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## Issue 28, 2020

### ● [Chevron's Patience Pays Off with Bargain Deal for Noble Energy](#)

*"Like Anadarko, Noble is also a major player in the oil-rich DJ Basin of Colorado, as well as the oil-rich southwestern piece of the Eagle Ford Shale region."*

**Why this is important:** At the time that Occidental Petroleum and Chevron were battling over Anadarko in 2019, Noble's stock was selling just under 3 times its current level, so offering a similar premium to Noble's shareholders last spring would have likely cost Chevron +/- \$10 billion more than last week's strike price. This appears to validate Chevron's "cost and capital discipline" approach as captured in this article. As Chevron's interest in Anadarko was likewise an expression of interest in a relatively diverse array of independent producer assets, here Chevron will acquire interests in the Permian and DJ Basins as well as a corner of the Eagle Ford Shale. And Noble's holdings in West Africa and the Eastern Mediterranean may well better complement Chevron's current footprint. --- [Michael J. Basile](#)

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### ● [Engineers Look to Improve Carbon Dioxide Storage in Coal Reserves](#)

*"The horizontal well system will be installed at approximately 50 m below the surface at the facility, enabling the team to pump between 1 - 10 t of CO2 into the coal seam throughout the project."*

**Why this is important:** European researchers are looking into storage of carbon dioxide in coal seams at much shallower depths than most recent attempts in the U.S. Most U.S. research has centered on very deep injection of CO2 into limestone deposits as deep as 5,000 feet. Researchers from Cardiff University are planning to inject 10 million tons of CO2 about 150 feet below the surface into a coal mine in Poland and then study where the gas goes. The future of increased consumption of coal for electric generation depends on an economical CO2 capture system. To date, that goal has been elusive and uneconomical. - -- [Mark E. Heath](#)

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### ● [A Unanimous FERC Decision Saves Net Metering, but Its Future Remains Uncertain](#)

*"Submitted in April by a secretive group calling themselves the New England Ratepayers Association, the petition raised alarm bells across the solar industry, with some actively questioning whether FERC's response to the petition would be a fait accompli."*

**Why this is important:** Net metering allows homeowners to be paid for the excess electricity they generate from their solar panels. It encourages installation of solar panels, but it transfers some of the cost of operating the electric grid to other customers. The Federal Energy Regulatory Commission is continuing to allow net metering for now, but many states are pulling back on net metering programs due to fairness and grid reliability concerns. --- [David L. Yaussy](#)

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## ● [What's Next for Oil and Gas?](#)

*"In many ways, the coronavirus pandemic has accentuated the challenges and transformation that the oil and gas industry was undergoing, which has allowed the industry to respond much faster."*

**Why this is important:** Oil demand has plummeted in 2020 with a COVID-19 driven demand collapse piling on to a warm late winter to drag December '19 per day production from 102 million to just 76 bpd in April 2020. As economies shakily reopen, demand -- although increasing -- has been volatile. Most of the major players have been to this rodeo before. As such, they have "dusted off their 2014 playbook and have pulled fairly traditional levers from past commodity cycles" -- reducing costs, carefully managing cash, slowing operations, etc. This rodeo may be different, though, with the new dynamism of an unrelenting, aggressive global push toward de-carbonization. Thus, company focus has to mesh cost efficiency with operational efficiency gains in order to produce more output with less. Or as the author aptly puts it, "[i]t's becoming much more likely that getting fit for '\$40' may be the new motto." --- [Michael J. Basile](#)

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## ● [Abandoned Coal Plants are a Huge Opportunity](#)

*"They're cavernous, solidly built and often on prime urban land. Now, they're being reborn as everything from charter schools to solar farms."*

**Why this is important:** There are now 546 closed or abandoned coal-fired electric generation plants in the U.S., and many state and local governments are working to repurpose the sites. The task can be difficult, but many old plants are near urban centers and are in desirable locations. Some have been turned into solar farms to generate power as the sites typically are connected to or close to the electric grid. One 100-year-old plant in Chicago was developed into a charter high school. A Canadian power plant that was once the largest coal-fired electric generation plant in North America is becoming a 260-acre solar farm. --- [Mark E. Heath](#)

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## ● [BlackRock Censures Seven Utility Companies for Lack of Climate Action, Warns of Other Penalties](#)

*"Public censure and voting action by BlackRock sends a clear message to the firm's portfolio companies, and may be part of a wider trend toward investor activism, analysts say."*

**Why this is important:** For years, climate activists have used financial investments to press companies to take action on climate change. Historically, the financial investments have been small—purchased to get the climate activists a seat at the table—and any results have matched the investment. BlackRock, however, is no small player: it is one of America's three largest asset managers, and when it speaks, companies will listen. The fact that BlackRock has identified 244 companies as having taken insufficient action on climate change thus marks a major development in investment activism, indicating that the practice has finally entered the mainstream. --- [Joseph V. Schaeffer](#)

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## ● [Second Bakken Pipeline Shutdown Further Threatens Shale Recovery](#)

*"On July 2, a lesser-known conduit called Tesoro High Plains was ordered shut for the first time in its 67 years of operation."*

**Why this is important:** The future of the U.S. pipeline industry has never been more unclear. Earlier this month, Dominion Energy Inc. and its partner Duke Energy Corp. announced a halt to their \$8 billion Atlantic Coast natural gas pipeline. Presumably, this decision was primarily due to litigation forcing delays and costs relating thereto, although a recent U.S. Supreme Court decision was beneficial. Within hours of this major announcement, SCOTUS also upheld a lower court order ruling effectively blocking the construction of TC Energy Corp's Keystone XL pipeline, another district court effectively stopped the Dakota Access pipeline, and then the Tesoro High Plains conduit was ordered shut. As this savvy author states, these "travails signal the ebbing of the oil industry's sway in the U.S. heartland and underscore the growing heft and savvy of challengers who've become emboldened to demand higher compensation and safeguards." --- [Michael J. Basile](#)

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## ● [Global Coal Consumption is Being Driven by Developing Countries](#)

*"This growth has been led by China and India, globally the #1 and #2 consumers of coal."*

**Why this is important:** Global coal consumption continues to shift towards China and India. While worldwide coal consumption declined in 2019, it is up 2.4 percent for the decade in Asia. China and India now consume 63.5 percent of world coal consumption. U.S. coal consumption peaked in 2005 and dropped 14.6 percent in 2019. The U.S. now uses just 7.2 percent of world coal production. The moves have been driven by replacement of aging coal-fired electric generation plants and a move away from coal due to CO2 concerns. Burning coal produces 210 pounds of CO2 per million BTUs, compared to 160 pounds for oil and 117 pounds for natural gas. This switch has also led to a decline in U.S. CO2 emissions, but will continue to stress U.S. domestic steam coal producers. --- [Mark E. Heath](#)

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## ● [U.S. Overhauls NEPA, but Energy Infrastructure Impacts Will Hinge on Election](#)

*"The potential for energy projects to secure quicker permitting and face fewer court challenges as promised by the Trump administration's rewriting of a bedrock US environmental policy may ultimately depend on the outcome of November's presidential election."*

**Why this is important:** The National Environmental Policy Act requires federally permitted or financed projects to undergo an environmental review. It's a great concept, but those reviews often take years and have frequently been used to delay or derail projects such as gas pipelines. President Trump is attempting to modify NEPA to make it more efficient and less burdensome. Even if the much-needed changes are made, a Biden administration in January 2021 could scuttle NEPA reform. --- [David L. Yaussy](#)

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## ● [China's Coronavirus Recovery Drives Boom in Coal Plants, Casting Doubt Over Commitments to Cut Fossil Fuels](#)

*"New coal-fired power projects are being driven largely by local government stimulus spending, which is falling back on old playbook of debt-heavy construction."*

**Why this is important:** As China recovers from the COVID-19 pandemic, it is reviving its economy with new coal-fired electric generation plants. The move is being fueled at the local level with stimulus money to revive the economy of the world's largest energy consumer. China has about 1050 GW of coal-fired electric generation, and as much as 249.6 GW of new plants are in construction or planning stages. The plants being built or planned are greater than the total number of coal-fired electric plants in the U.S. or India. Overall, China produces 58 percent of its energy from coal and 15 percent from gas. China will continue to be the dominant player in the world steam coal market. --- [Mark E. Heath](#)

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## ● Energy Question of the Week

### Last Week's Question and Results

Do you support the EPA's decision to keep the ozone air standard at 70 ppb?

Strongly Support - 47.1%  
Moderately Support - 11.8%  
Neutral - 11.8%  
Moderately Oppose - 5.9%  
Strongly Oppose - 5.9%  
Do Not Know - 17.6%

Has your business/employer implemented any of the following environmental programs?

### Recycling or Conservation Programs

Select

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### LEED Building Certifications

Select

---

### Mitigation and Adaptation Strategies

Select

---

### Carbon Neutrality Programs

Select

---

### All of the Above

Select

---

### None of the Above

Select

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### Do Not Know

Select

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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**

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**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.**

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