



Week of November 5, 2017

● [China Energy Investment Signs MOU for \\$83.7 Billion in West Virginia Projects](#)

"China Energy Investment Corp, the world's largest power company by asset value, has signed a memorandum of understanding (MOU) to invest \$83.7 billion in shale gas, power and chemical projects in West Virginia, the U.S state said on Thursday."

Why this is important: During his trip to China, President Trump acquired a commitment from the Chinese government to invest \$83.7 billion in West Virginia natural gas development and chemical manufacturing operations. This commitment is caused in large part by the opportunity to create a massive natural gas liquids storage system in West Virginia to provide the feed stock for such manufacturing. An announcement by the West Virginia Department of Commerce today is expected to reveal some of the details of this historic arrangement. --- [William M. Herlihy](#)

If it comes to fruition, this investment in West Virginia energy projects could truly become transformational for the state. The influx of billions of dollars of capital, significant job creation and increased severance tax revenue presents tremendous opportunities for a state facing budget deficits and an aging population. --- [Nicholas S. Preservati](#)

● [Ohio NGL Storage Site Would Benefit West Virginia, Officials Say](#)

"Shale resources in the three states - Ohio, Pennsylvania and West Virginia - are said to be vast enough to support development of as many as five crackers, with a projected storage need of at least 2 million barrels per cracker."

Why this is important: States sometimes compete with one another to bring large industrial plants to their area, but West Virginia, Ohio and Pennsylvania have cooperated in trying to attract ethane crackers and value-added manufacturers that take advantage of the rich oil and gas resources of the tri-state area. Economic development spills across state borders, and West Virginia officials are encouraged by the construction of ethane storage in Ohio that could benefit the nascent plastics industry that could develop throughout the Marcellus Shale region. --- [David L. Yaussy](#)

● [German Greens Signal Flexibility in Coalition Talks](#)

"The leaders of Germany's Green party are signaling that they may drop demands for a 2030 deadline to phase out combustion engines and shut coal-fired power stations as Chancellor Angela Merkel's government-building efforts intensify."

Why this is important: Driven to make concessions to solidify their place in a coalition government, Germany's Greens have, for the time being, accepted a 2030 phase out of fossil-fuel combustion engines is not politically feasible at this time. Likewise, they are conceding coal-fired power plants also may extend beyond the 2030 target date. The timing of these concessions is

particularly interesting given that Germany is currently hosting a global climate change conference at which it has had to acknowledge it will not meet its own emission reduction goals without additional efforts. Germany has already had to backtrack previously on ambitious green energy initiatives and allow additional coal-based electrical generation to meet the nation's energy requirements. The Green Party's concessions are putting pressure on other parties to also soften policy positions in an effort to solidify Merkel's coalition. However, both the pro-business Free Democrat party and the anti-immigration Alternative for Germany party have stated they do not fear new elections. --- [John C. \(Max\) Wilkinson](#)

● [Oil Hits Two-Year High Amid Crackdown in Saudi Arabia](#)

"Oil prices surged to fresh two-year highs on rising tensions in the Middle East following a wave of arrests in Saudi Arabia and a missile attack on Riyadh by Yemeni rebels."

Why this is important: Oil prices have risen approximately 30 percent since June. Escalating tensions in the Middle East, especially Saudi Arabia's arrest of more than 60 princes, ministers and businessmen in an alleged corruption sweep, have analysts concerned about the prospect of disrupted oil production in the region. The arrests, coupled with the missile fired at the Saudi capital by Iranian-backed rebels, bring continued uncertainty to the region. The rising oil prices spurred an increase in U.S. oil production, which led to an export record of over 2 million barrels per day. Although OPEC remains the standard bearer for oil production, the world may start looking increasingly to U.S. shale oil, with its rapidly improving and increasing production abilities, and stable social and political infrastructure. --- [Gerald E. \(Gee\) Lofstead III](#)

● [Chevron Green Lights Its First Canadian Shale Development](#)

"Chevron Canada, a unit of global oil major Chevron Corp, is forging ahead with its first ever Canadian shale play development, targeting the East Kaybob region of central Alberta's Duvernay formation."

Why this is important: Here's the latest evidence that the "World is Flat!" (in Tom Friedman phraseology) when it comes to dedicating exploration investment. The largest producers strategically invest limited E&P resources in a very analytical manner across the globe. The marketplace is largely borderless, and capital inevitably travels to where it is welcome. --- [Michael J. Basile](#)

● [Fracking Is Killing Greenhouse Gas Emissions with Technology](#)

"The EPA has a neat website tracking greenhouse gas emissions from onshore petroleum and natural gas production. The data shows they're way down over the last five years in the Marcellus/Utica Shale region even though production is up and more data is being reported."

Why this is important: Environmental activists use anti-fracking rhetoric as their major point of opposition to horizontal drilling in not only the Marcellus and Utica Shales, but all of the other major plays. The fact is that absent some mechanical breakdown in the fracking process, the claims of surface and groundwater contamination are baseless. So this type of positive information about the reduction in operational emissions, combined with the positive impact of shale gas on the reduction in combustion emissions, needs to get into the public forum to counter the propaganda of fracking opponents with scientific evidence of the very positive effects of the shale industry. --- [William M. Herlihy](#)

● [MVP Developers Suing Hundreds of West Virginia, Virginia Landowners for Easements](#)

"As the state Department of Environmental Protection paves the way for the project, developers of the proposed Mountain Valley Pipeline are suing hundreds of landowners in West Virginia and Virginia to gain easements through eminent domain rights granted to MVP by a federal regulatory approval."

Why this is important: On October 24, 2017, Mountain Valley Pipeline ("MVP") filed condemnation actions in federal district courts in West Virginia and Virginia which represents another step in the process toward constructing the MVP pipeline. The condemnation complaints were made possible by the October 13, 2017 issuance of a certificate of public convenience and necessity by the FERC. The FERC certificate became a necessary prerequisite to the condemnation filings because state courts had limited MVP's ability to utilize state eminent domain laws. The complaints seek immediate right of entry to possess and use the

property for pipeline construction prior to the determination of just compensation that must be paid in exchange for the property. MVP will be required to post a bond to guarantee funds will be available to pay just compensation to the landowners. It is worth noting not all of the property subject to condemnation is being permanently taken. Rather, some of the property is being acquired for temporary use during the initial pipeline construction period and the rights in the property will revert back to the landowner following completion of construction.

Federal and state statutes authorize the taking by eminent domain of private property for public purposes such as natural gas pipelines, and protections against the taking of property without payment of just compensation are guaranteed in both the United States and state constitutions. The constitutional protection against taking property without just compensation was a response to the right of the Crown in England to take property without such protections. --- [Mark D. Clark](#)

● [A Cold Snap May Hand Gas Traders Most Bullish Report in a Decade](#)

"An early cold snap may deliver natural gas traders the most bullish inventory report heading into the winter heating season they've seen in more than a decade."

Why this is important: When it's cold, natural gas demand increases. Add to that the new exports of natural gas, further putting pressure on supplies, and it's possible the industry may be seeing the end of low natural gas prices that have been slowing drilling in the Marcellus and Utica Shale regions. --- [David L. Yaussy](#)

● [U.S. Shale Oil Will Dominate the Market in Coming Years, but the Tables Will Turn, OPEC Says](#)

"The American shale drillers that have upended the energy industry will capture much of the growth in oil demand in the coming years, OPEC forecasts in a new report. But after years of booming U.S. production and flat output from OPEC, the tables will turn, the producer group says."

Why this is important: In an acknowledgement of the strength of U.S. shale production, OPEC admits American shale will remain the catalyst for growth in the oil industry for the next few years. However, the group projects shale output will peak in 2025, then yield to OPEC through 2040. OPEC predicts oil demand in developed countries will peak in 2019 (rather than peaking this year as earlier predicted), and there will be a continuation of increased demand in the developing world for the foreseeable future. With the continued socio-political problems in the Middle East, including Saudi Arabia, the world may increasingly look towards the U.S. and other shale producing countries for their energy needs. --- [Gerald E. Lofstead III](#)

● [West Virginia Needs to Keep Up with Ohio, Pennsylvania Gas Industries](#)

"What is the best opportunity West Virginia has to provide these careers to our young people? The answer is plain and simple. It is the oil and natural gas industry. West Virginia is home to the largest shale gas formation in the world, and we have the potential to become the nation's leader in oil and natural gas production."

Why this is important: Making West Virginia as regionally competitive as possible by ensuring an operating environment that is fair and efficient is key to maximizing investment here. It is a simple vision and easily accomplished, if we're serious about a future centered on - and driven by - economic opportunity. --- [Michael J. Basile](#)

● [GOP Proposes Tax Plan That U.S. Shale Will Love And Tesla Will Hate](#)

"While the GOP plan would lower the corporate tax rate on corporate profits to 20%, from its current 35%, that is hardly relevant to Tesla, which has never reported an annual profit in its history and in fact has only twice reported a quarterly profit. Making matters even worse, not just for Tesla but for all other manufacturers of electric vehicles in the U.S., the GOP tax plan would repeal the existing \$7,500 tax credit available to purchasers of these cars."

Why this is important: Elimination of the electric vehicle ("EV") tax credit will likely dramatically reduce sales of EVs, which have relied upon the \$7,500 tax credit in order to price competitively with gasoline and diesel vehicle options. Reduction in EV sales will likely exacerbate Tesla's already struggling business plan. Critics of the tax plan who allege a "giveaway" in the form of

expensing Intangible Drilling Costs and Percentage Depletion write offs are being dishonest. Both of these tax features have been a part of the tax code for more than a century. The claim they are a boon to "big oil" is likewise disingenuous as the largest oil producers have been barred from utilizing Percentage Depletion since 1975, and their ability to claim Intangible Drilling Costs has been virtually eliminated since 1992. --- [John C. \(Max\) Wilkinson](#)

EIA Energy Statistics

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

[This Week in Petroleum](#)

[Short-term Energy Outlook](#)

[Today in Energy - World Nuclear Electricity Capacity](#)

[Today's Diesel Prices](#)

[Today's Gasoline Prices](#)

[Coal Markets Report](#)

[Today in Energy - Repowering Wind Turbines](#)

If you would like to subscribe to this weekly e-blast or know someone who would, please [email us](#) and we will add you or your acquaintance to the email list.

If you have any energy questions, please feel free to [contact us](#).

This is an attorney advertisement. Your receipt and/ or use of this material does not constitute or create an attorney-client relationship between you and Spilman Thomas & Battle, PLLC or any attorney associated with the firm. This e-mail publication is distributed with the understanding that the author, publisher and distributor are not rendering legal or other professional advice on specific facts or matters and, accordingly, assume no liability whatsoever in connection with its use.

Responsible Attorney: Michael J. Basile, 800-967-8251