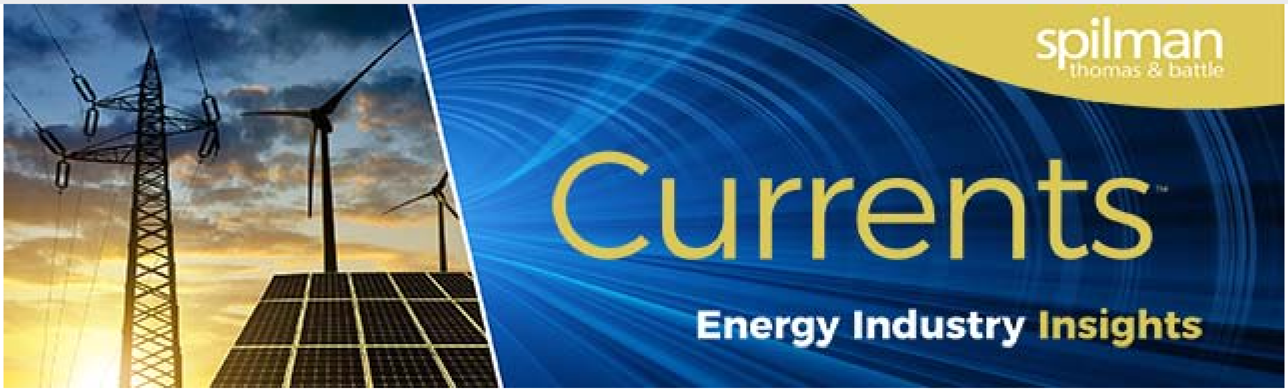

Issue 24, 2018

LyondellBasell Looking to Control Braskem; Could Help WV Cracker

"A deal could breathe life into the ethane cracker Braskem proposed for a site near Parkersburg, W.Va., roughly five years ago."

Why this is important: LyondellBasell Industries is an international chemical giant with petrochemical refining plants on multiple continents, including several along the U.S. Gulf Coast in Texas. Rumors are that LyondellBasell is running out of space to construct additional refining plants in the U.S. Now that negotiations with Odebrecht SA to acquire Braskem have emerged, this could give new life to plans for the development of an ethane cracker plant located near Parkersburg, West Virginia and add to the diversification of LyondellBasell's North American facilities. --- William M. Herlihy

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Cancellation of Trip by China Energy Execs Casts Hush Over West Virginia Deal

"Executives from China Energy who had been set to attend a petrochemical conference canceled their visit because of ongoing strain over trade, said Brian Anderson, director of the WVU Energy Institute."

Why this is important: The China Energy deal, which involves a potential 20 year, $83 billion Chinese investment in West Virginia natural gas projects, is significantly large enough to get caught up in international trade disputes. While those disputes are political, and politics can kill business, it is important to know that China Energy is continuing its due diligence on project identification and site selection. Many in the industry hope, and believe, that once international relations are straightened out, natural gas deals will begin to flow. --- Matthew P. Heiskell

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Groundwater Holding Its Own Amid Natural Gas Drilling

"New research suggests drinking water supplies in Pennsylvania have shown resilience in the face of a drilling boom that has turned swaths of countryside into a major production zone for natural gas."

Why this is important: Two new studies that looked at groundwater chemistry did not find much of an impact from horizontal drilling and hydraulic fracturing. The results suggest groundwater supplies predominantly appear to have held their own against the energy industry's exploitation of the Marcellus Shale. In one study, a team from Yale University installed eight water wells and drew samples every few weeks for two years--during which seven natural gas wells were drilled and fractured nearby--to measure changes in methane levels at various stages of natural gas production. Researchers found methane spiked in some water wells, but attributed rising methane levels to natural variability, not drilling and fracturing. In the other Penn State University study, an enormous trove of data from the Pennsylvania Department of Environmental Protection--11,000 groundwater samples collected since 2010--using novel data-mining techniques, concluded that water quality is either unchanged or even slightly improved for substances like barium, arsenic and iron. --- John C. (Max) Wilkinson

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Coal Import Restrictions Eased in China as Summer Electricity Demand Boosts Prices

"The Chinese government has reduced restrictions on coal imports at the nation's major ports in response to concerns about higher prices and regional power shortages, as demand for electricity jumps during the peak summer months."

Why this is important: China has eased restrictions on coal imports as electric demand rises in China and regional shortages have begun to occur. Ports now are processing coal in 10 days, down from 15. Electric usage is up 10 percent, and recently the top six power generators burned 750,000 tons of coal a day. Along with imports, China has asked its mines to increase production 50 percent. --- Mark E. Heath

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China Tariffs Hurt U.S. Crude Oil Price

"Among the retaliatory measures announced by the Asian country was the proposed imposition of tariffs on imports of petroleum products from the U.S., a move that sent domestic crude oil prices crashing."

Why this is important: A 25 percent tariff imposed by China on American petroleum imports caused a roughly 10 percent drop in West Texas Intermediate crude prices. The retaliatory Chinese tariff is placed on crude oil, auto and aircraft fuel, natural gas, propane, naphtha, grease, lubricants, polymers and plastics. According to the U.S. Energy Information Administration, in March 2018 the U.S. exported nearly 28.5 million barrels of crude oil and petroleum products--approximately 65 percent going to China. At the current price, these exports total about $1.2 billion per month. If OPEC decides to increase production, as expected at Friday's meeting, China could easily meet its demand for oil from countries like Iran, desperate to sell oil, following the renewed U.S. sanctions. --- Gerald E. (Gee) Lofstead III

A New Low in the Media's War on Fracking

"Rolling Stone just dropped a bombshell - or so it claims in its article, 'The Harms of Fracking: New Report Details Increased Risks of Asthma, Birth Defects and Cancer.' Dig into the details, though, and it becomes clear that the study is not scientific. There remains no proof that fracking is dangerous."

Why this is important: In the yellow journalism of Gasland, Rolling Stone has trotted out another whopper in the faux outrage kabuki theater over hydraulic fracturing. According to Rolling Stone, the report's central claim is that "residents living near an active [fracking] site breathe air laced with carcinogens," which leads to an "increased risk of asthma, a decrease in infant health and worrisome effects on the development of a fetus." But the vast majority of studies used in this report examine fracturing-related emissions out of context. They don't look at how often, how long, or how much humans were actually exposed to these emissions. Nor has their report been subject to rigorous scientific review. It's not difficult to understand why--the preponderance of existing evidence directly contradicts the hysterical claims. --- John C. (Max) Wilkinson

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Iran Says Trump Seeks High Oil Price to Support Shale

"Iran's oil minister said that U.S. President Donald Trump sought high oil prices to support shale production in the United States, despite his public attack on OPEC over the high price of oil."

Why this is important: This is political rhetoric by Iran ignores the realities of the shale revolution in the U.S. Our country does not need higher foreign oil and gas prices to sustain our domestic shale industry. Through an abundance of resources and superior technological advances, the shale fields of the U.S. underprice OPEC production without any market manipulations. Now the question is whether the U.S. will remove outdated restrictions on oil exports and permitting roadblocks to additional LNG terminals that would allow our domestic industry to capitalize on its current competitive advantage in international markets. This is a historic opportunity to use exports of shale oil and gas to enhance our domestic economy, reduce trade deficits and put pressure on the OPEC countries to further weaken their influence on world-wide energy prices. --- William M. Herlihy

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Trump's Steel Tariffs Threaten Multibillion Dollar Expansion of U.S., Canadian Pipelines

"The leader of a natural gas pipeline industry group warned that President Trump's steel tariffs could threaten the billions of dollars of investment needed in gas and oil pipelines in the U.S. and Canada over the next two decades."

Why this is important: As natural gas pipeline companies struggle to overcome environmental and regulatory obstacles, a pipeline supply constriction may contribute to the cost and delays in new pipeline projects. Don Santa, president of the Interstate Natural Gas Association ("INGAA"), presented findings from a study by ICF (completed before the announcement of tariffs on imported steel) indicating North America will need $791 billion in new infrastructure by 2035 to meet growing demand. Mr. Santa explained 75 percent of the steel used in pipelines is imported and most U.S. steel producers have left the pipeline market. As a result of the recent steel tariffs imposed by President Trump, INGAA is concerned the tariffs could have a negative impact on the natural gas industry's ability to expand if pipeline projects are impeded due to higher costs or supply limitations. The ICF study predicts capital costs of developing pipelines will increase 75 percent compared to 2016 because of increases in labor and material costs, in addition to the delay in project approvals. This analysis begs the question--will the United States steel manufacturers be able to supply the demand generated by pipeline projects in a timely and cost effective manner? --- Mark D. Clark

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EPA Shifts Oversight of Coal Waste to a State for First Time

"The Environmental Protection Agency approved the first state permit program for disposal of toxic ash from coal plants, a switch from federal oversight that the coal industry had sought."

Why this is important: EPA has shifted oversight of coal waste facilities to a state for the first time. Oklahoma is the first state to receive approval to regulate fly ash disposal sites, a byproduct of pollution control systems for coal fired power plants. Texas also is seeking approval to set up a state program to regulate fly ash disposal. --- Mark E. Heath

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Russia and Saudis Push for Big Oil Output Hike at OPEC Meeting Despite Opposition

"Russia and Saudi Arabia are pushing OPEC and its allies to raise oil output steeply from July to meet growing demand and cover supply outages in Venezuela and Libya despite opposition from several members of the producer group including Iran."

Why this is important: At the OPEC meeting in Vienna on Friday, it is expected the cartel and Russia will raise oil output drastically to meet increasing global demands, and to counteract the supply outages in Venezuela and Libya. Although stiff resistance is expected by Iraq, Iran, Algeria and others, analysts expect some significant output increases will occur. This could not come at a worse time for American oil producers who are being hit with a 25 percent tariff from China, its biggest export customer. American West Texas Intermediate prices have fallen by roughly 10 percent as a result of the Chinese tariff. Increased oil output from OPEC likely will drive global oil prices lower in the immediate future, resulting in lower profits for the U.S. oil industry and the potential for a slowdown in domestic output. --- Gerald E. (Gee) Lofstead III

U.S. Should Eliminate 'Outdated' Oil Export Ban: Harvard/ Boston Consulting Study

"Lifting the 40 year-old ban imposed post-Arab oil embargo and easing restrictions on liquefied natural gas export terminals would add $23 billion to the economy by 2030, create tens of thousands of jobs, and provide the U.S. with additional clout overseas, according to a Harvard Business School/Boston Consulting Group study released."

Why this is important: A recently released Harvard Business School/Boston Consulting Group study confirms my opinions expressed in previous editions of *Currents*. This study recognizes the current boom in shale oil and natural gas production is an historic economic, quality of life and diplomatic opportunity rolled into a single U.S. industrial revolution. Increased shale oil and gas operations have created thousands of new jobs and injected billions of dollars of development into our domestic economy. The efficiency of these shale operations have brought domestic energy prices to historic lows and helped insulate our economic future from influences by OPEC and other foreign energy producers who do not wish us well. This is a once-in-generation opportunity to take advantage of this industrial revolution to reap extreme benefits both at home and abroad. First, we need to update and make more uniform regulations for the shale industry, while limiting the ability of environmental groups to haphazardly attack production, pipeline and storage projects with little, if any, proof of harm on the environment or human health. Second, the federal government should remove the deterrents to oil exports which will help the U.S. from both a domestic economic perspective as well as our foreign policy goals. Finally, easing the permitting requirements for new LNG terminals also will capitalize on both domestic and foreign benefits for our country. An increased ability to export oil and natural gas will vastly enhance both our domestic economic well-being as well as our ability to reduce geopolitical risks from other countries that use the same energy sources to attempt to cripple our allies across the world. --- William M. Herlihy

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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

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.