



Issue 5, 2018

● [Trump Official Tells Coal Group He's 'an Advocate for the Coal Industry'](#)

"The good news is I'm with the federal government and I'm here to help," Doug Matheney, a special adviser in the Energy Department's Office of Fossil Energy, said at the West Virginia Mining Symposium, according to S&P Global."

Why this is important: Mr. Matheney's admission that he is an advocate of the coal industry is garnering criticism from those who believe a federal official should not be publicly supporting the fossil fuel industry. What is ignored is the fact that Mr. Matheney works for the U.S. Department of Energy's Office of Fossil Energy. Accordingly, his office is tasked with developing "innovative technologies that enable the reliable, efficient, affordable, and environmentally sound use of fossil fuels," which includes coal. In addition to the Office of Fossil Energy, which is focused on coal, oil and natural gas, there is also a Department of Energy office advocating the use of nuclear energy and a Department of Energy office advocating the use of renewable energy. In fact, the stated mission of the Office of Nuclear Energy is to "advance nuclear power as a resource capable of meeting the nation's energy, environmental, and national security needs." Mr. Matheney's comments are not inappropriate. Just as a representative from the Office of Nuclear Energy would be expected to advocate for nuclear energy, a representative from the Office of Fossil Fuels should be expected to advocate for fossil fuels. --- [Nicholas S. Preservati](#)

● [Coal Bites Back in China Amid Supply Worry](#)

"In the latest reminder that coal still dominates the world's biggest energy consumer, Chinese power producers are warning of supply tightness while one northern province plans to pause switching homes and industries to natural gas to avoid further heating shortages."

Why this is important: Four of China's largest power generators have declared an "emergency" regarding coal supplies to its national economic planning authority. China's efforts to limit the coal supply in 2016 led to price volatility and supply shortages. China has directed its coal producers to take fewer days off and has relaxed restrictions on imports. The pause in converting coal to gas both further tightens coal supplies and creates the potential for short-term risks for gas distributors. --- [John C. \(Max\) Wilkinson](#)

● [BP Makes \\$5 Million Bet on Electric Vehicles](#)

"BP said it invested \$5 million in FreeWire Technologies, a U.S. company that makes charging stations for electric vehicles. BP's plan is to bring the charging units to retail service stations in the United Kingdom and Europe throughout the year."

Why this is important: British energy company BP has invested \$5 million in FreeWire Technologies, a California-based company that makes charging stations for electric vehicles. The investment was based upon BP's belief mobile fast charging technology will be a fueling option needed to address the future of lower carbon mobility. It was made possible due to the new corporate income tax reduction. Two million electric vehicles were on the road globally last year, with most of those in China, the EU and the U.S. BP's announcement came after Exxon Mobil committed tens of billions of dollars to the U.S. shale oil sector, also in response to the new corporate income tax reduction. As more large corporations are realizing the benefits from the income tax

reduction, opportunities for investments and expansions in various energy sectors that may not have been feasible previously will become a reality. --- [Lisa M. Hawrot](#)

● [Time to End Quixotic Opposition to American Energy](#)

"But perhaps the most puzzling question is why the opponents of U.S. energy are so eager to please Russian Federation President Vladimir Putin and Russia itself, in light of the favor they are doing Putin and Russia by helping keep energy prices high - thus financing what some see as our most dangerous enemy."

Why this is important: For many years Russian and, to a lesser extent, Saudi oil and natural gas have controlled the European market for energy. This dominance has not only taxed our allies' economies, but also influenced their positions about foreign relations. If properly managed, our shale gas and oil production could not only enhance domestic prosperity, but also reduce the stranglehold of Russia and Saudi Arabia on Europe, hence strengthening their economies and relationships with the United States. The first step is to loosen environmental and other limitations on the export of oil and LNG to European and other nations. This effort also would involve some federal engagement of environmental movements that are simply against the use of any sort of fossil fuels regardless of their benefit. Opening up United States exports of gas, oil and NGLs would not only be beneficial domestically, but also serve as an effective tool in our foreign relations. --- [William M. Herlihy](#)

● [Shell: We Will Go from "Big Oil into Big Energy"](#)

"In the medium term, Shell is betting big on gas, despite the fact that environmentalists argue is it no solution to climate change."

Why this is important: Royal Dutch Shell has announced it intends to use some of its recent higher profits to move from Big Oil to Big Energy. The authors of this article believe this is too little, too late, and Shell, like the other majors, is going to be stuck with stranded assets in the form of hydrocarbon reserves that no one will want as the world turns to renewables. However, it's a little early to count out fossil fuels, which are going to be the key component of energy supply for the foreseeable future. --- [David L. Yaussy](#)

● [West Virginia PSC Includes Conditions in Pleasants Power Station Order](#)

"According to a news release issued by the PSC, the conditions include requiring limitations on the costs to customers, limitations on the recovery of closing costs if the plant is retired early and protecting against costs related to prior operations of the plant or problems with the McElroy's Run Impoundment and Dam."

Why this is important: The West Virginia Commission has approved a transfer of the Pleasants Power Station from AE Supply to its affiliate Monongahela Power subject to specific conditions designed to protect West Virginia ratepayers. In recent weeks, the Federal Energy Regulatory Commission rejected the proposed transaction because of subsidy concerns, and the transfer requires both federal and state-level approval. To date, FirstEnergy, the parent company of AE Supply and Mon Power, has not indicated whether it will seek rehearing at the FERC (it must do so by February 12) or if it will accept the conditions proposed by the West Virginia PSC. --- [Derrick Price Williamson](#)

● [Natural Gas Production Expected to Surpass Consumption](#)

"Natural gas production is expected to exceed domestic consumption over the next two years, something that has not happened in more than half a century, according to the U.S. Department of Energy."

Why this is important: Natural gas production is expected to exceed domestic consumption over the next two years. Typically, an oversupply of natural gas is not good for the industry as it tends to drive down prices. However, additional gas-fired power generation is anticipated to cause an increase in demand. In addition, the construction of several major transmission pipelines will allow companies to transport gas to areas outside of the production zone in order to fulfill current demand. --- [Kelly G. Pawlowski](#)

● [U.S. Cities Most Menaced by Climate Change are Least Energy-Efficient](#)

"Miami and other U.S. cities most at risk from disasters exacerbated by global warming are also among those whose high energy consumption is fueling temperature rise, data from clean-energy company Arcadia Power showed."

Why this is important: Energy consumption per household in cities that are allegedly threatened by climate change is higher than in cities that are not as threatened. They include cities like Miami, Atlanta and Phoenix, where one would assume high rates of air conditioning contribute to the higher overall power demand. It's air conditioning that made the South more attractive to industry and internal U.S. migration, and it's unlikely those cities will be in a hurry to ask residents to sweat in order to fight something as uncertain as climate change. --- [David L. Yaussy](#)

● [U.S. Northeast Crackers Offer Market Advantages but Higher Capex](#)

"Total construction costs for a U.S. Northeast cracker project are estimated to be about \$197 million higher than for U.S. Gulf Coast projects, however the cost benefits of being close to the feedstock supply and the downstream customers may even this out, according to Petrochemical Update's U.S. Ethylene Complex Construction Costs Data 2018-2020 report."

Why this is important: The continuing surge in the production of natural gas liquids in the Appalachian Basin will require additional refining capacity if its benefit as value-added products is to be retained in the domestic market. The logical sites for any such facility would be an additional plant on the Gulf Coast, an additional plant on the Northeastern coast or a new facility in the Appalachian Basin. The Gulf Coast alternative would create redundant capacity as well as subject it to the uncertainties of concentrated transportation demands and distance from new supply sources. A Northeastern coast facility would be crippled by permitting problems as well as high-cost labor and materials. The proximity to abundant gas liquid supplies, the nearby markets for the value-added products, low labor costs and competitively priced construction materials make an Appalachian Basin processing facility the most attractive alternative. In addition, an interior processing facility would avoid the catastrophic weather conditions and disruptions in supply chains that have plagued both the Gulf and Northeastern coasts. --- [William M. Herlihy](#)

● [Oil Boom Gives the U.S. a New Edge in Energy and Diplomacy](#)

"A substantial rise in oil prices in recent months has led to a resurgence in American oil production, enabling the country to challenge the dominance of Saudi Arabia and dampen price pressures at the pump."

Why this is important: OPEC's program to raise oil prices by cutting production has spurred the revival of the shale boom in the U.S. In 2018, the U.S. is expected to surpass Saudi Arabia and to rival Russia as the world's oil output leader. Coupled with the U.S. boom in natural gas exports to Europe, reliance on Russian oil and natural gas by European countries is decreased. Another major positive consequence of increased American energy independence is U.S. foreign policy decisions can now be made without the shackles caused by concerns about effects on imported oil and gas, and possible retaliation by OPEC members and other oil producing countries. --- [Gerald E. \(Gee\) Lofstead III](#)

● [Coal Firms Plead to Courts, Trump for West Coast Export Terminals](#)

"Coal producers filed two recent lawsuits against governments in Washington state and California challenging local decisions to block port projects on environmental grounds. The industry is also lobbying the Trump administration to override the local bans."

Why this is important: West Coast coal terminals could provide a vital boost in exports to lucrative Asian coal markets. Exports of U.S. coal production remain critical as U.S. utilities continue to shift from coal to gas and alternative fuels for powering the electrical grid. The lawsuits are a gamble however, as courts generally have tended to opine that local authorities have the right to determine facility siting decisions. The West Coast's left-leaning populace has successfully opposed previous coal terminal plans in their region. --- [John C. \(Max\) Wilkinson](#)

● [PetroChina Says Profit May Triple Amid Cost Cuts, Higher Oil](#)

"PetroChina Co., the country's biggest oil and gas producer, forecast that full-year profit rebounded off a record low and may have tripled amid cost cutting and higher energy prices."

Why this is important: It's not just American shale drillers that tightened their belts during the recent oil and gas price

downturn, and are now reaping higher profits as prices rise. PetroChina is reporting the same results. As other nations (e.g., the UK) explore tight-formation drilling, they will come into the game taking advantage of the lessons already learned in the U.S. and China about low cost operation. --- [David L. Yaussy](#)

EIA Energy Statistics

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

OIL

[U.S. Monthly Crude Highest Since 1970](#)

[WTI Crude Oil Futures Price](#)

[Crude Oil Inventories](#)

[Company Level Reports](#)

[Monthly Crude Oil Report](#)

NATURAL GAS

[Natural Gas Monthly](#)

[Natural Gas Futures Price](#)

COAL

[Coal Markets](#)

[Weekly Coal Production](#)

[Monthly Energy Review - Coal Section](#)

RENEWABLES

[Monthly Biodiesel Production Report](#)

[Monthly Energy Review - Renewables Section](#)

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