



Issue 17, 2017

● [Trump Delivers a Mixed Message on His National Security Approach](#)

"In another shift from his predecessor, Mr. Trump's strategy does not recognize the changing climate as a threat to national security. The document instead places climate under a section on embracing 'energy dominance,' and says that while 'climate policies will continue to shape the global energy system,' American leadership will be 'indispensable to countering an anti-growth energy agenda.'"

Why this is important: Significant in the announcement of his administration's national security strategy was President Trump's strong belief that in order to be able to implement his approach to our nation's security, our position must come from having a strong U.S. economy. In particular, the President stated as part of this new strategy that the growth of our armed forces and the utilization of our vast energy resources will be bedrocks of the administration's approach. His focus on rebuilding and upgrading our military could lead to significant growth within industries having military contracts, spurring employment growth not just in those sectors, but in related industries as well. Also, and perhaps even more important for the Appalachian region, is the President's stated desire to make our nation's energy independence an integral part of our nation's security and stating that American leadership will be "indispensable to countering an anti-growth energy agenda." --- [Ryan W. Weld](#)

● [OPEC vs IEA: Who's Right On Oil Prices?](#)

"Last week, the International Energy Agency made a lot of OPEC brows furrow when it warned that 2018 may not be a very happy new year for the cartel. U.S. shale supply, the IEA said in its December Oil Market Report, is set to grow more than OPEC has estimated and this could be the undoing of the production cut that boosted prices this year."

Why this is important: The International Energy Agency's December Oil Market Report opines that U.S. shale production will grow more than OPEC previously reported, as OPEC has a history of underestimating the strength of U.S. shale. Besides the increased U.S. energy production, OPEC is concerned with keeping its production cut agreement in place, as there are rumors that Russia will withdraw from the agreement next June. --- [Gerald E. \(Gee\) Lofstead III](#)

● [The Whole World Is Paying the Price for Cleaner Air in China](#)

"China's war against smog is lifting prices for energy all over the world, according to analysts at Goldman Sachs Group Inc. and the International Energy Agency."

Why this is important: This is the perfect example of the law of unintended consequences. As part of its "Blue Skies" initiative, China is moving away from coal and towards natural gas for power generation. China's increased demand for natural gas will lead to tighter supplies and an increase in global natural gas prices, which in turn drives up the global demand for coal as a less expensive energy alternative. --- [Nicholas S. Preservati](#)

● [U.S. Setting Stage for Solar Trade War with China](#)

"An unreleased White House document offers the strongest hint yet that the Trump administration is laying the groundwork for punitive tariffs on Chinese-made solar power equipment - a step that would promote the President's 'America First' trade agenda while sharply increasing the costs of solar power in the U.S."

Why this is important: China may be dumping solar panels in the U.S., selling them below the cost of production in order to maintain Chinese employment. President Trump may retaliate and impose taxes on Chinese solar panels. That may be good news for U.S. manufacturers of solar panels, but it's bad news for the U.S. installers of solar systems. The influx of cheap Chinese panels has made installation of solar panels more affordable, increasing the number of systems being installed in the U.S. Some of those construction jobs are in jeopardy if prices go up, and fewer solar systems are installed. --- [David L. Yaussy](#)

● [Blame Government, Not the Market, for Dwindling Coal Industry](#)

"Renewable energy advocates free and competitive markets are to blame for coal-fired power plants being replaced by natural gas and wind generation. The problem is, there is no such thing as 'free-market electricity generation,' because electricity markets are warped by a series of state and federal government policies."

Why this is important: This opinion article in *The Hill* examines the causes of the decline in coal and nuclear power generation in recent years and whether they are free market impacts or driven by government policies and subsidies to other forms of power generation. Rather than a competitive free market, the author points out government policies at all levels and tax credits, such as the \$23 credit per megawatt generated to wind, have distorted the energy markets causing an oversupply of power that then favors renewables over coal and nuclear generation. As discussed by the author, when the oversupply ends with growth in electricity demand and the retirement of coal and nuclear generation plants, costs to consumers for their electricity will rise as is now occurring in California. --- [Mark E. Heath](#)

● [Energy Transfer Partners LP: Gets FERC Approval to Commission Phase 1B of \\$4.2bn Rover Pipeline](#)

"The Rover Pipeline is an interstate natural gas pipeline system, designed to transport natural gas from the Marcellus and Utica Shale areas to the U.S. markets and also to the Union Gas Dawn Storage Hub in the Canadian province of Ontario."

Why this is important: Energy Transfer Partners' announcement it has secured approval from FERC to commission Phase 1B of the \$4.2bn Rover Pipeline is a bright spot for the energy sector. The Rover Pipeline is a 713-mile pipeline designed to transport 3.25 billion cubic feet per day of domestically produced natural gas from the Marcellus and Utica Shale production areas. The Rover Pipeline construction will boost local economies in Pennsylvania, West Virginia, Ohio and Michigan. Once construction is complete, the natural gas in these areas will be redistributed back into the U.S. or into Canadian markets leading to lower energy costs down the road. --- [Kelly G. Pawlowski](#)

● [China Aims to Drastically Cut Greenhouse Gas Emissions Through Trading Scheme](#)

"China's top governmental bodies gave their approval to plans for a carbon trading system that will initially cover the country's heavily polluting power generation plants, then expand to take in most of the economy."

Why this is important: There have been several failed attempts to develop a carbon cap-and-trade system in the U.S. similar to what China currently is implementing pursuant to the Kyoto protocol of 1997. In some states, such as in California and the nine-state cooperative known as the Regional Greenhouse Gas Initiative, the effort to implement a market-based carbon trading program has progressed despite the absence of any federally promoted programs. Will China's push to become a global leader in the carbon trading market prompt the U.S. government to reconsider launching its own national market? Although another formal effort remains to be seen, one can guarantee the environmental lobby and its backers will use China's market as fodder in our ongoing national debate. In fact, the drumbeat has already started. Look no further than the quote in this article from Nathaniel Keohane of the Environmental Defense Fund wherein he proclaims the China system to be a "game changer." However, bear in mind that China is still the largest single source of greenhouse gases and has pushed ahead with plans to continue constructing coal-fired plants for its energy hungry population. --- [Travis H. Eckley](#)

● [Gas, Renewables Can Replace Coal with Stronger Rules - NERC](#)

"As coal and nuclear plants retire, new natural gas and renewable power units can safely take their place - provided that regulators and grid managers impose essential operating rules and incentives, the North American Electric Reliability Corp. concludes."

Why this is important: The variability of wind and solar electricity generation - both overproduction and underproduction - require some means of stabilizing power going into the grid. One way to do that is with the steady baseload power from coal and nuclear plants. Natural gas can take over that role of balancing renewables, but only if the gas plants have guaranteed supplies of gas. Appalachia, where gas supplies can be piped directly to power generators, is a perfect place for more gas plants. --- [David L. Yaussy](#)

● [Old Coal Is King Even With New Renewables Record in Germany](#)

"For all the new wind parks, solar farms and hydro plants that will help Europe's biggest economy generate yet another renewable energy record this year, the world's dirtiest power fuel still rules in Germany and sets the price for how much factories are paying for electricity."

Why this is important: Although renewable energy now constitutes a record 38 percent of Germany's power generation in 2017, brown coal remains the largest individual source of power, with fossil fuels making up 49 percent of Germany's power. As Germany has cut its nuclear power in half, from 20 percent to 10 percent of its power generation, the agreement to phase out nuclear power within the next five years has Germany scrambling to meet its power needs, while trying to achieve its promised carbon dioxide reduction goals. --- [Gerald E. \(Gee\) Lofstead III](#)

● [Wastewater Costs Could Slice Shale Gas Profits by a Quarter](#)

"Britain's burgeoning shale gas industry could lose as much as quarter of its profits to high-cost wastewater charges, casting fresh doubt on the economics of fracking."

Why this is important: A University of Edinburgh study estimates the cost of removing brines and chemicals from frack water could cost as much as £100,00 to £1,000,000 per well, and if radioactivity must be removed, such costs would double. For an average well, the study estimates these costs would sap approximately 26 percent of the well's revenues. Treatment technology in the UK lags that in the U.S. according to the study authors. And, if shale gas development expands quickly, one of the study's authors believes it would "pose serious waste management issues" regarding the handling of wastewater, for radioactivity in particular. Industry representatives noted the study authors made no contact with industry to discuss planning and innovation to address these issues. --- [John C. \(Max\) Wilkinson](#)

● [Global Coal Demand to Remain Flat to 2022: IEA](#)

"Coal use in India and other Asian countries is expected to offset declining demand from Europe, the U.S. and China over the next five years, leaving total global coal demand nearly flat, the International Energy Agency said in its annual coal market report."

Why this is important: Declines in the use of coal in the United States in recent years have been offset by increasing coal use in other areas of the world. This article shows that while total world coal consumption is forecast to be flat, that trend will continue, keeping total world coal consumption steady through 2022. That trend should help keep U.S. coal exports at current levels through the same time period. --- [Mark E. Heath](#)

● [Cost, Necessity Concerns Raised in Appalachian's Push to Buy Wind Farms](#)

"Neither of Appalachian Power's two planned wind farm purchases have garnered much support in recent filings with the state Public Service Commission."

Why this is important: Wind power isn't free, and it can cost more for utility ratepayers than fossil-fueled electric generation. AEP is looking at buying wind farms, but only will do that if state regulators will allow it to pass on higher costs of that power to its customers. One key consideration is whether wind power subsidies will continue to be available to offset wind power costs. --- [David L. Yaussy](#)

● [Trump EPA Floats Possible Replacement for Obama Climate Rule](#)

"The replacement would almost certainly be less ambitious than Obama's Clean Power Plan, which envisioned a 32 percent cut in the power sector's carbon dioxide emissions by 2030."

Why this is important: The EPA is not looking to simply repeal the Clean Power Plan. This week the EPA announced it has begun the formal process of considering how the Clean Power Plan should be replaced, and has even sought public comment on what should be included in the replacement plan. By doing so, the EPA is attempting to lower CO2 emissions while preserving the United States' energy advantage and respecting the legal boundaries of the Clean Air Act. --- [Nicholas S. Preservati](#)

● [EIA Energy Statistics](#)

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

[Today in Energy](#)

[Coal Market Report](#)

[Weekly Coal Production](#)

[This Week in Petroleum](#)

[Weekly Petroleum Status Report](#)

[Financial Review of the Global Oil & Natural Gas Industry](#)

[Drilling Productivity Report](#)

[Natural Gas Spot & Futures Prices \(NYMEX\)](#)

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