



Issue 13, 2018

## ● California's Ready to Retaliate if Trump Cuts Auto Rules, Sources Say

*"As the Trump administration begins to dismantle Barack Obama's ambitious auto efficiency regulations, California is said to be poised to retaliate by doing something that automakers have feared: de-coupling the state's rules with those set in Washington."*

**Why this is important:** California is the beneficiary of a special vehicle emissions rule that allows it to set more stringent requirements than the rest of the nation, and allows other states to opt in. Car companies prefer uniform standards and hate the idea of manufacturing different cars for parts of the U.S. As the Trump administration looks to roll back Obama-era car efficiency standards, California is threatening to maintain the Obama standards, which would create headaches for car manufacturers who want to serve the California market--meaning all manufacturers, of course. --- [David L. Yaussy](#)

## ● Why New York Natural Gas Prices are So High: It's About the Pipelines

*"These higher New York natural gas prices occur because of shortages, of course. Yet, New York is next door to the Marcellus Shale region, where the shale revolution has produced huge supplies of natural gas easily accessible from New York but for pipeline capacity."*

**Why this is important:** Scarcity creates value (or stated alternatively, raises prices). This axiom of economics is aptly proven in the sharp and consumer painful price spikes of natural gas in the northeastern U.S., particularly New York and Boston, during peak consumption. Only so much gas can flow within existing pipeline infrastructure. The only way to make the price drop is to create more consumable supply. Obviously, there is an abundance of natural gas in U.S. shale reserves, but similar to emptying a bathtub, only so much volume can pass through the drain (i.e., the chokepoint of gas pipeline capacity) at a given time. The only way to create more consumable supply is to increase pipeline capacity. Until such supply capacity is available, so long as peak demand exceeds available supply, consumers will continue to pay a painful price premium for natural gas during peak demand. --- [John C. \(Max\) Wilkinson](#)

## ● OPEC, Russia Consider 10- to 20-Year Oil Alliance - Saudi Crown Prince

*"Saudi Crown Prince Mohammed bin Salman told Reuters that Riyadh and Moscow were considering a deal to greatly extend a short-term alliance on oil curbs that began in January 2017 after a crash in crude prices."*

**Why this is important:** In what amounts to a serious incursion of Russia into the U.S.-Saudi relationship, King Salman and Vladimir Putin reportedly are working on a long-term agreement wherein Russia will agree to cooperate with OPEC over the stabilization of oil prices through production controls. This agreement follows the October 2017 Saudi visit to Russia, wherein the Saudi monarch promised investment and political support for the Russian economy that was suffering from Western sanctions. As part of the agreement, Russia would have to agree to building spare production capacity for times when the oil prices are too high. Saudi Arabia has been a staunch Cold War ally of the United States, and more recently, has been on the opposite side of Russia in the Syrian conflict. These talks may result in a weakening of America's influence in the Middle East, where it has been the dominant superpower. --- [Gerald E. \(Gee\) Lofstead III](#)

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## ● [U.S. on Pace to Become a Leader in LNG Exports](#)

*"The United States is on pace to become the third-largest exporter of liquefied natural gas by 2020, behind Australia and Qatar, a federal report found."*

**Why this is important:** The surge in LNG exports is welcome news for our domestic natural gas industry as well as the nation as a whole. Our abundant shale gas production is very well priced on the international market even considering transportation expenses. Continued increases in LNG exports will not only help stabilize domestic prices at a sustainable level, but also allow our country to cut into trade imbalances with other nations. Our export potential also provides a powerful tool in the country's international relations as Russia struggles to export more natural gas to European countries. The federal government should make all possible efforts to accelerate the issuance of new export terminal permits, which the prior administration had stifled for its domestic political agenda. --- [William M. Herlihy](#)

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## ● [Half of All U.S. Coal Plants Would Lose Money Without Regulation](#)

*"Still, many coal plants manage to shield themselves from economics. About 95 percent of those with operating expenses exceeding revenue operate in regions where regulators set rates, the study found. Instead of allowing market forces to determine their fate, regulators and utilities often keep struggling plants open to ensure stability on their grids."*

**Why this is important:** For decades, coal-fired power plants provided low-cost power to consumers. But, that began to change toward the end of the past decade as electric wholesale markets started becoming more robust and as the shale gas play helped make natural gas-fired generation a market leader. For coal-fired power plants that are not in a regulated rate base and are owned by non-regulated entities, the trend has been for many of those plants to be deactivated presumably because they cannot be operated economically in the current wholesale power market. For consumers in regulated states, however, the result has been they must pay rates that include the cost of owning and operating coal-fired power plants, even if those plants are not always able to run economically in the wholesale market. Some justify this on the basis of insuring stability, regional grid resiliency, and power resource diversity, while others believe it is a burden to captive electric ratepayers seeking more competitively priced power rates. --- [Derrick Price Williamson](#)

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## ● [What Beastly Weather Says About UK Energy Security](#)

*"A Europe-wide freeze this month sparked concerns over U.K. gas reserves while shedding inconclusive light on how wind can help cope with extreme low temperatures."*

**Why this is important:** The U.K.'s national grid raised concerns the country could deplete its natural gas supplies in early March due to the intensely cold Arctic anticyclone and winter storm that plunged temperatures across the British Isles and most of northern Europe. The cold snap and storm more than doubled the wholesale price of natural gas, forcing other electrical generation to shoulder the load, principally coal and nuclear, which operated at or near full capacity. Wind generation was mixed-initially high due to strong winds accompanying the storm, wind capacity later dropped off as storm winds ceased. But, temperatures remained low, requiring the generation needs to be covered by other sources. Concern over the potential inadequacy of the U.K.'s wind and gas capacity to cover peak demand was first raised in an analysis by the Oxford Institute for Energy Studies in 2011. Some consultants believe this recent supply challenge has confirmed that 2011 warning. --- [John C. \(Max\) Wilkinson](#)

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## ● [Russian Gas Pipeline Gets Green Light from Germany as U.S. Tries to Kill Project](#)

*"Authorization from regulators in Russia, Finland, Sweden, and Denmark, through territories of which the pipeline is set to run as well, are due to be obtained in the coming month, according to the operator."*

**Why this is important:** Russia wants to build a pipeline to ship natural gas from its abundant reserves to Europe, and is looking for national rights-of-way. The pipeline would bypass the Ukraine, which currently generates much revenue from hosting the existing pipeline from Russia. The U.S. opposes the pipeline, ostensibly because of sanctions it has imposed on Russia, but also

because a pipeline decreases the need for liquefied natural gas from the U.S. One thing is clear--despite its efforts to go green, Europe still needs fossil fuels to keep industry humming and homes warm. --- [David L. Yaussy](#)

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## ● [U.S. Energy Policy is Containing Russia, Energy Secretary Says](#)

*"An energy policy where we can deliver energy to Eastern Europe, where we are a partner with people around the globe, where they know that we will supply them energy and there are no strings attached is one of the most powerful messages that we can send to Russia," Perry said."*

**Why this is important:** In a continuing theme by the U.S. government, Energy Secretary Perry informed Congress that U.S. natural gas exports, thanks to shale production, is being exported as liquefied natural gas to Europe, including Poland. This is important, as Europe has relied extensively on Russian fuel, the result of which is undue Russian influence throughout the continent, and especially in Eastern Europe. American policy warns Russia has effectively weaponized its exported energy to coerce, intimidate and influence countries in the region. The importing of American liquefied natural gas weakens Russia's grip over these countries. --- [Gerald E. \(Ge\) Lofstead III](#)

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## ● [EIA Energy Statistics](#)

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

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