



Week of November 26, 2017

● [EPA Hosts Public Hearing in Charleston on Clean Power Plan](#)

"Those who favored repeal cited coal jobs and economic concerns, saying they fear if the plan were implemented, it would negatively affect coal jobs and along with the economies of West Virginia and other energy states. Those who spoke against repeal cited environmental and health concerns, saying they fear if the plan doesn't go into effect, pollution would accelerate climate change and would negatively affect people's health."

Why it is important: The U.S. is on the cusp of energy independence. The shale revolution is crippling OPEC, and the Btu value of the U.S. coal reserves is greater than the Btu value of all of OPEC's oil reserves combined. The CPP is part of a larger plan to phase out not only coal from U.S. power generation, but fossil fuels altogether. Importantly, power generation is no longer the primary source of CO2 emissions in the U.S. This fact may tip the scale against the enactment of the CPP, which would place a tremendous burden upon the U.S. economy, threaten its energy independence and undercut national security. That is a heavy price to pay for a regulation that may not ultimately resolve the problem it was designed to fix. --- [Nicholas S. Preservati](#)

● [Oil Prices are Poised for a Pullback After OPEC Announces Its Output Cut Decision](#)

"About two dozen oil exporters, including top producers Saudi Arabia and Russia, are meeting in Vienna to discuss extending a deal to keep 1.8 million barrels a day off the market. The historic agreement has helped to reverse a three-year oil price downturn that wiped out hundreds of thousands of energy jobs and piled financial pressure on both free market American drillers and countries dependent on oil revenue."

Why this is important: It seems counter intuitive that a potential restriction on oil supply might cause prices to drop, but it appears a lot of traders have been hedging long, expecting prices to rise. The thought is some of those traders may decide to take profits if there is the anticipated upturn in price following the OPEC announcement. And, of course, if OPEC fails to reach an agreement, and the pumps get turned back on, we could end up with another oil glut, driving prices lower still. --- [David L. Yaussy](#)

● [OPEC Battle with U.S. for Oil Supremacy Nears Day of Reckoning](#)

"Global oil stockpiles are draining and prices are near two-year highs. But as OPEC and Russia prepare to meet in Vienna this week to extend production cuts, ministers have little idea how US shale production will respond in 2018."

Why this is important: There is a pending recommendation by the joint committee of OPEC to continue oil supply cutbacks

through the end of 2018. The standing members of OPEC have not voted on this recommendation yet, but it is unlikely that Iraq, Libya, Venezuela or Nigeria will go along with a long-term curtailment due to cash needs by each of these countries. In addition, non-OPEC producers such as Russia would not find a prolonged export reduction economically appealing. In the short term, this is an exceptional opportunity for U.S. shale producers to step into the export void and take advantage of higher prices and potential increased demand from foreign consumers to expand their overseas market share. --- [William M. Herlihy](#)

● [Lawsuit Seeks to Stop Work on Appalachian Gas Pipeline](#)

"Environmental groups are taking another shot at trying to stop construction of a natural gas pipeline that will run across northern Ohio and into Michigan and Canada."

Why this is important: Citing concerns over property rights, safety and damage to the environment, the Sierra Club and other environmental groups have filed suit to challenge whether the 225-mile long NEXUS pipeline is necessary. The NEXUS pipeline is one of several planned or in progress to carry supply rich central and northern Appalachian natural gas to end users in other regions. NEXUS will supply consumers in the Lake Erie corridors of Ohio and Michigan. The Sierra Club claims "FERC is rubber stamping pipeline permits without sufficiently examining the impacts to communities, our climate or showing that they are actually needed." --- [John C. \(Max\) Wilkinson](#)

● [U.S. Energy to See Huge Investments From China](#)

"The agreements are just memorandums of understanding, not final contracts, but they set the stage for a stronger energy relationship between the two powerhouses of the global energy production and consumption."

Why this is important: Let's give the President his due here - although we cannot early call this putt (as we're in the MOU stage), it will be thanks to a magnificent read that is well executed, if the investment comes to fruition. And the output may just be what the White House states: that it will "create jobs for American workers, increase United States exports to China, and stimulate investment in American communities" with the two biggest beneficiaries being West Virginia and Alaska. --- [Michael J. Basile](#)

● [U.S. House Committee Passes Mooney Bill on Coal Regulations](#)

"The U.S. House of Representatives Financial Services Committee passed a bill that would repeal regulations requiring mining companies to report safety violations to one government agency."

Why this is important: Dodd Frank requires quarterly reporting by publicly traded companies of MSHA citations and appeals to the Securities and Exchange Commission ("SEC"). However, more updated and current information is available on the MSHA website. This legislation would remove a duplicative SEC filing. --- [Mark E. Heath](#)

● [EU Investigates Spain's Support for Coal Power Plants](#)

"The European Commission has launched an investigation to assess Spain's 'environmental incentive' for coal power plants. The Commission is concerned the support has been used to meet EU environmental standards that were in any case mandatory."

Why this is important: Spain is in hot water with the European Union for providing 440 million Euros to 14 coal fired power plants to assist in the installation of new filters in 2007. Under EU rules, governments cannot provide financial aid to power companies to meet mandatory environmental standards. According to EU environmental law, the aid provided the Spanish power companies a competitive advantage. --- [Gerald E. \(Gee\) Lofstead III](#)

● [China's Rising Coal Use Defies Forecasts](#)

"China is gradually transforming its economy and patterns of energy consumption, but it may be decades before citizens see

dramatic improvements in air quality, according to a recent report."

Why this is important: While air pollution is an acknowledged problem in China, a greater threat to the ruling Communist party would be a lack of reliable power in its growing economy. China's renewable energy sector will continue to expand, but its fossil fuel-powered generation, including coal and its resulting smog, also will grow as China seeks to respond to increasing energy demand. --- [David L. Yaussy](#)

● [Moscow May Not Comply with Further OPEC Cut](#)

"Oil output from Russia's Sakhalin-1 project is set to rise by about a quarter to 250,000-260,000 barrels per day (bpd) from January, sources with knowledge of the plan said, signaling Moscow may find it hard to comply with an extended OPEC output cut."

Why this is important: As stated in the Oil Supremacy article above, Russia will find it difficult to continue a reduction in oil or gas exports to mirror OPEC demands due to its need for income generated by these resources. Even though our regulatory authorities have been slow to approve the activation of additional oil and LNG export terminals in the continental United States, U.S. exports already are making headway into production supplied by OPEC and other foreign producers. For example, the state-owned Polish Oil and Gas Company Group has signed a five-year contract to import LNG from the Sabine Pass LNG Terminal in Louisiana from 2018-2022 in an attempt to undercut the Russian stranglehold on natural gas supplies to Central and Eastern Europe. These exports are not only healthy to support the price structure of our domestic oil and gas market, but also should serve as an effective foreign relations tool for our federal government to deal with OPEC members and Russia. --- [William M. Herlihy](#)

● [Here's Why Coal Mines Could be Crucial Cogs in the Transition to Renewables](#)

"With renewables, finding reliable ways to store energy is crucial, because sources such as wind and solar do not promise a constant stream of power. If storage solutions can be found, then the transition to renewable sources of energy will be that much smoother."

Why this is important: At first glance, the answer seems obvious - the continued use of coal, a reliable and safe energy source, during a time when new renewables are developed only makes sense. However, in a surprising twist of engineering innovation, a German mining company is working on plans to repurpose a soon-to-close mining facility as an underground pumped hydropower storage system. The design calls for two water reservoirs - one above ground and the other 500 meters underground - with a turbine and pump in-between. Using the classic hydropower concept, the top reservoir would drain through the turbine into the underground reservoir. During periods where energy demand is less, the pumps would pump the water back into the top reservoir. It is anticipated the site would create 200 megawatts of electricity. --- [Gerald E. \(Gee\) Lofstead III](#)

● [China Fires Up Coal Price Stabilization Plan](#)

"China's state planner has called on coal miners and power producers to work more closely together to stabilize prices of the commodity, following wide gyrations over the last year caused by a sector cleanup."

Why this is important: As a dominant player in both world production and consumption of coal, China's command economy has significant influence on world market coal pricing. Because Chinese coal production is driven by government fiat rather than pure market forces, China's ability to immediately ramp up or slow down coal production can have rapid impacts on coal pricing, which in turn can swiftly impact the profitability, and even viability, of coal production in other countries. --- [John C. \(Max\) Wilkinson](#)

● [Is OPEC Dead? Cartel Faces Epic Battle Against Shale](#)

"It's facing a fight for survival as the U.S., once its biggest customer, unleashes record supplies of shale oil and the planet turns to renewable energy. So OPEC is again deploying its most trusted tool: cutting output to push up prices. But whether such tactics

can still succeed is unclear."

Why this is important: Production cutbacks by OPEC and other associated producers are a positive long-term development for our domestic oil and gas industries if the federal government eases restrictions on the export of U.S. oil and LNG. The various shale production fields in the U.S. can produce vast supplies of fuel to compete in the international market so long as the worldwide price of these commodities is sufficiently high. OPEC cutbacks will help increase and stabilize international market prices to the benefit of our domestic oil and gas industry if the federal regulatory authorities allow exports to increase. Cheap and reliable sources of shale oil and gas will rapidly overtake the international export market in which foreign consumers will want to avoid the unpredictable political and social unrest being experienced by many OPEC producers and their non-OPEC counterparts. Again, if our federal government will facilitate increased exports, it will result in a winning situation for both our domestic economy and our foreign relations muscle. --- [William M. Herlihy](#)

EIA Energy Statistics

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

[Monthly Energy Review](#)

[Weekly Coal Report](#)

[Weekly Coal Production](#)

[Weekly Petroleum Status Report](#)

[Heating Oil and Propane Update](#)

[Gasoline and Diesel Fuel Update](#)

[Natural Gas Production in Bakken Region Increases at a Faster Rate than Oil](#)

[Biomass Made Up 2 Percent of U.S. Electricity Generation in 2016](#)

[Wind Turbine Heights and Capacities Increased](#)

If you would like to subscribe to this weekly e-blast or know someone who would, please [email us](#) and we will add you or your acquaintance to the email list.

If you have any energy questions, please feel free to [contact us](#).

This is an attorney advertisement. Your receipt and/ or use of this material does not constitute or create an attorney-client relationship between you and Spilman Thomas & Battle, PLLC or any attorney associated with the firm. This e-mail publication is distributed with the understanding that the author, publisher and distributor are not rendering legal or other professional advice on specific facts or matters and, accordingly, assume no liability whatsoever in connection with its use.

Responsible Attorney: Michael J. Basile, 800-967-8251