



Issue 19, 2018

● [Oil Soars After Trump Nixes Iran Nuclear Deal, Stocks Rally](#)

"Crude oil prices rose more than 3 percent on Wednesday after U.S. President Donald Trump's decision to withdraw from a nuclear accord with Iran, a move that helped lift equity markets as Exxon Mobil, Chevron and other oil majors rallied."

Why this is important: On Tuesday afternoon, President Trump made the announcement he would be pulling out of the Joint Comprehensive Plan of Action, otherwise known as the Iran Nuclear Deal. The Agreement, which among other things gave Iran the ability deny or permit UN officials from inspecting a suspected nuclear site, has been largely criticized by the President. While some analysts predict President Trump's action will cause oil prices to skyrocket, no solid data has been put forth to suggest this is true, except for the general proposition that oil prices rise each time tensions escalate generally in the Middle East. --- [Ryan W. Weld](#)

● [California, 16 Other States Sue U.S. EPA Over Proposed Rollback of Auto Emissions Rules](#)

"California along with 16 other states and the District of Columbia have filed suit in federal court accusing the U.S. Environmental Protection Agency of failing to follow its own regulations and violating the Clean Air Act."

Why this is important: Multiple states (and the District of Columbia) are fighting back against the Trump administration's proposal to weaken corporate average fuel economy standards. With rapid advances in fuel economy and the trend toward hybrid and electric drivetrains, however, any rollback might be merely symbolic. Potentially more consequential is the Trump administration's threat to withdraw the waiver granted to California allowing that state to set its own emissions standards. With the world's fifth largest economy, California has for years been able to use its regulatory authority under this waiver to advance a progressive environmental agenda. --- [Joseph V. Schaeffer](#)

● [Renewable Sources Account for Most New U.S. Power Capacity](#)

"According to the International Energy Agency, renewables were responsible for almost 165 GW of new global power capacity in 2016 - nearly two-thirds of the global total."

Why this is important: This article demonstrates how difficult it can be to properly account for renewables in electricity generation. Most of the installed capacity in recent years has been wind and solar, as the article reports. But referring to their installed capacity is somewhat misleading, given their intermittency. And, it fails to account for greater use of fossil fuels to provide back-up power. In giving figures for total renewables at 20 percent of installed capacity, it includes hydropower, which is certainly renewable, but anathema to many environmentalists who oppose damming streams. If hydro is removed from the renewable category, the renewable generating capacity drops significantly. --- [David L. Yaussy](#)

● Foreign Appetite for U.S. Oil Growing, IEA Finds

"Most of the oil coming from U.S. shale basins will find its way out of the domestic market and into the Asian and European economies, analysis finds."

Why this is important: Estimates are that total crude production in 2018 is expected to average 10.7 million barrels per day and increase to 11.4 million barrels per day next year. These totals will eclipse all past production records and are directly attributable to production from the shale basins. According to the International Energy Agency, the U.S. will export at least 3 million barrels per day of lighter oil in the next few years. Europe is becoming a strong market, due to the decline in African oil. The Asian market is growing in order to feed a booming petrochemical industry that utilizes cheap light tight oil from the U.S. Recent statistics show U.S. crude exports have averaged 1.6 million barrels per day, a huge increase over the 753,000 barrels per day for the same time period in 2017. --- [Gerald E. \(Gee\) Lofstead III](#)

● 'Cyber Blind Spot' Threatens Energy Companies Spending Too Little on Security

"Amid rising threats, including a recent attack on several U.S. power and natural gas suppliers, energy companies are now spending less than 0.2 percent of their revenue on cybersecurity, at least a third less than financial institutions."

Why this is important: Digital security firm Symantec states it is currently tracking 140 groups of active hackers targeting energy industry infrastructure, up nearly 40 percent from 2015. Industry representatives worry that executives in the business have a blind spot to the threat because they came up in the industry before cyber-connectivity existed. Within the last month, seven pipeline operators announced their third-party electronic communications systems had been temporarily stymied, with five of them confirming the hacks had caused service disruptions. While those attacks did not disrupt supply, some within the industry worry that not enough is being done to prevent a catastrophic failure. One cyber-hacking group nicknamed "Dragonfly" has been tracked since at least 2011. Last month, the FBI and DHS issued a joint analysis linking Dragonfly to the Russian government. --- [John C. \(Max\) Wilkinson](#)

● Mine Jobs are Returning to Coal Country, but There's a Long Road to Recovery

"The federal government's latest jobs report shows 2,500 coal mining jobs were created in the last year, which is good news for coal country, but there's still a long road to complete recovery."

Why this is important: Coal employment increased last year by approximately 2,500 jobs--the first significant increase in several years, but still significantly lower than peak employment six years ago. Driven by coal plant closings and pressure from natural gas pricing, coal employment nationally has seen a decrease of 36,700 jobs since 2012. However, coal's share of electrical generation has stabilized at 30 percent and increases in exports have helped increase employment. Additionally, less regulation has led to new mines opening. --- [Mark E. Heath](#)

● Hold Government to Higher Standard, Former CA AG Says of Climate Change Lawsuit Controversy

"A Texas judge has decided California officials suing the energy industry over climate change are talking out of both sides of their mouths, and the former top lawyer of the Golden State is disappointed in their actions."

Why this is important: California municipalities are seeking to recover financial damages from 37 oil and gas companies for climate change risks they downplayed as insignificant to their own bond investors. According to the Competitive Enterprise Institute, "In these lawsuits the plaintiff cities and counties apparently describe these climate risks in ways that are far different than how they described them in their own bond offering." This is important because the plaintiffs' inconsistent statements regarding climate change risks have subjected them to additional discovery in the pending litigation, as well as subjected them to impeachment and allegations of investor fraud. --- [Nicholas S. Preservati](#)

● [America's Utility of the Future Forms Around Performance-Based Regulation](#)

"In response, utilities - and their regulators - are increasingly embracing a new revenue model that rewards performance against goals to meet evolving customer demands and avoid unwanted consequences: performance-based regulation."

Why this is important: The emerging trend toward performance-based utility regulation portends a sea change from the historical and traditional model of cost-based regulation, wherein public utilities are compensated only for their actual costs (plus a reasonable return) and customers notionally pay only for those costs they cause the utility to incur for the applicable service. This new model presents an attractive solution for utilities to reverse the impact of declining sales and returns while also possibly meeting specific public policy energy goals. At the same time, it also presents risks, particularly for customers who will continue to pay for utilities' investments. These risks include the potential for paying higher rates through more frequent rate changes and shouldering the burden of a localized ratemaking process that may not be as concretely defined and transparent as the traditional model. --- [Barry A. Naum](#)

● [Conoco Moves to Take Over Venezuelan PDVSA's Caribbean Assets](#)

"U.S. oil firm ConocoPhillips has moved to take Caribbean assets of Venezuela's state-run PDVSA to enforce a \$2 billion arbitration award over a decade-oil nationalization of its projects in the South American country, according to three sources familiar with its actions."

Why this is important: Venezuela is a nation in crisis, and its oil production sector, one of the largest in the world, has almost collapsed. Conoco figures this is a good time to claim Venezuelan assets to cover its losses following the 2007 nationalization of its Venezuelan assets. Conoco is hoping to recoup some of those losses by obtaining permission from international courts to seize the properties and perhaps sell them. If allowed, this will only further the decline of Venezuela's only significant source of national income. --- [David L. Yaussy](#)

● [Poland Cuts Dependence on Russian Oil but at a Cost](#)

"Poland's imports of Russian oil last year fell to their lowest level since 2005, a central bank report published showed, though Warsaw's bid to diversify its energy imports also meant paying higher prices."

Why this is important: In what could be viewed as a deliberate step to wean itself from its reliance on Russian oil, as well as Russia's penchant for using energy resources as political capital, Polish refineries have cut imports of Russian oil by 20 percent. Making up for the Russian decline are imports from the United States, Saudi Arabia, and Iran. As a result, Polish refineries are paying an increase between 50 cents and \$5 per barrel over Russian oil prices. --- [Gerald E. \(Gee\) Lofstead III](#)

● [Governor Cuomo Calls for "Citizen Fleet" to Block Offshore Drilling](#)

"New York Governor Andrew Cuomo has introduced new legislation to ban offshore oil and gas exploration in New York State's waters."

Why this is important: Governor Cuomo's call for a Dunkirk-style blockade of oil and gas exploration in New York's coastal waterways makes for colorful headlines, but likely is an empty threat. The more important message here is the extent to which the individual states can set their own policy and undermine national policy goals. Here, President Trump has proposed to open up huge oil and natural gas reserves on the outer continental shelf for oil and gas exploration. That development cannot occur, however, without on-shore infrastructure that is almost entirely within New York's control to permit or deny. --- [Joseph V. Schaeffer](#)

● [The Battle of the Gas-Sucking Mega Giants is Set to Begin](#)

"Off the coast of Western Australia, a battle between mega giants is unfolding. The combatants involve the world's biggest semi-submersible platform, the longest sub-sea pipeline in the southern hemisphere, and the largest floating facility ever built."

Why this is important: Gas is rapidly becoming the energy source of choice, and more of it is headed for world energy markets. Royal Dutch Shell and Japan's Inpex are competing to draw huge amounts of gas off the coast of Western Australia, using huge ships and cutting-edge technology to clean and liquefy the gas. Liquefied natural gas production is growing by leaps and bounds, and likely to continue to grow in the future, keeping prices stable and usage high. --- [David L. Yaussy](#)

● [The One Nation Returning to Coal](#)

"Japan, in a move that few could have foreseen, has opened at least eight brand new coal-burning power plants in the last two years and has plans for at least 36 more in the next ten years."

Why this is important: Japan's vigorous return to coal vastly surpasses that of any other developed nation. Japan's national energy plan calls for 26 percent of its grid power to come from coal by 2030, a reversal of its prior plan to reduce coal-based electricity to 10 percent in the same time frame. The policy switch has been driven by the Japanese electorate's loss of faith in nuclear energy after the Fukushima disaster in 2011, which placed all 54 of the country's nuclear fleet on safety stand-down. Only seven have returned to operation. Critics of the policy switch warn of increased air pollution and the country renegeing on its pledge to reduce GHGs. --- [John C. \(Max\) Wilkinson](#)

● [Trump's EPA Will Axe Obama's 'De Facto Ban on New Coal Plants'](#)

"The Environmental Protection Agency plans on repealing an Obama-era requirement effectively mandating all new coal-fired power plants be outfitted with unproven emissions technology."

Why this is important: As a part of its changes to the the Clean Power Plan, the U.S. Environmental Protection Agency is looking to modify requirements for building new coal fired electrical generation plants. EPA is discussing plans to eliminate, through modifications to New Source Performance Standards, an Obama administration requirement that any new coal electrical generation plant include carbon capture and storage technology ("CCS"). The Obama rule had made any new coal fired construction in the U.S. impossible as CCS has not been economically viable and plagued with technical issues. The largest new plant to attempt CCS in Mississippi cost more than \$7 billion and last year switched to natural gas as a fuel source. Currently, almost all new coal fired electrical generation is being built outside of the U.S. These proposed changes, if they result in new coal fired plants being built, would result in additional steam coal production and jobs for U.S. coal miners. --- [Mark E. Heath](#)

● [The Legal Battle to Save the Largest Coal Export Terminal in the U.S. is Heating Up](#)

"The National Association of Manufacturers filed an amicus brief to a U.S. district court in Washington, siding with Millennium Bulk Terminals in its lawsuit against the state for blocking the terminal through a hyper-political review process."

Why this is important: The National Association of Manufacturers is supporting a huge new coal export terminal in Washington State. Washington has rejected a water permit for the dock, as it and Oregon have done with at least six other similar projects. The terminal would be a key exit point for millions of tons of Western coal that need an outlet to Asia. --- [David L. Yaussy](#)

● [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

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Coal Markets

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