



Issue 38, 2018

● [China's Provinces are Secretly Building Coal Plants in Defiance of the National Government](#)

"CoalSwarm, a global network of researchers tracking fossil-fuel infrastructure, analyzed satellite imagery as of July 2018, and discovered that the construction of around half of those 150 plants is still proceeding, despite the government orders."

Why this is important: While China's central planners are trying to put the brakes on coal power plant construction, it appears the local officials who are responsible for meeting development goals and producing power for the nation are continuing to build them at a fast pace. With one new plant coming online each week since 2016, and with those plants unlikely to be moth-balled once constructed, there is likely to be a continuing, steady demand for coal for years to come. --- [David L. Yaussy](#)

● [Dominion Energy's Lesser Known Supply Head Project Will Compliment Atlantic Coast Pipeline](#)

"Thanks to an ongoing Supply Head project by Dominion Energy, 37.5 miles of natural gas pipeline will soon connect Marcellus and Utica Shale supplies in West Virginia and Pennsylvania to the Atlantic Coast Pipeline."

Why this is important: Shorter interconnections such as the Supply Head project are essential to transport more shale gas from Pennsylvania and West Virginia to needed markets. In the near term, this sort of strategic integration of interstate pipelines will help increase and stabilize prices for Appalachian natural gas. This is the type of project needed to send large amounts of shale gas to market while longer segments of interstate pipelines encounter multiple regulatory hurdles. --- [William M. Herlihy](#)

● [Kuwait Oil to U.S. Stops for First Time Since 1990-91 Gulf War](#)

"Kuwait has all but stopped shipping crude to the U.S. for the first time since the aftermath of Saddam Hussein's invasion in 1990, eroding an economic link between Washington and the Arab petro-monarchy."

Why this is important: Oil sales do more than just transfer dollars to producers and energy to consumers. They can tie countries together, creating a mutuality of interest that has far-reaching ramifications. It was partly the U.S. interest in protecting oil supplies from the Mideast that led to the first Gulf War. With Kuwait now turning to Asia in response to higher prices there, and with U.S. domestic petroleum production making Kuwaiti oil less important, the connections between the U.S. and Kuwait may start eroding with time. --- [David L. Yaussy](#)

● [A Breakthrough for Hydraulic Fracturing](#)

"If operators' counsel can show that the methane present in wells near key drill sites does not increase over time and has an

isotopic composition consistent with a plant (not fossil fuel) source, the ability of plaintiffs to make a case will be curtailed."

Why this is important: Opponents of shale oil and gas development have long claimed hydraulic fracturing causes groundwater contamination. A recent study from University of Cincinnati and University of California-Irvine scientists, however, throws cold water on this claim. Using advanced monitoring techniques across multiple samples in some of Ohio's most active counties for shale development, the scientists found no link between shale development and groundwater methane levels. Not only does this study have the potential to rebut a common talking point for opponents of shale development, operation and production companies can use this study as a template for inexpensive, pre-drilling baseline testing that may disprove later unsubstantiated claims of contamination. --- [Joseph V. Schaeffer](#)

● [China's Natural Gas Production has Quietly Surged](#)

"The short-term goal is for gas to reach 10 percent of energy in the next few years and eventually at least 15 percent and beyond sometime after."

Why this is important: It is paramount to the U.S. natural gas industry to use cheap and abundant shale gas as a vehicle to increase LNG exports to China and other Asian developing markets. The slow process of permitting new LNG export terminals and the current tariff dispute with China are the primary barriers to this important economic engine. The longer these barriers are in place, the more international market share U.S. producers will lose to our Russian, Australian and Middle Eastern competitors, as well as domestic production in China. --- [William M. Herlihy](#)

● [Shell Approves \\$12 Billion Liquefied Natural Gas Project in Canada](#)

"The scheme will be Canada's biggest ever infrastructure project and is the world's first major liquefied natural gas project to be given the go-ahead in five years."

Why this is important: Shell's plan to develop a liquefied natural gas plant at a port in British Columbia is not a surprise, given the huge expected increase in demand for LNG in the next decade and beyond. What may be more surprising is Shell's belief it has addressed issues with local communities and indigenous First Nations, who, in the past, have fought to derail similar projects. If accurate, the lack of opposition to the plant (and assuming no opposition to the pipeline bringing natural gas to the plant) would make it almost unique among large energy projects, and may serve as a model to future projects of similar size and type. -- [David L. Yaussy](#)

● [Metallurgical Coal Prices Starting to Slip](#)

"A report by Fitch Research predicts that metallurgical coal prices will decline from their current high levels over the next 18 months."

Why this is important: Fitch Research is predicting a somewhat softening of current metallurgical coal prices. High prices for the coal used in steel making have driven the U.S. coal market for the last several years. Fitch reports metallurgical coal prices peaked at \$260 a ton in the last quarter of 2016. For 2018, hard coking coal is priced at \$185 and Fitch's prediction for 2019 is \$140 per ton. While the decrease may hurt some high cost producers, the prices for 2018 and 2019 are still higher than the lows of 2015 that reduced U.S. metallurgical coal production. Fitch further believes while prices have declined somewhat, there is still no oversupply of metallurgical coal in the short term. --- [Mark E. Heath](#)

● [3 Ways in Which Gas is Thinking of the Future](#)

"Infrastructure providers such as the Spanish firm Sener are looking to a future where gas is more liquid, mobile and, potentially, renewable."

Why this is important: LNG is one of the fastest growing energy sources in the world. Its portability makes it a flexible fuel that can be shipped to places pipelines may not reach easily, such as islands and port cities. It's not just consumers that benefit. Producers of LNG have developed floating gas liquefiers that can be floated off to natural gas producers anywhere in the world that a pipeline can reach, decreasing exposure to the political and economic vagaries associated with being fixed in one place. In

addition, having a natural gas plant running off of LNG can help balance the intermittent power produced by renewables, allowing greater use of wind and solar power. The result is going to be increased LNG development worldwide. --- [David L. Yaussy](#)

● [Cold Weather Warning: Atmosphere Shrinks as Sun Cools Down for Solar Minimum](#)

"The last time there was a prolonged minimum, it led to a 'mini ice-age', scientifically known as the Maunder minimum - which lasted 70 years."

Why this is important: The sun moves through regular cycles, sometimes stronger and sometimes weaker. Experts debate the extent to which the sun's fluctuations affect Earth's climate. The expected deep solar minimum, which now is predicted, will provide more data on whether, and to what extent, it will affect us for years to come. --- [David L. Yaussy](#)

● [Coal India Registers 10.6 Percent Jump in Coal Production in April-September](#)

"Despite the monsoon impeding our production and coal offtake in the second quarter of the fiscal, we have been able to register a growth of 5.8 percent and 4.5 percent respectively in both these performance parameters during July-September 2018,' the company said in a release."

Why this is important: Coal India Limited is reporting a 10.6 percent increase in coal production in the first six months of its new fiscal year. The world's largest mining company produced 256.4 million tons of coal in six months, an increase of 25 million tons during the same period last year. The increase occurred even as the company reduced its coal stockpiles due to increased coal demand. --- [Mark E. Heath](#)

● [EIA Energy Statistics](#)

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

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