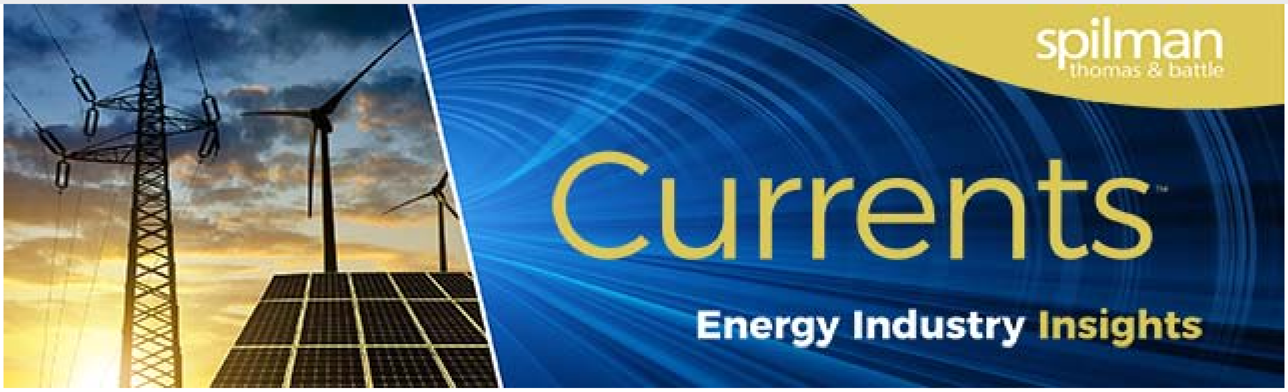

Issue 42, 2018

New York Sues Exxon Mobil, Saying It Deceived Shareholders on Climate Change

"The litigation, which follows more than three years of investigation, represents the most significant legal effort yet to establish that a fossil fuel company misled the public on climate change and to hold it responsible."

Why this is important: The New York Attorney General just filed suit against Exxon under the state's Martin Act, which was named the "worst law in America" by the *Wall Street Journal* earlier this year. Much of the criticism centers on the fact that the "anti-fraud" law does not require the state to actually prove a defendant had the intent to defraud. As a result, critics claim the law can be used unjustly to mete out "arbitrary and unfair" penalties. That concern is amplified in this case because the U.S. Securities and Exchange Commission recently ended its own two-year investigation into the same issues with a determination that no further action against Exxon was warranted. --- Nicholas S. Preservati

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Eagle Ford Shale in South Texas Sees Drilling Comeback

"Oil companies, contending with rising costs and shortages of workers, materials and pipelines in the Permian, are beginning to make new bets on the Eagle Ford's 90 million-year-old shale rock."

Why this is important: Oil and gas development booms, and busts, are usually the focus of headlines and debate fodder for the suitability of the industry in a particular area. However, the rebirth of development in South Texas Eagle Ford shale tells a different story: a story about resilient communities, wiser workforces, and the power of development to raise the tide in productive plays. The resurgence of drilling in South Texas Eagle Ford shale also reveals the competition between different development plays and highlights the importance of ensuring production barriers do not become production blockades. --- Matthew P. Heiskell

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Facing Trump Coal and Nuclear Push, New Energy Panel Chief Swears Off Politics

"New Federal Energy Regulatory Commission Chairman Neil Chatterjee vowed to protect the independent body from political influence as it considers how to handle the growing number of retirements of coal and nuclear plants."

Why this is important: Neil Chatterjee has taken over as the acting Chairman of FERC while Chairman Kevin McIntyre deals with health issues. FERC critics have tried to characterize this temporary replacement as a potential ploy to push the alleged pro-coal and nuclear agenda of the Executive Branch. Acting Chairman Chatterjee has blunted this speculation by clearly stating he will reinforce Chairman McIntyre's support of ongoing pipeline development as well as natural gas exports rather than being distracted by other issues. This is the right direction for FERC to support our growing shale gas economy. --- William M. Herlihy

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China's Coal Addiction

"But despite the country's many efforts, China's consumption of coal is still set to increase over the next decade."

Why this is important: China's coal needs continue to be insatiable. Between 2010 and 2012, China invested in twice as much renewable power as the U.S. But in what the author calls a coal addiction, China will consume 3.4 billion tons of coal this year. Despite numerous efforts to move away from coal, its use is expected to grow to 3.5 billion tons by 2027. Coal-fired generation now produces 65 percent of China's electric power. That need has led to China buying 89 million tons of U.S. coal this year alone. The demand for U.S. coal shows no signs of slowing down. --- Mark E. Heath

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Coal to Liquid Fuel Could Become Much Cheaper

"Eindhoven University of Technology researchers have developed iron-based catalysts that substantially reduce operating costs and open the door to capturing the large amounts of CO2 that are generated for the Coal To Liquid Fuel Process."

Why this is important: Coal-to-liquids plants could make coal a more acceptable fuel by reducing the CO2 generated in its production, and making what CO2 is generated easier to remove and store underground. If this new process takes off, it will be a significant source of power for countries rich in coal, but not in flowable hydrocarbons, such as South Africa. --- David L. Yaussy

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Russia's Latest Geopolitical Power Grab is Going Unnoticed

"According to data from the Center for the Study of Democracy, Serbia imports about 65 percent of its natural gas needs from Russia and more than 70 percent of its crude oil consumption."

Why this is important: Russia is extending its influence over eastern European countries such as Serbia with a combination of investment, political outreach and energy sources. An important component of this influence is the export by Russia of about 65 percent of the natural gas consumed by Serbia. Our government should take notice of the potential to promote the use of LNG exports as an effective source of "soft power" in its international relations. --- William M. Herlihy

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U.S. Coal on Track for Record Capacity Decline, Closing 15.4 Gigawatts

"The Institute for Energy Economics and Financial Analysis currently expects a total of 15.4 GW of coal-fired capacity to close during 2018 - made up of 44 units at 22 plants in 14 states across the United States."

Why this is important: Despite the booming export market, there continues to be large numbers of coal-fired generating plants closing this year. In 2018, 22 plants in 14 states with 15.4 Gigawatts (GW) of generation will close. This number exceeds 2015 when 14.7 GW of coal-fired generation closed due to clean air regulations. The closures are predicted to continue through 2024. It is projected in the coming six-year period, 36.7 GW of coal-fired generation will be shut down--117 units, about 15 percent of U.S. coal-fired generation. The closures are attributed principally to cheap natural gas and the impact of growing renewables such as solar and wind. The author notes in 2017, Iowa and Kansas, in some months, received more than 50 percent of their power from wind turbines. --- Mark E. Heath

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Washington Voters Consider Taxing CO2, Which Could Send Gas Prices Soaring

"Energy analysts in Washington are warning voters that a state ballot measure placing a tax on carbon emissions will likely cause gas prices to skyrocket at a time when oil prices are expected to increase."

Why this is important: States are the laboratories of democracy in the U.S., and Washington State may soon experiment on its own if voters approve a carbon tax increasing gasoline prices more than 14 cents per gallon. This will be an interesting opportunity to find out whether citizens will tax themselves voluntarily to forestall climate change. --- David L. Yaussy

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Germany Moves to Bankroll LNG Plant in Canada to Secure Gas Imports to Europe

"The aim of Berlin's new financial initiative is to ensure that the plant, once operational, would supply the agreed amount of liquefied natural gas to the European market over a term of twenty years."

Why this is important: The willingness of the German government to supply about $4.5 billion in loan guarantees to facilitate the construction of a Canadian LNG export plant demonstrates the growing European market for abundant North American shale gas. This European demand for LNG exports not only reflects the attractive pricing of shale gas, but also the desire to moderate the excessive influence of Gazprom's delivery of large volumes of natural gas to EU markets. The U.S. government should facilitate the permitting of new export facilities for Appalachian shale gas and the development of pipelines to transport this shale gas to existing export facilities. These efforts should be accelerated before this void is filled by other countries. --- William M. Herlihy

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Indian Coal Imports Surge on Domestic Short-Supply

"Shortage of thermal coal supply in India has pushed imports up to 85 million tonnes (mt) in the first half of the current fiscal compared to 75 mt logged in the same period last year."

Why this is important: Coal news from India continues to present opportunities for U.S. coal producers in the export market. In the first half of this year, India imported 10 million more metric tons than 2017, for 85 million metric tons. These thermal coal demands have led to a 25 percent increase in prices. The need appears likely to continue because while Coal India increased its production by 10.6 percent, this domestic coal was still not enough to meet the country's energy demands. --- Mark E. Heath

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GM Turns the Tables in EV Proposal

"General Motors, facing the imminent expiration of its U.S. tax credits for electric vehicles, is now pushing for a federal mandate to keep the momentum going."

Why this is important: GM is opposing Trump's proposed freeze on auto fuel standards, and instead is proposing car companies be mandated to sell more electric vehicles. This plays to GM's strengths, including development of electric vehicles and autonomous ride-hailing taxi services. It will be interesting to see whether GM and similar car manufacturers that will risk prestige and capital on electric car development will prevail against companies that are more committed to the economically safer, short-term path of further refining and improving gas-powered vehicles. --- David L. Yaussy

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Four Pennsylvania Counties Can Supply All the Gas Germany Needs!

"Four counties in Pennsylvania-Bradford, Greene, Susquehanna and Washington-can supply all the natural gas needed by Germany."

Why this is important: The sheer volume of shale gas produced in the Appalachian Basin is astounding. If the potential production is placed in line, then our region could supply not only all of our current domestic energy needs, but also have an abundant export surplus. This is a major reason the U.S. government should facilitate the permitting of new export facilities and the development of pipelines to transport shale gas to existing export facilities. Such an effort would benefit both our domestic economy as well as strengthening our relationships with European and Asian markets for LNG. --- William M. Herlihy

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Top Climate Scientists Warn Governments of 'Blatant Anti-Nuclear Bias' in Latest IPCC Climate Report

"'The anti-nuclear bias of this latest IPCC release is rather blatant,' said Kerry Emanuel, a climate scientist at the Massachusetts Institute of Technology, 'and reflects the ideology of the environmental movement. History may record that this was more of an impediment to decarbonization than climate denial.'"

Why this is important: Currently, nuclear power is the best option for providing large amounts of reliable, base-load, no-carbon electricity. Environmentalists are split on whether to encourage its development, or wait for something better to come along, such as better energy storage for renewables. At present, the anti-nuclear greens are in ascendance, but there is a dedicated contingent pushing back and openly advocating for nuclear power. If they succeed, we could see reduced regulations on nuclear plants and streamlined future approvals. --- David L. Yaussy

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EIA Energy Statistics

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

PETROLEUM

This Week in Petroleum

Weekly Petroleum Status Report

NATURAL GAS

Short-Term Energy Outlook - Natural Gas

Natural Gas Weekly Update

Natural Gas Futures Prices

COAL

Short-Term Energy Outlook - Coal

Coal Markets

Weekly Coal Production

RENEWABLES

Short-Term Energy Outlook

Monthly Biodiesel Production Report

Monthly Densified Biomass Fuel Report

What are your areas of interest? If there are particular industries or issues that you would like to hear about, email us! We have a large number of attorneys willing to weigh in on the issues that impact you and your business.

If you would like to subscribe to this weekly e-blast or know someone who would, please email us with contact information and CURRENTS in the subject line. We will add you or your acquaintance to the email list.

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