



Issue 26, 2018

● [Appalachian Region Looks to Asia to Revive Economic Hopes](#)

"A Thai chemical company and, more recently, its new South Korean partner, are taking halting steps toward building a multibillion-dollar petrochemical plant in eastern Ohio that would 'crack' molecules of ethane, a byproduct of natural gas drilling, into the raw material used to produce plastic products."

Why this is important: The abundance and low price of natural gas liquids ("NGLs"), including ethane, in the Appalachian Basin makes it a prime location for more than the single cracker plant currently planned by Shell Chemical Appalachia in Beaver County, Pennsylvania. Currently, petrochemical plants of this nature are clustered around our Gulf Coast. The increased production of NGLs in the Appalachian Basin potentially could reduce transportation costs of raw NGLs to new cracker plants in the immediate area, reduce the need for the construction of additional large-scale interstate pipelines to carry the NGLs from the Basin to remote processing sites, create a production source of these base materials close to a large proportion of their North American consumers, and create a more cost-effective export source of ethane and other base products for European markets. An additional incentive for the siting of cracker plants in the Basin would be the creation of the Appalachian Storage Hub ("ASH") to stockpile large amounts of these NGL feed stocks in the immediate area. Large scale storage facilities proposed for ASH would provide a consistent supply of such raw materials to future cracker plants at predictable prices. --- [William M. Herlihy](#)

● [Non-Profit Law Firm Sues WVU Over Denial of China Energy Deal Documents](#)

"The firm requested copies of any memoranda of understanding between the state and China Energy between January and November 2017. The firm also sought a list of projects between the state and China Energy, and any other documents related to the China Energy deal."

Why this is important: A public interest law firm has sued the state, requesting details of the Memorandum of Understanding between China Energy and West Virginia. West Virginia University has refused to respond to a Freedom of Information Act request to release relevant documents related to the deal. WVU says the documents should be requested from the WV Commerce Department, but it remains to be seen whether that is a sufficient defense, because WVU has the documents. --- [David L. Yaussy](#)

● [Pa.: Gas Drillers Must Reduce Pollution](#)

"Pennsylvania will begin enforcing tougher air pollution standards on its booming natural gas industry with environmental advocates saying the standards will put the state among the leaders in going beyond federal requirements."

Why this is important: The Pennsylvania Department of Environmental Protection will impose new, more stringent air permitting requirements beginning August 1. The new permits will require shale producers to use more advanced equipment to reduce methane and other pollutant emissions and to check for leaks more frequently along pipelines and connections. Industry representatives have suggested the new permit requirements could cost an additional \$1 million related to compressor/processing

equipment and increase delays in permit approvals. While the new requirements may very well result in legal challenges to the regulations by producers, it is possible the additional costs of regulatory compliance may shift investment dollars to West Virginia and Ohio in the short term. Of course, it is also possible neighboring states will follow Pennsylvania in imposing more stringent standards. --- [Mark D. Clark](#)

● [Coal Groups Dig In to Save Power Plants](#)

"The coal industry is ramping up a campaign this summer to erase the 'bailout' label that has become synonymous with the Trump administration's push to save economically ailing coal power plants, while reinforcing the case for keeping coal in the nation's energy mix."

Why this is important: Coal industry groups are backing a plan still being developed to save coal and nuclear power generation plants likely to close in the next three years due to cheap natural gas prices. The administration has focused on a goal that nuclear and coal plants can keep a 90-day fuel supply on site and its concerns that terrorist attacks on gas pipelines could leave gas plants with no fuel to generate electricity. Among options being discussed by the administration is a three- to five-year tax credit to keep coal and nuclear plants operating while a permanent plan is developed. --- [Mark E. Heath](#)

● [Supplemental Notice: Definition of "Waters of the United States" - Recodification of Preexisting Rule](#)

"The Environmental Protection Agency and the Department of Army have issued a supplemental notice of proposed rulemaking to the July 2017 proposed action to repeal the 2015 definition of 'waters of the United States' (also known as Step One)."

Why this is important: The EPA and Army Corps have issued a supplemental notice about their proposal for repealing the 2015 definition of the "waters of the United States" to reaffirm to the public these federal agencies intend to repeal and replace the 2015 Rule in its entirety. The reconfiguration of this rule is extremely important to both the coal and oil and gas industries because its expansive interpretation has been used previously by these federal agencies to either prevent or greatly increase the expense of various energy-related projects. A more rational definition of WOTUS is necessary to limit its application to those material bodies of water that are consistent with the original intent of this statute and not to hamstring energy and other projects with incidental impacts on water resources. Interested parties have 30 days after the publication of this supplemental notice in the Federal Record to make comments, but those comments previously submitted do not have to be repeated within that 30-day period. --- [William M. Herlihy](#)

● [In Ironic Twist, Drive for Clean Energy Creates Asian Coal Boom](#)

"Coal, one of the world's most polarizing commodities, has now become an Asian irony. Efforts to curb use of the so-called black diamond in the West have been a boon for coal companies in the East, more so now that the benchmark price for thermal coal exceeded \$120 per ton in July, the highest since 2012."

Why this is important: Most developed countries are trying to phase out coal-powered electricity generation, and some European banks are refusing to finance coal-burning power plants. But in Asia, which is rapidly modernizing, there is a need for low-cost electricity, and that is provided by coal. China is willing to finance the plants, and there is abundant coal in the region. The result is increased demand in the Asia-Pacific region, and a rise in coal prices. --- [David L. Yaussy](#)

● [Trump's Trade War is Digging the Coal Industry Into a Hole](#)

"Although Trump's policies have helped boost U.S. coal exports - increasing overseas sales by 60 percent last year to 97 million tons - his confrontational trade policy risks pulling the plug on ambitious plans for U.S. energy expansion by taking an overly tough line with key partners including the European Union and Canada."

Why this is important: President Trump's tariffs and potential trade wars have coal producers concerned they will stymie a booming coal export market if current customers retaliate with tariffs of their own. The U.S. exported 97 millions tons of coal last year, and this has helped greatly to offset lost sales to U.S. coal fired electrical generation plants that have closed recently. New U.S. steel tariffs will impact a number of nations that import U.S. metallurgical coal, including China, Brazil and India. In addition,

there are concerns tariffs also could impact booming steam coal exports to countries such as Vietnam. --- [Mark E. Heath](#)

● [Six Reasons the U.S. Shale Revolution Can't be Duplicated](#)

"Today, unconventional shale gas is about 60% of U.S. production. We have so much natural gas that we'll soon be the world's largest exporter of liquefied natural gas (LNG). Other places, like Argentina, China, Great Britain, Poland and Russia, have significant deposits of shale gas. But don't expect any of them to frack their way into a natural gas boom."

Why this is important: The author identifies reasons other countries aren't likely to duplicate the U.S. shale revolution. Of those, maybe the most important is property rights. In most countries, citizens don't own subsurface minerals. The ability of U.S. citizens to own and lease minerals means the benefits of drilling are shared by more individuals, and those leaseholders become vocal proponents for oil and gas development. There's more incentive to support an idea that puts money in your pocket, as opposed to one that puts a little money in everyone's pockets. --- [David L. Yaussy](#)

● [EIA Energy Statistics](#)

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

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