



Issue 26, 2019

● [Oil Drops More Than 3% After State Secretary Pompeo Says Iran Is Ready To Negotiate About Its Missile Program](#)

"Oil prices turned lower on Tuesday, falling by about \$2 a barrel as U.S. President Donald Trump said progress has been made with Iran, signaling tensions could ease in the Mideast."

Why this is important: The price of oil is extremely sensitive to geopolitical disputes that have the ability to affect supply. Prices of oil decreased in the short-term on news that the Trump administration was engaging Iran to settle disputes. Oil stocks likely will decrease short-term commensurate with the drop in oil prices. Nonetheless, the long-term impact on prices is hard to determine as hostilities continue despite signals coming from Washington. --- [Bryan S. Neft](#)

● [State Court Finds Butler County Township Zoning Ordinance Allowing Drilling Does Not Violate Environmental Rights Amendment](#)

"On July 2, Commonwealth Court issued a memorandum opinion holding the decision of Butler County Common Pleas Court to deny an appeal of a zoning permit allowing gas drilling in a residential-agricultural zoning district pursuant to the Middlesex Township zoning ordinance does not violate the Environmental Rights Amendment to the state constitution."

Why this is important: In 2014, Middlesex Township, in Butler County, enacted Ordinance 127 that allowed regulated oil and gas development in particular zoning districts. Pursuant to the ordinance, the Township permitted limited oil and gas development. Delaware Riverkeeper Network, among others, challenged Ordinance 127 and the development. In 2017, the Commonwealth Court rejected the challenge, but in 2018 the Pennsylvania Supreme Court vacated the decision and ordered the Commonwealth Court to re-hear the matter considering recent decisions interpreting Pennsylvania's Environmental Rights Amendment. In June, after re-hearing, the Commonwealth Court (again) ruled that Ordinance 127 was permissible, even when considering Pennsylvania's Environmental Rights Amendment, noting that the Township's history is "steeped" in oil and gas development since the mid-nineteenth century. Nonetheless, the litigation yo-yo and heightened scrutiny of local regulation of the oil and gas industry demonstrates that a producer, landowner and even local regulating agency must ensure that they "kiss the ERA stone" by considering current ERA applications and interpretations. --- [Matthew P. Heiskell](#)

● [U.S. Sees Rare Fall In Energy-Related CO2 Emissions In 2019](#)

"The decrease in coal-derived energy in favor of natural gas-derived energy has the Energy Information Administration (EIA) forecasting that the CO2 emissions in the United States will fall in 2019, according to a new report by the agency on Monday."

Why this is important: CO2 levels in the U.S. are forecast to fall in 2019, due to substitution of natural gas for coal as fuel in the electricity generating sector. It sets up a scenario where, once again, the United States would be a leader in CO2 reductions, even though it has dropped out of the Paris Accords. Other countries, such as Germany, are having difficulties meeting aggressive targets for greenhouse gas emission reductions, as they look to close out their nuclear fleet and rely on coal for baseload power. -

● [China June Coal Output Hits Record High As Miners Ramp Up Ahead Of Summer](#)

"The world's top coal producer churned out 333.35 million tonnes of coal in June, up 6.7% from May and up 10.4% year-on-year, data from the National Bureau of Statistics showed."

Why this is important: China's state planner and energy administration have asked miners to step up production of high-quality coal to meet increasing summer demand for electricity. Recently, Beijing has been approving new coal mining capacity and coal-fired power generation has increased 0.1 percent from a year ago after two months of year-on-year declines. With new capacity coming on line, coal prices on the Zhengzhou Commodity Exchange are around \$84.81 a ton, down almost 5 percent from a two-month high in mid-June. Despite Beijing's push to promote clean energy, China's enormous need for energy means its demand for coal continues to be high. Some experts fear, however, this increased production is creating a glut of the fuel in the world's top consumer of the commodity. --- [Dennise R. Smith](#)

● [U.S., China Will Be World's Biggest LNG Exporter And Importer In 2024 - IEA](#)

"The United States and China will become the world's biggest liquefied natural gas (LNG) exporters and importers, respectively, in five years, according to projections by the International Energy Agency (IEA). U.S. LNG exports are expected to rocket to over 100 billion cubic meters (bcm) in 2024, dislodging current market leaders Australia and Qatar, Jean-Baptiste Dubreuil, senior natural gas analyst at IEA, said."

Why this is important: China has become a major consumer of U.S. exports of LNG. Cheap shale gas is a natural candidate to supply increased LNG sales to both Asia and Europe. Reducing environmental and regulatory roadblocks to the construction of new LNG export terminals on both our East and West coasts should be a major component of our federal and state energy policies. --- [William M. Herlihy](#)

● [Kentucky Coal Company Files For Bankruptcy](#)

"Blackhawk Mining says in a release that the restructuring will allow it to eliminate more than 60 percent of its debt. The company has 10 mining complexes and mines metallurgical coal, which is used in the steelmaking process."

Why this is important: Blackhawk Mining, which employs 2,800 miners in Kentucky and West Virginia, has announced plans to file for a Chapter 11 Reorganization in Delaware. The coal company, which mines significant amounts of metallurgical coal, announced it has agreements with 90 percent of its lenders to eliminate 60 percent of its debt. The company expects the process to take 60 days and will allow the company to be more competitive in the U.S. and world coal markets. The majority of U.S. coal producers have gone through bankruptcy in the past few years amid significant changes in U.S. and world coal markets. --- [Mark E. Heath](#)

● [U.S. Oil Makes It To Ukraine, A Blow To Moscow](#)

"U.S. crude exports are gaining traction in Europe as even Ukraine turns into a significant consumer of American barrels at the expense of Russian supplies amid heightened U.S. political pressure on Moscow and problems over contaminated Russian oil."

Why this is important: Ukraine received its first shipments of United States crude oil this month at the expense of Russian sales and in some respect due to U.S. political pressure on Russia. The U.S. oil shipment arrived through the Bosphorus Strait, while Russia has difficulty exporting oil through the same avenue due to congestion. Recently, U.S. oil is seen as a reliable alternative to oil that Ukraine can procure from Russia. Countries are looking to the U.S. as an alternative source because of risks associated with Russian crude, including international sanctions and contaminated product. --- [Bryan S. Neft](#)

● [There's Still Life In Coal](#)

"At first sight, it might look like the final nail is being firmly driven into the coffin of one of the world's most polluting fuels. However, appearances can be deceptive. The declining level of global imports would still be the second highest since our records began in 2000, and only slightly below 2018's peak of 1.027bn tonnes. The 40pc price fall since July does not seem as significant when one considers it was measured from a seven-year high."

Why this is important: While international coal prices have fallen sharply over recent months, those decreases were due to increasing supply of coal rather than a declining demand. Overall, experts expect to see a global surplus of 24m tons of thermal coal in 2019. While the declining level of global imports would be the second highest since 2000, China and Southeast Asia's demand for steam coal will continue to drive the market. European imports are expected to be at a new low in 2019 due largely to the sharp drop in coal-fired power generation caused by competition from natural gas. "One of the biggest uncertainties on the supply side is the speed and the scale of the potential drop in US exports in 2019," as almost all U.S. coal mines are operating below their cash cost of production. Despite the decrease in international coal prices and a predicted fall in coal exports, there is still solid demand supporting the international coal market. --- [Dennise R. Smith](#)

● [USCG & Liquefied Gas Cargoes As Marine Fuel](#)

"With advancements in technologies and the significant growth of U.S. liquefied gas export markets, Coast Guard examiners are seeing a new trend on vessels carrying liquefied petroleum gas (LPG) and ethane; these vessels are using their cargoes as fuel during ocean transits."

Why this is important: The tankers that transport liquefied natural gas (LNG) are using their cargo to power the ships, something that requires Coast Guard approval in U.S. waters. This demonstrates the flexibility and utility of LNG, which is seeing a large increase in demand, given its ease of use, the extensive global natural gas oversupply, and development of competing offloading and onloading facilities that make it an attractive fuel source for a host of applications. --- [David L. Yaussy](#)

● [Queensland Coal Exports Set New Record](#)

"Queensland's resources sector continues to underpin the economy and regional jobs after coal exports set a new State record with 21.43 million t of metallurgical and thermal coal exported in June said the Queensland Resources Council (QRC)."

Why this is important: Coal mining continues to be the major driver of Australia's Queensland economy. The state produced a record 21.43 million metric tons of thermal and metallurgical coal in June, up 11 percent from 2018. A good portion of that coal is exported to Asia. Coal mining provides 215,000 jobs in Queensland and produces \$12 million (AUS) a day in royalties for the government. The state produces \$190 million (AUS) a day in coal, oil and gas and other minerals to be exported. That is why Queensland remains a major force in the world export markets. --- [Mark E. Heath](#)

● [China's Caofeidian Port Halts Custom Declarations For Seaborne Coal: Sources](#)

"Caofeidian port in northern China has halted custom declarations for all coal imports effective July 16, which is being interpreted by the market as a signal of a further tightening of import curbs, market sources said Tuesday."

Why this is important: Northern China's Caofeidian port has halted custom declarations for all coal imports effective July 16, according to sources at three major Chinese steelmakers. The port restrictions are targeting both thermal and metallurgical coals from all origins, a measure imposed after Chinese authorities deemed the total volume of coal imported over the first half of 2019 to be greater than desired. And market sources said clearance times at Qingdao and Fangcheng ports were increasing. Just today, it was reported Ports in Guangxi in southern China and Jingtang port have halted custom declarations for all coal imports effective July 22. The move is seen as a signal that the country is further tightening its grip on coal imports, which would negatively impact U.S. coal exports. --- [Dennise R. Smith](#)

● [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

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