



Issue 16, 2017

● Virginia Agency Takes Unexpected Step that Could Delay Gas Pipeline Project

"The State Water Control Board approved permits for the \$5 billion Atlantic Coast Pipeline, which is backed by Dominion Energy, but took the unusual step of delaying the effective date until several environmental impact reports are completed."

Why this is important: The West Virginia Department of Environmental Protection recently waived its authority to certify water permits in West Virginia for the Atlantic Coast Pipeline ("ACP") under the Clean Water Act, clearing a significant hurdle towards construction in West Virginia. Last week, Virginia's Water Control Board issued a water permit/certification for the Mountain Valley Pipeline, similarly moving the project forward in Virginia. However, in an unexpected move, the Virginia Water Control Board voted 4-3 to condition its approval to issue water permit/certification for the ACP upon the review of several different environmental studies. Those studies will not be done until March or April of 2018. Dominion planned to begin construction on the ACP in Virginia in 2017. As a result of the Virginia Water Control Board's decision, construction will not begin on the ACP until at least as early as spring 2018. --- [Matthew P. Heiskell](#)

● FERC Commissioner Cautious on "Lifeline" to Coal and Nuclear

"A top energy regulator downplayed his goal of throwing a near-term 'lifeline' to struggling coal and nuclear power plants during a conversation with Axios' Amy Harder. Neil Chatterjee, a member of the FERC, said he was still looking to do that, but emphasized that his 'first priority' was a longer term analysis of grid resilience."

Why this is important: The FERC commissioner's comments are important in that they emphasize the difficulty presented by DOE Secretary Perry's request (to FERC) to identify a solution that could have the effect of subsidizing certain electric supply resources to the detriment of others within competitive wholesale power markets. In turn, that type of solution would ultimately affect end-use consumer retail rates and prices for electricity. Some would argue it is most prudent for FERC to be deliberate in sorting through this issue and its potential ramifications on both electric suppliers and consumers. --- [Derrick Price Williamson](#)

● Analysis: China, Global Steel Mill Spreads Strong Into Year End

"Global indicators of operating margins at steel mills look strong across the board into the end of the year, as increases in steel prices have kept up with volatile iron ore, coking coal and scrap costs, according to S&P Global Platts analysis and data."

Why this is important: The perception is that coal is becoming less important because it is being replaced as a fuel source by natural gas and renewables. What is often overlooked is that metallurgical coal is an integral part of the steel making process. The financial stress on coal companies over the past five years was as much a result of low steel prices as it was the result of low natural gas prices. A strong global economy results in more construction, which requires more steel. As the economy improves and steel prices rise, so too do the price and demand for metallurgical coal. --- [Nicholas S. Preservati](#)

● Small Earthquakes at Fracking Sites May be Early Indicators of Bigger Tremors to Come, Say Stanford Scientists

"These small earthquakes may act like canaries in a coalmine," said study co-author William Ellsworth, a professor (research) of geophysics at Stanford's School of Earth, Energy & Environmental Sciences."

Why this is important: It has been acknowledged that injecting oil and gas wastewaters into underground injection control wells can trigger earthquakes, but the same has not been true of the smaller and more temporary injection of fluids and proppant during fracking. This study purports to establish the connection between fracking and mini-earthquakes, which the researchers believe could lead to larger quakes. --- [David L. Yaussy](#)

● Saudis Said to Plan 80 Percent Gasoline Price Increase in January

"Saudi Arabia plans to raise domestic gasoline and jet fuel prices in January, part of a program to gradually eliminate energy subsidies as the kingdom seeks to overhaul its economy and balance the budget, according to a person with knowledge of the matter."

Why this is important: The Saudi government running a budget deficit seems unthinkable to the West. However, the ongoing energy glut and resultant lower oil prices have forced the government to gradually reduce domestic energy subsidies in an effort to balance the budget. This decision is part of the larger economic and government reform including the much publicized anti-corruption reforms announced within the last few months. The subsidy elimination is gradual, with gasoline prices reaching international levels between 2023 and 2025. Jet fuel prices will increase to international levels immediately. --- [Gerald E. \(Gee\) Lofstead III](#)

● ING to Stop Funding Utilities Which Rely Too Much on Coal

"It will, however, continue to help companies with renewable energy projects and also support new clients whose reliance on coal is less than 10 percent as long as they have a strategy in place to cut that to close to zero by 2025."

Why this is important: While ING's announcement appears to be bad news for utilities that rely on coal, it may be more window-dressing than anything. ING is obligated to make decisions that are in the best financial interests of its shareholders. By announcing it will stop funding power plants that rely on coal for more than five percent of its energy by the end of 2025, ING has given itself seven years to determine whether renewable energy is in fact a financially viable alternative. --- [Nicholas S. Preservati](#)

● Bitcoin Mining on Track to Consume All of the World's Energy by 2020

"A network that underpins the virtual currency bitcoin is projected to require all of the world's current energy production in order to support itself within three years, according to estimates."

Why this is important: The headline is an exaggeration, of course - bitcoin mining won't use all the world's energy in two short years. But, it does remind us bitcoin is generated by users who dedicate huge amounts of computer power to solve mathematical puzzles, and the rise in bitcoin prices has made mining bitcoins a more profitable endeavor. The result is likely to be spike in electricity usage, at least until the bitcoin bubble bursts. --- [David L. Yaussy](#)

● World Bank to Stop Financing Oil and Natural Gas Exploration, Extraction Projects from 2019

"However, the World Bank said that under exceptional circumstances it would consider funding upstream gas projects in the poorest of the countries 'where there is a clear benefit in terms of energy access for the poor and the project fits within the countries' Paris Agreement commitments'."

Why this is important: The announcement was made in Paris at the One Planet conference that was organized to celebrate the second anniversary of the 2015 Paris climate treaty. Although unclear, the author seems to link the World Bank announcement to the U.S. withdrawal from the Paris climate treaty. --- [Gerald E. \(Gee\) Lofstead III](#)

● [Austrian Gas Hub Explosion Rattles Europe's Energy Markets](#)

"Natural gas and power prices jumped in Europe after an explosion at one of the continent's biggest gas hubs further tightened supplies during a cold snap."

Why this is important: The disruption to gas supply and the immediate impact on pricing underscores both the vulnerability of gas infrastructure and the potential price volatility such vulnerability creates. This incident, the cause of which is still being investigated, makes clear the lack of redundancy in supply lines is a major issue to be resolved before predictable base line supply and end user access can be ensured. This event may also highlight this infrastructure's vulnerability to targeting from terrorist cells in virtually any country, who might seek to cause energy supply and economic disruption. --- [John C. \(Max\) Wilkinson](#)

● [Sunshine State Lags on Solar Power, Doubles Down on Natural Gas](#)

"The irony is rich. The Sunshine State taps the sun for less than half a percent of its electricity while making two-thirds with natural gas - a fuel that Florida must pipe in from other states."

Why this is important: The author finds it ironic that Florida, the Sunshine State, is building more natural gas-fueled electric generating capacity than solar powered capacity, but it is just supply and demand at work. Until battery storage becomes more effective and affordable, photovoltaics can only provide peaking power during the 10 or so hours each day that the sun is at the right angle to generate significant power. To run air conditioning, or light Disney World at night, will require continued reliance on gas generators and other base load sources. --- [David L. Yaussy](#)

● [Exxon to Provide Details on Climate-Change Impact to Its Business](#)

"The largest U.S. oil and gas producer said in a filing to U.S. securities regulators that its board agreed to provide shareholders with information on 'energy demand sensitivities, implications of two degree Celsius scenarios, and positioning for a lower-carbon future.'"

Why this is important: While the substance of Exxon's disclosure will be meaningful, the more important fact is the disclosure moves Exxon one step closer to the activists' end game. It is a certainty that some shareholders and activists will take issue with the substance of Exxon's disclosure. The likely result will be a lawsuit based upon the alleged harm to shareholders resulting from Exxon's failure to properly acknowledge the effects of climate change on the company's business plan. --- [Nicholas S. Preservati](#)

● [Trump Supports Pruitt's Plan to Question Science](#)

"President Trump has privately said he supports a public debate to challenge mainstream climate science, according to administration officials. But there's infighting about how it should occur - if at all."

Why this is important: If the Trump administration allows Administrator Pruitt to critically review the science behind climate policy, it is possible the agency could find sufficient grounds to reverse its endangerment finding upon which EPA based its authority to regulate CO2 in the first place. Critics of climate change orthodoxy have long held that, contrary to the claims of many academics, environmentalists, and regulatory bureaucrats, the science behind anthropogenic climate change is anything but settled, and nowhere near as compelling as its advocates contend. --- [John C. \(Max\) Wilkinson](#)

● [EIA Energy Statistics](#)

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

[This Week in Petroleum](#)

[Short Term Energy Outlook - Coal Section](#)

[Coal Markets](#)

[Short Term Energy Outlook - Natural Gas Section](#)

[Short Term Energy Outlook - Renewables Section](#)

[Weekly Coal Production](#)

[Natural Gas Futures Price](#)

[WTI Crude Oil Futures Price](#)

[Natural Gas Inventories](#)

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