gulf Coast export terminals, the delivery system for American crude is straining to keep up with soaring production."

Why this is important: Challenges to the permitting and construction of expanded oil and natural gas pipelines is stifling the growth of our domestic industry and its ability to compete in international markets. Whether oil and gas is produced in the Southwest or Appalachian Basin, a basic element for the health of those industries is the ability to export production to international markets. Recent actions by FERC and the Senate Energy Committee to streamline the permitting processes for such pipelines are key to this effort. For too long, antiquated regulations about conserving domestic production combined with the transparent attempts by environmental groups to stunt these industries by opposing projects related to export markets have been an unnecessary drag on our economy. The efforts by the federal government to bring uniformity and predictability to these approval processes is a very positive development. --- [William M. Herlihy](#)

● [In Europe, a Push for Electricity to Solve the Climate Dilemma](#)

"A study published by Eurelectric, the trade body of the European power sector, concludes that the 2050 goal will not be possible without a major shift to electricity in transport, buildings and industry."

Why this is important: The European Union is one of the few entities that is seriously considering achieving a severe curtailment of carbon dioxide emissions in order to reach a 95 percent CO2 reduction goal. Not surprisingly, the European electric power trade association, Eurelectric, suggests meeting that goal by moving to an electrified future, with transportation, building

HVAC and industrial power being predominantly supplied by electricity. Presumably, the electricity will be sourced by wind or solar, given the general public disapproval of nuclear power and fossil fuels. --- [David L. Yaussy](#)

EIA Energy Statistics

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

PETROLEUM

Petroleum Marketing Monthly

This Week in Petroleum

Weekly Petroleum Status Report

NATURAL GAS

Natural Gas Monthly

Natural Gas Weekly Update

Monthly Natural Gas Production Report

COAL

Coal Markets

Weekly Coal Production

Electric Power Monthly

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