



Issue 30, 2018

● [SEC Drops Probe of Exxon's Accounting Practices](#)

"The Securities and Exchange Commission has dropped its probe into whether ExxonMobil misled investors about its knowledge of climate change and the potential effects on its business."

Why this is important: This is the third victory for Exxon related to climate change in a matter of weeks. In June, a federal court dismissed New York City's climate change lawsuit against the company, and in July, a federal court in California did the same. The onslaught of litigation against Exxon is the outgrowth of a plan devised by environmental activists and class action lawyers at a 2012 conference in California. The Climate Accountability Institute and the Union of Concerned Scientists devised this plan to gain internal industry documents on climate change in hopes of creating a scandal that would force a settlement in scope to the one reached with Big Tobacco. These recent victories indicate the environmentalists and class action lawyers may have overreached. --- [Nicholas S. Preservati](#)

● [Fourth Circuit Ruling Nixes Atlantic Coast Pipeline Permit to Cross Blue Ridge Parkway](#)

"A U.S. Fourth Circuit Court ruling nixed, at least for now, a proposed crossing of the Blue Ridge Parkway in North Carolina that could delay completion of Dominion's Atlantic Coast Pipeline project, though it's unclear for how long."

Why this is important: In its latest review of a lawsuit brought by the Sierra Club, Defenders of Wildlife and the Virginia Wilderness, the Fourth Circuit panel led by Chief Judge Roger Gregory found the National Park Service (on the Blue Ridge Parkway issue) and the U.S. Fish and Wildlife Service (on an endangered species issue) had "both granted authorizations in contravention of their respective statutory requirements." The endangered species issue involves about 20 miles in West Virginia and 80 miles in Virginia. The Court's rejection of the proposed Blue Ridge Parkway crossing was a new development. The Court's ruling on the Incidental Take Statement impacts only a small portion of the ACP route. Dominion has avoided these areas since the Court's initial ruling and will continue to do so until the agency issues a revised Incidental Take Statement. With respect to the National Park Service's approval to cross the Blue Ridge Parkway, the Court considered the Parkway authority's approval of the crossing to be arbitrary and capricious in a harshly worded rebuke. But, the Court's opinion confirms the agency's authority to issue the permit, and remands the permit decision back to the agency for correction of certain errors and omissions in the permit record. --- [John C. \(Max\) Wilkinson](#)

● [Challenges Keep China's Shale Gas at Early Stage of Development, says GlobalData](#)

"China's upstream industry is turning to natural gas as a way to reduce air pollution created by the consumption of coal. However, despite the progress made in the shale gas industry since 2011, China has been facing challenges to develop efficient shale gas extraction, observes leading data and analytics company GlobalData."

Why this is important: China's efforts to increase its domestic natural gas production have been inhibited by inadequate technology and geographic challenges. China has not yet been able to employ state of the art horizontal drilling and fracturing technology in its domestic gas industry. In addition, the mountainous terrain and remote location of its natural gas reserves have further slowed efforts to increase production. Such hurdles to the domestic Chinese industry give more importance to exports of cheap shale gas by the United States to China while that market demand remains intact. --- [William M. Herlihy](#)

● [New Wave of Mega LNG Projects is Approaching](#)

"A new race to build multi-billion dollar liquefied natural gas plants is gaining momentum after a long hiatus in investments as energy giants sense a widening supply gap within five years."

Why this is important: Only a few years ago there was concern liquefied natural gas capacity was overbuilt. Recent strong demand for the fuel from China, India and elsewhere has led to a reconsideration of future demand. Qatar, the world's largest producer of LNG, is significantly increasing output, but that may be matched soon by U.S. production, which also is ramping up. More demand might mean an increase in gas prices, which would be welcome news for U.S. gas producers.

--- [David L. Yaussy](#)

● [Central Appalachia Quarterly Coal Production Nears Three-Year High](#)

"Despite the largest mine in Central Appalachia producing at a two-year low, mines in the region produced 20.37 million st of coal in Q2, up 1 percent from the 20.17 million st produced in Q1 and 0.9% from the 20.2 million st in the year-ago quarter."

Why this is important: MSHA reports metallurgical and export markets continue to remain strong as Central Appalachian coal mines experienced a near three-year high in production volumes for the second quarter. Mines in the region produced 20.37 million st in Q2, an increase of 1 percent from the coal produced in Q1, with Lexington, Kentucky-based Blackhawk Mining overtaking Alpha Natural Resources as the largest coal producer in the region. It was the highest quarterly volume produced since Q3 2015 when production totaled 22.59 st. Also in this quarter, 12 mines produced coal for the first time since 2015 and six operated for the first time ever. The trend of increased coal production continues even though gas prices remain relatively low. ---

[Dennise R. Smith](#)

● [Ireland Banned Fracking but the Shale Revolution has Risen Up to Meet It](#)

"The Irish may, in their desire to appease environmental extremists, have banned fracking but the shale revolution has risen up to meet Ireland anyway."

Why this is important: Despite Ireland's national level virtue signaling campaign against carbon-based energy, its recent fracturing ban is on track to be rendered obsolete by the twin realities of market demand pressure and innovation. Ireland's fracturing ban is set to place the country's energy grid in crisis mode by the early 2020s as its conventional gas reserves in the Corrib and Kinsale fields, responsible for two-thirds of Ireland's needs, will begin falling in production volume. Additionally, the IAE predicts Ireland's dependence on natural gas will increase as coal- and peat-burning electricity generators are phased out in the near future. By 2030, Ireland is forecast to be entirely dependent on imports of natural gas. Some of that natural gas will come from neighboring Great Britain (whose own North Sea reserves also are dwindling), but U.S. company NextDecade has negotiated a contract to develop an LNG terminal with the Port of Cork, Ireland's largest natural harbor. Under the terms the agreement, the Cork LNG facility would receive liquid natural gas shipped from a plant in Texas.

--- [John C. \(Max\) Wilkinson](#)

● [Citizen Group Monitors for Possible Environmental Violations](#)

"Now, the pipeline's opponents are putting their money, time, and energy behind their arguments, taking it upon themselves to scrutinize pipeline construction and its effects on nearby waterways."

Why this is important: Citizens have expanded their efforts to fight the major new pipelines being built in the East. Many are serving as volunteer monitors to verify water protection, and storm water mitigation measures are being put in place. The scrutiny is leading to additional notices of violation being issued to the pipeline developers by state environmental regulators. While being

under a microscope may irritate pipeline developers, they likely would agree it is a better use of everyone's time to ensure pipelines are properly constructed, rather than simply oppose all pipelines. --- [David L. Yaussy](#)

● [Coal Miners to See Improved Finances](#)

"A new report by BMI Research states that despite coal being an increasingly targeted commodity on environmental protection grounds, the demand remains strong due to the economic aspect of the fossil fuel and therefore producers will see improving financials over the coming years."

Why this is important: Fitch predicts coal mines' trend of positive financial performance will continue, noting the demand for fossil fuel remains strong despite continued environmental scrutiny. World-wide coal producers are reporting a significant reduction in net debt and others are streamlining production operations. However, Fitch predicts capital expenditures will continue to be mostly spent on sustaining existing operations and improving operational efficiency as cost inflations continue to eat into margins. Fitch predicts Chinese coal mines may be at a particular disadvantage going forward as the country's "strict adherence to environmental targets and substantial compensation payments to displaced workers of mine closures will continue to plague the sector." Although coal mines continue to enjoy financial gains and a pickup in coal prices, some predict it will not result in a significant increase in capital expenditures for acquisitions. --- [Dennise R. Smith](#)

● [Green Europe Stagnates, India Gives Green Light for Shale Revolution](#)

"India's cabinet approved a policy to allow companies to explore and exploit unconventional oil and gas resources such as shale oil and gas and coalbed methane under the existing production sharing contracts, as it aims to reduce its dependency on energy imports."

Why this is important: India, one of the world's largest oil importers, is allowing companies with licenses to develop one natural resource and to also explore for other sources, such as coalbed methane and shale oil. The hope is this operational freedom will increase nonconventional oil and gas production in a country where the need for energy is growing rapidly. --- [David L. Yaussy](#)

● [Trump Push for Energy Dominant U.S. Blunted by China LNG Threat](#)

"China's threatened tariff against U.S. liquefied natural gas comes as a second wave of American export terminals seek financing with an eye toward the Asian giant's drive to reduce its use of coal."

Why this is important: In May, China became the world's biggest importer of shale gas fuel as it pursues a strict five-year plan to improve air pollution by shifting away from coal. This has made China a key target for U.S. producers of liquefied natural gas. However, China's recent announcement of a 25 percent retaliatory tariff on LNG, prompted by President Trump's planned levies against it, threatens to give a competitive edge to exporters in Qatar, Australia and Russia, just as dozen or so U.S. companies seek to build new export terminals and fund development products. U.S. LNG is in the cross-fire of the growing trade war between the U.S. and China putting billions of dollars of investment in project development and terminal construction at risk. --- [Dennise R. Smith](#)

● [EIA Energy Statistics](#)

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

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[This Week in Petroleum](#)

[Weekly Petroleum Status Report](#)

[NATURAL GAS](#)

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

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