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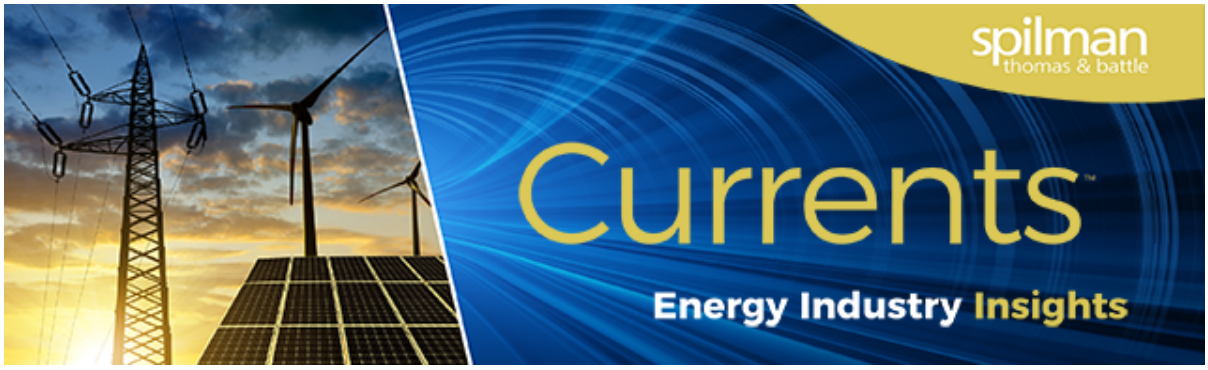

Issue 41, 2020

U.S. Department of Energy: Oil and Gas Production to Account for 68 Percent of Energy Consumption Over Next Two Decades

"Natural gas is increasingly powering plants to produce electricity, but oil and natural gas are revitalizing the U.S. petrochemical industry, growing the liquefied natural gas industry, and boosting high-tech materials, the report states."

Why this is important: Oil and natural gas production is projected to account for 68 percent of energy consumption in the U.S. by 2040 and will play a key role as a bridge to a low carbon future, according to a new report published by the U.S. Department of Energy. Natural gas is increasingly powering plants to produce electricity due to the combination of profound shale finds and the evolution of horizontal drilling technologies. These same drivers are prompting the revitalization of the petrochemical, liquefied natural gas, and high-tech materials industries here in the U.S., the report finds. This level of continuing economic impact appears to turn upon the outcome of upcoming elections -- the general direction will be more clear next Tuesday. --- Michael J. Basile

United States Coal Market Report 2020-2025: Market is Expected to be Driven by the Metallurgical, Cement, and Other End-User Industries

"The coal market in the United States is expected to decline at a CAGR of more than 3% in the forecast period of 2020-2025."

Why this is important: Experts expect a rebound in the demand for U.S. metallurgical coal starting in mid-2021. The demand will be driven by steel making, cement plants and other end users. The U.S. is the fourth largest met coal producer in the world, and 70 percent of the world's steel is made with coal -- met and PCI coal. U.S. coal production in 2020 has plummeted to 530 million tons from 705 million tons in 2019. While the U.S. has the world's highest levels of mineable coal deposits, the decline in the use of coal for electrical power generation plants will continue to cause declines in steam coal production in the U.S. --- Mark E. Heath

● NuScale Faces Questions on Nuclear Reactor Safety and Financing Its First Project

"The first small modular reactor to receive federal approval must still grapple with design changes and safety concerns if it's to be built by 2030."

Why this is important: Nuclear power is seen as the potential no-carbon baseload power source that could replace natural gas as a reliable balance for intermittent renewables. Small modular reactors ("SMRs") are intended as standardized designs that can be a (relatively) inexpensive means of building nuclear plants. NuScale, which is hoping to site an SMR project in Idaho, is finding that getting approval for SMR designs, and keeping costs down, continue to be an Achilles heel for the nuclear industry. --- David L. Yaussy

● U.S. DOE Report Concludes Carbon Capture at Colstrip Coal Plant 'Not Financially Attractive'

"According to the report, which was conducted by DOE and Leonardo Technologies Inc., capturing and compressing 63% of carbon dioxide from each of the Colstrip units to support advanced oil recovery would cost more than $1.3 billion."

Why this is important: A May 2018 report, recently obtained via FOIA, assessed the efficiency of carbon capture technologies used for enhanced oil recovery at Colstrip, a Montana coal-fired plant considered one of the largest in the West. While the DOE has publicly touted carbon capture technology as a viable option for saving coal-fired power plants, the report found CO2 capture "may not be financially attractive" due to significant capital, operating, and infrastructure costs -- noting that annual operating costs could come in the range of $108 million. The power plant is already facing an uphill battle for survival. Two of its four operating units closed this year, owners seek to accelerate exit plans, and nearby Washington State and Oregon, which receive coal-fired energy from the plant, are phasing out coal usage this decade. --- Dennise R. Smith

● Virginia Charts the First Carbon-Free Policy Path in the South — Solar's Role Still TBD

"'We're happy to see rooftop solar being part of the RPS, but it is an extremely small carveout.'"

Why this is important: Virginia Governor Ralph Northam signed into law the Virginia Clean Economy Act ("VCEA") this past April. In addition to enabling energy efficiency pilot programs and mandating an increase in both net metering and energy storage goals, the law creates an expectation that Virginia's two utilities (Dominion and APCO) would source 100 percent carbon-free electricity (Dominion Energy by 2045 and APCO by 2050). The VCEA also prompts all coal-fired plants to close by the end of 2024. Upon the enactment of the VCEA, Virginia joined California, Hawaii, Maine, Puerto Rico and Washington, D.C. on their respective treks toward 100 percent carbon-free or renewable electricity, and it has given the southern U.S. its first comprehensive state policy toward this end. --- Michael J. Basile

[West Virginia Governor Announces Funding for Former Mine]

"'I'm announcing that the West Virginia National Guard will resume their activities at Hobet, and I am directing our DNR to explore all of the possibilities here for recreational and wildlife enhancement and growth to absolutely inspire more and more activities on this property.'"

Why this is important: West Virginia Governor Jim Justice has announced renewed efforts to redevelop the former Hobet Mine site off US 119 north of Danville and 20 miles south of Charleston, West Virginia. Gov. Justice has pledged $39 million for an access road, intersection and a bridge to access the nearby Rock Creek Development Park. The West Virginia National Guard also will resume training on the former surface mine site, and the state will examine ways to increase recreational and wildlife opportunities on the site. --- Mark E. Heath

[Metals from Chinese Smokestacks are Landing Far Away in the Pacific Ocean]

"Emissions from coal-fired power plants in China are seeding the North Pacific Ocean with metals including iron, a nutrient important for marine life, according to a new study."

Why this is important: Smokestacks in Asia are emitting large quantities of CO2, but they are also throwing out a lot of iron, as well. The iron acts as a fertilizer for ocean algae, which takes huge amounts of carbon dioxide out of the air. The Asian air emissions appear to be, at least in part, a self-repairing phenomenon, although scientists are quick to point out that something unexpectedly awful could happen as a result. --- David L. Yaussy

[Renewable Energy Surges Even in Fossil Fuel Friendly Red States]

"States that voted red in the 2016 presidential election occupy seven of the top-ten spots for wind and solar generation as a percentage of their electricity consumption."

Why this is important: The coal-driven politics of red states Wyoming and West Virginia may be changing soon as these two states are becoming leaders in renewable energy and energy storage, respectively, according to a report by "Environment America's Renewables on the Rise 2020." The report found that seven of the top 10 spots for solar and wind power voted red in the 2016 presidential election. Three states, Kansas, Iowa and North Dakota, are generating sufficient renewable energy to meet more than half of their electricity demand, with Oklahoma closely following at 45 percent. While emerging green energy industries are unlikely to change the immediate political climate in these red states, support for development and use of clean energy is widely becoming a bipartisan issue. Real shifts in the political landscape will likely occur once renewable energy creates job. There are signs this, too, is occurring as the solar and wind industries offer two of the three fastest growing occupations, according to the U.S. Bureau of Labor Statistics. The article notes most of these jobs are in "sunny, windy states currently tinted red." In contrast, coal mine employment has decreased roughly by 50 percent since 2012 and is at its lowest since 1978, suffering losses even under Trump's pro-coal administration. **---** Dennise R. Smith

[DTE to Spin Off Its Natural Gas Pipeline, Storage Business]

"Midstream, which would keep its headquarters in Detroit, owns more than 2,300 miles of pipeline across the Midwest and Northeast and in Louisiana."

Why this is important: DTE Energy -- a Detroit-based energy company with utility and midstream assets -- announced earlier this week that it plans to spin off its natural gas pipeline and storage subsidiary. DTE Midstream owns more than 2,300 miles of pipeline across the Midwest and Northeast, as well as in Louisiana. DTE is pivoting back to its core as a utility -- following many retreating from the pipeline business after acquiring natural gas infrastructure in recent years in search of growth and asset diversity -- with the timeless rallying cry: "unlocking significant shareholder value." --- Michael J. Basile

'King of the Coal' Robert Murray Dies at the Age of 80

"A fierce supporter of coal miners and the coal industry, Murray had just announced his retirement as chairman of the board of directors of American Consolidated Natural Resources Holdings last week."

Why this is important: Bob Murray passed away earlier this week at age 80. Murray founded Murray Energy, based in St. Clairsville, Ohio, in 1988, and it grew to be the largest privately held underground coal mine company in the U.S. At its peak, it produced 53 million tons with 5,500 employees. Murray Energy emerged from bankruptcy in September as American Consolidated Natural Resources. Murray was the Chairman of the new company's board until last week when he resigned to become chairman emeritus. --- Mark E. Heath

Energy Question of the Week

Last Week's Question and Results

How do you rate your overall energy consumption?

Significantly higher than average - 13%
Moderately higher than average - 13%
Average - 30.4%
Moderately below average - 26.1%
Significantly below average - 8.7%
Do not know - 8.7%

What type of vehicle fuel do you use?

87 Octane - Regular

Select

89 Octane - Plus

Select

92 Octane - Premium

Select

E-85 - Ethanol

Select

Diesel

Select

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.

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