



Issue 10, 2018

● Trump Advisers Fervently Defend Tariffs (Unless They Change, That Is)

"The White House continued to sow uncertainty about the stiff tariffs President Trump said he would impose on steel and aluminum imports as key advisers defended the policy but left room for the president to change his plans."

Why this is important: The American steel and aluminum industries may be subject to unfair competition in the form of dumping by other countries, a situation President Trump is trying to change by imposing tariffs on imports. But those tariffs, which might preserve a few thousand jobs, likely will cost many more jobs in the hundreds of industries that use steel and aluminum, and will take money out of all Americans' pockets in the form of higher prices. Other Republican leaders are crying foul, recognizing how the tariffs could affect workers in their districts, and this may result in the first major break between Congress and the President. --- [David L. Yaussy](#)

● Big Oil Climate Change Suits Stay in Federal Court

"A federal judge sided with Big Oil's request to keep two climate change suits in federal court, a move that could foreshadow doom for efforts to hold oil companies liable for rising sea levels."

Why this is important: This decision is an important start to bringing some order to "global warming" styled litigation by state and local governments, which are bringing a kaleidoscope of environmental lawsuits. Judge William Alsup in the U.S. District Court for the Northern District of California ruled various cases filed by local and county governments against major energy producers to hold them responsible for the alleged effects of global warming were preempted by federal law. This decision is a well-founded recognition that such broad-ranging issues should not be debated in local courts that likely have no jurisdiction over the issues and would produce chaotic and inconsistent rulings. To the extent these claims are valid, they should be addressed in a federal court forum. --- [William M. Herlihy](#)

● U.S. Oil Expected to Meet Most of World's Growth in Demand

"The energy agency, which advises energy-consuming countries, said that global energy demand will grow about 7 percent by 2023, to 104.7 million barrels of oil per day. Citing the production capabilities of drillers operating in U.S. shale fields, the world capacity to produce oil will hit 107 million barrels a day."

Why this is important: The Paris-based International Energy Agency has forecast the U.S. will supply enough oil to meet 80 percent of the increased demand for oil over the next three years. Canada, Brazil and Norway will meet the rest of the increased demand. The strongest growth should come from the Permian Basin, that lies under parts of Texas and New Mexico, where output is expected to double by 2023. This strong U.S. production should keep oil prices around \$60 per barrel for the next few years, which should keep gas prices at the pump in check. --- [Gerald E. \(Gee\) Lofstead III](#)

● [Trump Administration Seizes Energy Opportunity Amid Venezuela Collapse](#)

"While the White House tightens the grip on Venezuela, the Trump administration is simultaneously drafting contingency plans for the U.S. energy sector to assist Caribbean and Latin American governments that have been reliant on Venezuela oil."

Why this is important: The Trump administration is seizing on the failed socialist policies of Venezuela's Maduro regime to re-shape the geopolitical economic landscape of the Caribbean and Latin American regions. Maduro, like his strongman socialist predecessor Chavez, has utilized Venezuela's heavily subsidized oil export program to influence regional neighbors, effectively buying their diplomatic allegiances, obtaining their support of anti-U.S. rhetoric, and helping him resist efforts within the western hemisphere to punish the regime. Regional leaders dependent on Venezuelan oil have acknowledged they too are feeling the pinch of U.S. sanctions on Venezuela. U.S. diplomatic efforts aim to meet the energy needs of those countries formerly dependent on Venezuela with market-based solutions rooted in the U.S. abundance of gas and oil reserves. --- [John C. \(Max\) Wilkinson](#)

● [Forgotten Hydropower Plots a Comeback in Trump Era](#)

"Advocates of hydropower, America's largest and oldest, but often forgotten, renewable energy source, are carving a major place for themselves in the Trump administration, eyeing the upcoming debate over infrastructure as a way to push for changes that would speed the approvals of water-powered projects."

Why this is important: Hydropower is the red-headed stepchild of energy sources. A renewable energy source that generates no emissions, it is nevertheless scorned by many environmentalists because it involves damming or diverting natural stream flows. It doesn't help that the lengthy time it takes to license a hydropower project discourages investment. The Trump administration is hoping to change that by shortening the time needed to get a federal license, which might allow it to fairly compete with other renewable energy sources, such as wind and solar. --- [David L. Yaussy](#)

● [WV Leaders Tout Regional Shale Opportunities to Japan's Petrochemical Industry](#)

"Kozera, Director of Marketing for the Shale Crescent, spent a week in Japan at the invitation of the Japanese Petrochemical Association, whose members wanted to learn more about U.S. shale resources and what they could mean to their businesses."

Why this is important: Japan is resource poor, but technology and manufacturing rich. In the short-term, LNG exports at competitive prices can satisfy Japan's demand for energy production. In the long-term, Japan is a viable candidate to locate crackers or other petrochemical manufacturing facilities in the Appalachian Basin to produce ethane, propane, butane, pentane, ethylene and other feed stocks for their downstream manufacturing industries. If this manufacturing relationship gains financial backing from Japan, it would be a win/win situation for our two countries. --- [William M. Herlihy](#)

● [OPEC Wants to Talk with Rival U.S. Shale Drillers to Learn Lessons of Downturn](#)

"OPEC wants to have an open dialogue with upstart U.S. shale drillers and learn from oil market players, after the most painful downturn in six oil price cycles."

Why this is important: OPEC's Secretary General Mohammad Barkindo stated the meeting was not about prices or production cuts, but about technology and production outlooks. Barkindo also was meeting with hedge funds and financial market players in an effort to understand how the complex markets affect oil. Barkindo did discuss supply and demand issues, noting that demand is strong, but not as robust as before the 2015 financial crisis. He endorsed the current production-cut agreement within OPEC as being, "as solid as the rock of Gibraltar." However, the article points out the U.S. has now surpassed Saudi Arabia in daily production of oil, by producing more than 10 million barrels per day. --- [Gerald E. \(Gee\) Lofstead III](#)

● [U.S. Hampton Roads Coal Exports Tick Higher Again in February](#)

"Coal exports from terminals in Virginia's Hampton Roads region totaled 3.55 million st in February, up 21.8 percent from the prior

month and up 26.7 percent compared with the year-ago month, according to data released by the Virginia Maritime Association."

Why this is important: While U.S. domestic coal consumption has declined, the export market continues to strengthen. February 2018 exports through Hampton Roads increased 26.7 percent over the same period in 2017 with 3.55 million tons shipped. This is the highest monthly total since 2014 and reflects the continued strong metallurgical coal market. --- [Mark E. Heath](#)

● [Russia-Ukraine Natural Gas War Reignites After Final Arbitration Ruling](#)

"The court ruled in Naftogaz's favor on the transit element of the dispute, forcing Gazprom to pay \$4.63 billion for having underused the Ukrainian transit system to deliver gas to Europe."

Why this is important: Stockholm's international arbitration court ruled in favor of Ukraine ending a four-year dispute between Russia's Gazprom and Ukraine's Naftogaz Ukrayiny over the two companies' 2009 natural gas supply and transit contract. Naftogaz's net award was \$2.56 billion as it was required to pay Gazprom for gas it seized without payment in 2014-2015. Gazprom, furious over the resolution of the transit issue, promptly notified Naftogaz it was terminating its contract as a result of the ruling. "We are categorically opposed to Ukraine's economic problems being solved at our expense," Gazprom CEO Alexei Miller said. Some re-negotiation seems inevitable as both sides need the other to meet the market demands each face. Gazprom cannot risk being unable to meet supply needs in Turkey and Italy, and will still need Ukraine pipeline capacity post-2019 to meet current European demand, even if Russia completes its Nord Stream 2 and TurkStream pipeline projects on time. Conversely, Naftogaz has incentive to continue to purchase Gazprom gas as it is less expensive than highly tariffed European alternatives. Geopolitical relations between the countries have been strained since Russia's 2014 annexation of the Crimea, which was ostensibly ratified by an internationally recognized plebiscite, and the Russian intervention in Ukraine's Donbass region in 2014-2015. Both of these Russian interventions had significant adverse impact on Ukraine's economy. Whether this adverse ruling from Stockholm will prompt further Russian military aggression remains to be seen. --- [John C. \(Max\) Wilkinson](#)

● [EIA Energy Statistics](#)

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

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[Weekly Petroleum Status Report](#)

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