

Energy Quarterly Report—Q3

Table of Contents

1. Coal
2. FERC
3. Green Energy
4. Mergers and Acquisitions
5. Oil, Natural Gas, & Pipelines
6. PHMSA
7. Litigation
8. Regulatory

1. Coal

Lobbying: 'America First' or coal first? LNG groups want to know

The Trump administration has proposed a plan to aid the declining domestic coal and nuclear power industries by keeping ailing generators afloat on national security grounds. This potential bailout of the liquefied natural gas (LNG) industry's competitors could depress gas production. At the same time, Trump's protectionist trade policies have led China—the world's largest growing market for natural gas exports—to consider placing a 25 percent tariff on U.S. fuel. The anxious LNG industry is left realizing it may have underestimated the impact an 'America First' agenda would have.

[E&E ClimateWire News on Sep 4, 2018](#)

2. FERC

FERC Chairman Kevin J. McIntyre [announced on September 18th](#) the appointment of Stephanie Nagel as a FERC Administrative Law Judge. Judge Nagel's prior government experience includes the past two years as an Administrative Law Judge with the Social Security Administration; a position as an attorney advisor in the U.S. International Trade Commission (ITC) Office of the Administrative Law Judges before that; and service as principal advisor to ITC Vice Chairman Dean Pinkert on intellectual property litigation issues. She is a 1997 graduate of the Tulane Law School and earned a Bachelor's degree in Government from Dartmouth College.

On August 31st, [the FERC and the Pipeline and Hazardous Materials Safety Administration \(PHMSA\) signed a Memorandum of Understanding](#) to establish a framework for the coordination of the siting and safety review of FERC-jurisdictional LNG facilities with greater efficiency. The Memorandum provides that PHMSA will review LNG project applications to determine whether a proposed facility complies with its safety-standard regulations and then issue a letter to FERC with its findings. The FERC will then consider these findings in its decision on whether a project is in the public interest.

On July 19th, the [FERC directed](#) the North American Electric Reliability Corp. (NERC) to modify the Critical Infrastructure Protection Reliability Standards in order to improve and expand mandatory reporting of cyber-security incidents so that more resources can be devoted to reporting the most significant incidents faster than less-significant events. "Cyber threats to the bulk power system are ever changing, and they are a matter that commands constant vigilance," FERC Chairman Kevin J. McIntyre said.

FERC Chairman, Kevin McIntyre, [said on July 17th](#) that recent media reports of Delay Letters regarding 12 to 18 month delays for pending applications for liquefied natural gas (LNG) terminals are incorrect and no letters were issued. To the contrary, "[i]n just the last few days we have made truly significant strides in reforming the permitting process with our federal partners, eliminating duplicative efforts and instituting a streamlined procedure that will significantly reduce our LNG permitting timelines," McIntyre said.

[FERC issues environmental schedules for 12 LNG terminal applications](#)

In recent months the FERC's Office of Energy Projects has made significant strides in streamlining its regulatory processes. On September 3rd, the FERC issued environmental schedules for 12 liquefied natural gas (LNG) export terminal applications. The FERC is responsible for assessing the environmental effects, safety, and engineering of LNG facilities in a timely manner in accordance with statutory obligations. The process improvements, including a move to electronic issuances of environmental documents and the hiring of several FERC LNG staff and an outside contractor, have shortened projected environmental schedules in some cases by 9 to 12 months. This will help to put the U.S. in a more competitive position with global gas markets.

Your Oil & Gas News on Sep 3, 2018

[Texas LNG receives FERC timeline for Final Environmental Impact Statement](#)

The FERC has issued the Notice of Schedule for Environmental Review (SER) to Texas LNG Brownsville LLC. The Final Environmental Impact Statement (FEIS) is due by March 15, 2019 and the Federal Authorization Decision Deadline is June 13, 2019. The FEIS and Federal Authorization Decision Deadline are the final major steps in the FERC process before issuance of the FERC Order, which will authorize construction and operation of the Texas LNG facility. The

facility will be constructed in South Texas on a 625-acre site located near plentiful natural-gas supplies and pipelines that will enable the export of 4 million tonnes of LNG per annum.

[Globe Newswire](#) on Sep 2, 2018

After court decision, FERC backs IMM role in commission proceeding

The FERC has backed the right of the independent market monitor (IMM) to participate in commission proceedings as long as it is in the public interest. A recent ruling by the US Court of Appeals for the District of Columbia referred to the IMM's role as that of an auditor, which threw the IMM's standing into question. Based on this finding, a FERC administrative law judge denied an IMM intervention in a separate administrative case. However, the IMM appealed to the FERC and argued that Constitutional requirements for standing do not apply to administrative proceedings before federal agencies. Instead, involvement is left to the discretion of the FERC.

[Platts - Electric Power News](#) on Aug 23, 2018

3. Green Energy

California's plan to rely entirely on clean energy by 2045 heads to the governor's desk

On August 29th state senators voted overwhelmingly to support Senate Bill 100, which would phase out fossil fuels and require California to obtain 100% of its energy from clean sources by 2045. Additionally, the bill would require electric utilities and other service providers to generate 60% of their power from renewable sources by 2030, up from the current goal of 50%. The bill next heads to Governor Jerry Brown for his signature.

[LA Times - Money & Company News](#) on Aug 30, 2018

California to import power from New Mexico wind farm by 2020

Pattern Energy Group 2 LP will deliver power from the 200-megawatt Duran Mesa Wind project—being built near Corona, New Mexico—to four California counties by 2020. The power will be delivered via Silicon Valley Clean Energy and Monterey Bay Community Power under two 15-year power-purchase agreements.

[Bloomberg News](#) on Jul 31, 2018

Largest U.S. wind farm dealt potentially fatal blow in Texas

On July 26th, the Texas Public Utility Commission (PUC) unanimously rejected what would have been the largest-ever U.S. wind farm: American Electric Power Company's \$4.5 billion Wind Catcher project. The PUC determined that, as currently structured, the proposal did not offer enough benefits for ratepayers. American Electric is evaluating options but will likely scrap the project.

[Bloomberg News](#) on Jul 26, 2018

Oil trader embraces clean energy with new wind power fund

Vitol Group, the world's largest independent oil trader, will invest \$234 million into offshore and onshore wind farms through its VLC Renewables arm, run by a joint venture with Low Carbon Ltd. This is the latest foray by a large fossil-fuel company aiming to diversify into areas with higher future growth potential. Vital Group expects that almost 27 percent of European electricity will be generated from wind and solar by 2025.

[Bloomberg News](#) on Jul 17, 2018

4. Mergers and Acquisitions

Enbridge to buy Spectra Energy Partners in \$3.3 billion deal

Pipeline giant Enbridge, Inc. agreed to buy all outstanding shares of Spectra Energy Partners LP in a deal valued at \$3.3 billion. This comes after Enbridge added a 9.8 percent premium to its initial offer and included that Spectra investors will receive 1.111 shares of Enbridge stock for every Spectra unit. The transaction is scheduled to close in the fourth quarter of 2018.

[Bloomberg News](#) on Aug 24, 2018

Starwood to buy a GE Energy-Finance Business for \$2.56 Billion

Starwood Property Trust, Inc. agreed to buy the debt business and loan portfolio of General Electric Capital's energy finance unit for \$2.56 billion, as it diversifies from commercial real estate. The acquisition will add heft to its energy unit and includes \$400 million of unfunded loan commitments. General Electric, on the other hand, said in January that it would reduce the assets of the business to less than \$5 billion by the end of 2019. The conglomerate is now focusing on jet engines, power plants, and renewable energy.

[Bloomberg News](#) on Aug 8, 2018

J.M. Smucker Co signs wind power agreement as it embraces renewables

The J.M. Smucker Company is working to significantly reduce its greenhouse gas emissions and will purchase 60 megawatts of the 230 megawatt Plum Creek Wind Project in Wayne County, Nebraska. From 2020, the wind energy generated at Plum Creek will meet around 50 percent of the company's electricity use. In addition to wind power, the company has invested in solar arrays and methane turbines and wants to divert 95 percent of waste from landfills to alternative use by 2020.

[CNBC Energy](#) on Aug 2, 2018

5. Oil & Natural Gas

Fuel Fix: Iraq helps assuage OPEC supply concern as crude-oil sales surge

Iraq is now OPEC's second-biggest oil producer, having pumped a record 4.64 million barrels a day in August, beating the previous high set two years ago. Additionally, its exports matched peak levels from 2016. Still, as the market prepares for the onset of fresh U.S. sanctions in November, and supply threats are on the rise from Iran to Venezuela, supply concerns are increasing. Iraq is ready to ship more crude as soon as OPEC reaches an agreement on how members will share a collective supply boost.

[Bloomberg News](#) on Sep 4, 2018

OIL: Libya leads OPEC output to 2018 high despite Iran losses

OPEC's 15 members collectively produced 32.74 million barrels a day in August, an increase of 420,000 barrels a day from July. This comes after the agreement in June to increase output by 1 million barrels a day in order to meet consumer demand and prevent a sharp rise in prices. Libya was the biggest contributor to the rise in output across the group, pumping 970,000 barrels a day last month compared to 660,000 barrels a day in July. However, the country remains an unreliable supplier as civil strife continues to disrupt its petroleum industry.

[E&E EnergyWire News](#) on Sep 4, 2018

Rouhani: Iran will export crude oil despite US pressure

President Hassan Rouhani declared that Iran will continue to export crude oil despite U.S. efforts to stop it through sanctions. It remains unclear how much other countries will cut back on Iranian oil imports. Britain, France, Germany, Russia and China, which also signed the 2015 Joint Comprehensive Plan of Action lifting sanctions on Iran in exchange for a freeze of its nuclear program, oppose the Trump administration's decision to withdraw from it.

[The Washington Post - World News](#) on Sep 4, 2018

6. Pipelines

Corps: No new impacts found in Dakota Access pipeline review

On August 31st, the U.S. Army Corps of Engineers filed a summary of its additional study of the Dakota Access oil pipeline with the US District Court in the District of Columbia. The Corps concluded that chances of an oil spill are low and any impacts to hunting and fishing “will be of limited scope and duration.” Further, minority and low-income populations, including the Standing Rock Sioux tribe, are not at greater risk of “adverse human health or environmental effects.” This study was ordered by U.S. District Court Judge James Boasberg in June 2017 due to concerns that the agency hadn’t adequately considered how an oil spill under the Missouri River might affect the Standing Rock tribe’s rights when the pipeline was first permitted. The tribe’s fight is [ongoing](#). The \$3.8 billion, four-state pipeline, built by Texas-based Energy Transfers Partners, has been operating since June 2017. It has the capacity to move half of all oil produced daily in North Dakota through South Dakota and Iowa to Illinois, where it can then be shipped to the Gulf Coast and markets abroad.

[Associated Press](#) on Sep 1, 2018

FERC says stalled project can restart construction

On August 29th, the FERC granted approval for work to continue on all but 4 miles of the Mountain Valley natural gas pipeline project, which it had [stalled](#) due to action of the 4th Circuit Court of Appeals earlier this summer. The Court had required the Bureau of Land Management (BLM) and the Forest Service (USFS) to more thoroughly study their approvals of two crossings of the Jefferson National Forest in Virginia and Army Corps of Engineers land in West Virginia. The BLM re-concluded that route alternatives are not practical. The USFS review is ongoing. A spokeswoman for the project said, “we will continue to coordinate with the agencies to address the Court’s remaining issues and look forward to continuing with the safe, responsible construction of the pipeline along the full 303-mile route.”

[E&E News](#) on Aug 29, 2018

Kinder’s Pacific Coast pipeline project’s cost jumps 26 percent

Kinder Morgan Canada, Ltd., the energy infrastructure company selling the Trans Mountain oil pipeline to the Canadian government, filed a report on August 7th that included analysis by TD Securities, the company’s financial advisor. The report concluded that even if the cost of expanding the line increased 26 percent to \$9.3 billion Canadian (\$7.1 billion US) and completion was delayed until the end of 2021, the project would still generate \$126 million Canadian in distributable cash flow the following year. The Canadian government agreed to buy the pipeline for \$4.5 billion Canadian in May.

[Bloomberg News](#) on Aug 8, 2018

Minnesota pipeline a step closer to being replaced; Native Americans and environmentalists are ready for a fight

Enbridge Energy's proposal for a new Minnesota pipeline to replace an existing pipeline called Line 3, which was built in the 1960s, was unanimously approved in late June by the Minnesota Public Utilities Commission. Line 3 transports crude oil 1,097 miles from Edmonton, Alberta, across northern Minnesota to Superior, Wisconsin, but has seen its oil flow reduced due to corrosion and other defects in the decades-old pipe. The proposed new pipeline follows a different route that tracks farther south to its terminal in Wisconsin, near the Ojibwe tribe's White Earth reservation. It would cross directly through major watersheds and the last remaining wild rice beds the Ojibwe have to harvest, which are part of the creation story of their people. Enbridge states that it is currently working with tribes on cultural resource surveys along the entire proposed route and still must apply for 29 required federal, state, and local permits before it can begin construction.

CNN Recent News on Jul 18, 2018

7. Pipeline and Hazardous Materials Safety Administration ("PHMSA")

U.S. DOT grants petition to support safe transportation of hazardous materials by motor carriers

On September 20th, PHMSA ruled on a petition submitted by the National Tank Truck Carriers Association that California's meal and rest break requirements are preempted for all operators of motor vehicles transporting hazardous materials. California's rules were determined to create an unnecessary delay in transportation and create compliance incompatibilities between state and federal safety rules.

PHMSA mulling changes to natural gas pipeline class location regs

PHMSA issued an advanced notice of proposed rulemaking (ANPRM) for its existing class location change requirements due to population increases for natural gas transmission pipelines, published July 31st in the *Federal Register*. It is estimated that pipeline operators spend as much as \$300 million annually replacing pipe to satisfy the outdated regulations, which have never been substantially revised, despite dramatic engineering and technological shifts in the industry. Operators have suggested that performing integrity management measures on pipelines, using modern assessment technologies, would provide equally safe, but less disruptive and costly alternatives to the current requirements for confirming pipeline safety. PHMSA accepted comments on the ANPRM through October 1st.

Natural Gas Intelligence - News on Jul 31, 2018

8. Litigation

[China files WTO challenge to US tariffs on solar panels](#)

China has filed a formal complaint against the U.S. with the World Trade Organization (WTO) challenging a 30 percent tariff hike on solar panels. The tariff was imposed via a 1974 U.S. law instead of through the WTO, which led to the argument that the U.S. is undermining the global trade body. The Trump administration says the tariffs are necessary to protect American producers since import prices are unfairly low and the WTO lacks the ability to address Chinese trade tactics. WTO complaints begin with negotiations between parties to the dispute. If those fail, the case moves to a panel of experts who can decide whether the trade controls are improper.

[US News and World Report](#) on Aug 15, 2018

9. Regulatory

[EPA prepares second overhaul of power plant rules](#)

The EPA has proposed an overhaul of the Mercury and Air Toxics Standards Rule, which is the second recent change to the clean energy standards set by the Obama administration in an effort to combat climate change. On August 21st the EPA proposed a rule shifting the regulation of power plant carbon dioxide emissions from the federal government to the states. Details of the proposed changes to the Mercury Rule have not yet been released, but the current rule requires coal and oil-fired power plants to reduce emissions of mercury and other toxins and is supported by environmentalists. The proposal is entering the 60 to 90 day interagency review process and will then be made public and open for comments.

[CNN Politics News](#) on Aug 30, 2018

[EPA to keep pursuing biofuel changes under new leadership: Wheeler](#)

Andrew Wheeler, acting Administrator of the EPA, plans to continue the overhaul to the U.S. Renewable Fuel Standard (RFS) that former Administrator Scott Pruitt had begun, which were mostly aimed at helping the oil industry. The RFS requires oil refiners to blend increasing amounts of biofuels like corn-based ethanol into the nation's fuel supply each year, or purchase blending credits from those that do. However, Wheeler intends to pursue the idea of counting ethanol exports toward the nation's annual biofuels blending quotas. He will also consider expanding the sale of higher-ethanol gasoline blends and requiring some refiners to blend more ethanol to compensate for volumes lost under an EPA waiver program for small refiners in an attempt to balance the needs of the rival corn and oil industries.

[Reuters News](#) on Jul 25, 2018