

# Energy Quarterly Report—Q1

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## 1. Coal

### Rio exits coal industry in \$4B worth of deals

Rio Tinto Group has agreed to several deals worth over \$4 billion to sell all of its remaining coal assets, with a \$1.7 billion cash sale of coal assets to Glencore plc, and a \$2.25 billion deal for its final Australian coal asset, the Kestrel Operation, to EMR Capital and PT Adaro Energy. These sales were made despite some [analysts](#) projecting a bit of a ‘renaissance’ in the global coal industry, with coal prices enjoying their best run since 2012 out of Australia’s Newcastle Port. The moves leave Rio Tinto increasingly dependent on iron-ore.

[Bloomberg](#) on Mar 27, 2018

## 2. FERC

Following a federal court remand, the FERC [responded](#) by stating it will no longer allow master limited partnership interstate natural gas and oil pipelines to recover an income tax allowance in cost of service rates.

The FERC has also: (1) taken [action](#) to address changes in the income tax rates for the electric transmission and natural gas and oil pipeline companies that it regulates, stemming from the landmark Tax Cuts and Jobs Act of 2017; (2) in February 2018, [revised](#) its regulations for the provision of primary frequency response, an essential service in ensuring the reliability and resilience of the North American Bulk Power-System, in order to address the increasing impact of the evolving generation resource mix; and (3) [voted](#) to remove barriers to the participation of electric storage resources in the capacity, energy, and ancillary services markets operated by Regional Transmission Organizations and Independent System Operators, which will enhance competition and promote greater efficiency in the nation's electric wholesale markets and help to support the resilience of the bulk power system.

In January, the FERC [proposed](#) to approve new mandatory Reliability Standards to bolster supply chain risk management protections for the nation's bulk electric system. These proposed standards are intended to augment current Critical Infrastructure Protection standards to mitigate cyber security risks associated with the supply chain for the grid-related cyber systems.

The FERC has also [terminated](#) the proceeding it initiated (Docket No. RM18-1-000) to consider the Department of Energy's September 29 proposal on grid reliability and resilience pricing.

On March 28, 2018, the FERC signed a [memorandum of understanding](#) with the Chinese government to strengthen cooperation between the two countries regarding how electricity prices regulated in China.

### **[FERC appoints Department of Energy official](#)**

The FERC has appointed former Department of Energy official Travis Fisher as an adviser to chairman Kevin McIntyre. Fisher left his post as a political appointee at the DOE in March 2018, where he oversaw a report into the main drivers of coal plant closures over the last ten years and determined natural gas was a key factor. This led to a request from Energy Secretary Rick Perry to the FERC to prop up struggling coal and nuclear plants – a request rejected by the FERC and one that may have led to Travis Fisher's departure. Before joining the DOE, Fisher worked for conservative non-profit organization the Institute for Energy Research, and was previously an economist at the FERC between 2006 and 2013.

[E&E GreenWire News](#) on Mar 30, 2018

### **[FERC responds to Freedom of Information Act lawsuit from Washington Attorney General](#)**

This article reviews FERC's response to a lawsuit from Washington state Attorney General Bob Ferguson, who [claims](#) that records were 'unlawfully withheld' by the FERC following a Freedom of Information Act request into the Commission's plans to support struggling coal and nuclear power plants. The FERC has admitted that it was slow to respond to the FOI request, but has called on the court to dismiss the lawsuit.

[E&E News](#) on Mar 23, 2018

### **Environmental challenge of FERC's Atlantic Coast gas pipeline rejected**

The Fourth Circuit has rejected a challenge from environmental and public interest groups against the FERC's approval of the \$5 billion Atlantic Coast gas pipeline. The court also rejected an emergency bid to halt construction on the project, writing that it lacked jurisdiction over the suit.

[Law360](#) on Mar 22, 2018

## **3. Green Energy**

### **Ethiopian government secures \$4 billion investment in geothermal energy**

The Ethiopian government has agreed a 25-year power purchase deal with Reykjavik Geothermal Ltd and hedge fund backers Paul Tudor Jones and Ambata Capital Partners to invest \$4 billion in geothermal projects across the country.

[Bloomberg News](#) on Feb 5, 2018

### **Investors targeting New York for geothermal energy**

Dandelion Energy Inc – a start-up from New York – has secured initial funding of \$2 million and raised an additional \$4.5 million from venture capitalists to install geothermal systems in homes across New York.

[Bloomberg News](#) on Mar 27, 2018

### **Geothermal heating deal agreed between Iceland and China**

A joint venture between Iceland's Arctic Green Energy Corporation and China's Sinopec has secured a \$250 million loan from the Asian Development Bank to develop geothermal heating projects near Beijing, China, aiming to reduce the region's reliance on coal power.

[CNN Recent News](#) on Mar 26, 2018

### **Competition taking its toll on European wind companies**

This article considers the reasons behind the falling share price of German onshore wind turbine manufacturer Nordex SE, and its closest competitors, despite the growing demand for wind energy across the world.

[Bloomberg News](#) on Mar 28, 2018

### **Canada focusing on renewable energy**

The Canadian province of Alberta is investing in and focusing on renewable energy, including a 50% tax increase on carbon emissions that was introduced in January, and the closure of coal power plants – making renewable energy a key focus of Canada's commitment to the Paris climate agreement. However, the province is also home to huge reserves of oil sands and output from this fossil fuel is on the rise. Critics are claiming the emissions saved from the cutbacks on the coal industry are offset by the increase in emissions from rising oil production.

[Bloomberg Markets](#) on Mar 26, 2018

### **US Department of Energy withdraws from wind energy power line agreement**

The US Department of Energy has announced that it will terminate a 2016 agreement with Houston-based Clean Line Energy Partners to build a 700-mile power line between a wind farm in Oklahoma and Tennessee, following local opposition in Arkansas and difficulties in selling the wind energy to the Tennessee Valley Authority.

[Reuters Company News](#) on Mar 23, 2018

## 4. Oil, Natural Gas, & Pipelines

### **Pipeline resistance continues across America in 2018**

Protests [continue to escalate](#) against two projects along the East Coast – the \$6.5 billion Atlantic Coast Pipeline and the Mountain Valley Pipeline. Virginia State Police and other law enforcement agencies have actually been given special training to deal with protests, as activists continue to fight tree-cutting and other works. According to the [Washington Post](#), environmental groups are especially angry at the West Virginia state Department of Environmental Quality for approving the 303-mile Mountain Valley Pipeline the night before a protest was planned against this and another pipeline project, calling the process ‘flawed’.

[Protests](#) near the Standing Rock Sioux Reservation in North Dakota against the Pacific Connector Gas Pipeline are also continuing to gain publicity. The protests are based on fears that the project could contaminate and damage plans to revitalize the Klamath river.

In response, CNBC [writes](#) that executives at several major pipeline companies are preparing more actively for protests and appeals against projects, and have called on the industry to anticipate legal challenges in the face of growing aggression and intensity of protests. And, as the [Wall Street Journal reports](#), some pipeline companies are focusing on expanding existing pipelines rather than building new ones in the face of this opposition from environmentalists and activists.

### **Iraqi Oil Minister confirms decision on OPEC cuts to be made by the end of 2018**

OPEC has confirmed that it will decide whether or not to extend its decrease in oil production, and if so, by how long, when the current deal expires at the end of this year.

[Washington Post](#) on Mar 28, 2018

### **Pennsylvania environmental regulator issues another violation notice against ETP**

The Pennsylvania Department of Environmental Protection (DEP) has issued another notice of violation against ETP’s \$2.5 billion Sunoco Mariner East project after drilling fluids were found to have leaked into a wetland in Huntingdon County. According to the DEP, this is the 46th notice of violation against this project, in response to 108 separate spills.

[Reuters](#) on Mar 28, 2018

### **Chevron sees deepwater oil starting to compete with shale**

According to Jay Johnson – executive vice president for upstream at Chevron Corp – the deepwater oil industry is changing rapidly, and a project to create pump networks along the ocean floor could make deepwater oil more competitive with shale.

[Bloomberg](#) on Mar 26, 2018

### **Mexico appears to sign gas fracking contract with US company**

In what could be the country’s first major fracking contracts Mexico’s government-owned Petroleos Mexicanos has agreed to a deal with Texas oil company Lewis Energy to ‘drill and exploit non-conventional gas deposits’ in Mexico’s Eagle Ford shale formation.

[The Washington Post - World News](#) on Mar 26, 2018

### **Oil firms warned not to ignore climate risks**

A new study from UK nonprofit organization Carbon Tracker Initiative suggests that energy firms could be taking a major risk and could even be wasting as much as \$1.6 trillion by ignoring climate risks.

[Bloomberg Markets](#) on Mar 24, 2018

### **FERC takes extension before upholding New York refusal of Constitution water permit**

The FERC took more time before rejecting an appeal from Williams Cos Inc's Constitution against a New York refusal for a water permit for its natural gas pipeline between New York and Pennsylvania. Williams Cos' argument was similar to Millenium Pipeline's case against New York, which the FERC ruled in the pipeline's favor.

[Reuters News](#) on Mar 15, 2018

### **US shale industry will keep pressure on OPEC**

According to the International Energy Agency, thanks to the boom in shale, the US oil industry could satisfy as much as 80% of global oil demand growth up to 2020, putting more pressure on OPEC even after its cuts on production expire at the end of 2018.

[Bloomberg News](#) on Mar 5, 2018

### **TransCanada Keystone XL pipeline to go ahead**

Canadian-based pipeline company TransCanada has released a statement confirming that it has now secured the shipping orders it needed to go ahead with the construction of its \$8 billion Keystone XL oil pipeline project – a project that the company has been working on for almost ten years.

[LA Times - National News](#) on Jan 18, 2018

## 5. PHMSA

The Pipeline and Hazardous Materials Safety Administration (PHMSA) has [issued](#) a request for information on matters related to the development and potential use of automated technologies for surface modes (i.e., highway and rail) in hazardous materials transportation.

*Detroit Legal News* has also [looked](#) at some of the 'unnecessary' regulations that President Donald Trump has claimed to have withdrawn, repealed, or delayed, including a 2015 proposal from the PHMSA to expand safety requirements for oil and gas pipelines.

## 6. Regulatory

### [US regulators order Cheniere to shut down two shale gas tanks](#)

Following a gas leak in January that forced two of Cheniere Energy's five shale gas tanks in Louisiana to close, *Bloomberg* writes that the company is waiting on federal regulators to rule on whether the tanks must remain closed or can be brought back online.

[Bloomberg - LNG](#) on Mar 22, 2018

## 7. Technology

### [Augmented reality in the oil industry could save millions of dollars](#)

This article looks at how Baker Hughes – a subsidiary of General Electric – is using augmented-reality headsets to remotely supervise and advise on complex projects on turbines and plants around the world, saving them tens of thousands of dollars. An increasing number of oil companies are investing in this sort of technology, reducing downtime and saving potentially millions of dollars in otherwise costly repair work.

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