

Forum Speakers Address Gas Industry Messaging in Energy

Transition

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Where the natural gas industry fits within the clean energy transition taking place in the U.S. was a common theme among speakers at the Natural Gas Forum 2020 event, with some hope and optimism countered by warnings and alarms.

The latter group included Dan Haley, president and CEO of the Colorado Oil and Gas Association, who advised Forum participants that opponents of fossil fuels are “unencumbered by the truth” and play hardball with elected officials who do not oppose hydraulic fracturing and pipelines. Haley and other speakers said the difficulties building infrastructure are seen in every state, and the gas industry needs to do a better job explaining how natural gas is needed to support intermittent power generation from wind and solar facilities.

Too many states are following the lead of California and moving toward 100% renewable resources and “force-fitting” particular technologies such as wind, solar and battery storage, rather than bringing all technologies to bear that reduce greenhouse gas (GHG) emissions, said Will Brown, vice president, commercial for Kinder Morgan’s western region.

Battery storage provides a short duration resource of six hours or less, while gas infrastructure is needed as a long-term resource to back up renewable resources and avoid blackouts like those seen in California in August, Brown said.

The Natural Gas Supply Association and other trade groups are trying to carry the message that natural gas has a place in the cleaner energy future, but “it’s not as much in the narrative as we need it to

be,” said Orlando Alvarez, president and CEO of BP Energy Co., the power and natural gas trading arm in North America for BP plc.

“The energy transition is here,” and while the journey for companies like BP will not be easy, “this is the world we’re all living in now,” Alvarez said during his online presentation at the Forum. The event, held as part of the LDC Gas Forum series from Access Intelligence, had about 70 in-person attendees besides those participating remotely.

The growth of renewable resources is undeniable, but hydrocarbons will still be needed at reduced levels in the long-term future, depending on the forecast and scenarios examined, Alvarez said. Consumer behaviors have changed and natural gas use could decline 40% from 2018 levels by 2050 under aggressive transition scenarios, he said.

BP is changing as a company, with staffing reductions, an emphasis to reduce emissions, providing carbon offsets for customers who want a smaller environmental footprint and other measures. It is among the companies setting a net zero emission target by 2050 to cover the GHG emissions from its global operations.

“We’re not starting from scratch,” Alvarez said, highlighting changes that have taken place at BP over the years through low-carbon investments while oil and gas production drove the business.

With gas-fired generation needed to fill in the gaps when solar and wind power output declines, no-notice service on pipelines and gas storage options near market areas will grow in value, said Brown.

Brown and Alvarez, along with other speakers, noted how a major chunk of the GHG emission reductions seen in the U.S. has come from gas-fired generation supplanting coal-fired generation, and company efforts to lower methane emissions have shown progress.

They pointed to such efforts as illustrating industry moves in line with environmental, social and governance measures. Groups like the One Future Coalition, a collection of companies collaborating to voluntarily reduce methane emissions across the gas value chain to 1% or less by 2025, are having success, along with movement toward “responsibly sourced gas,” certified by a third party on different benchmarks such as water conservation and chemical components, Brown said.

While the gas industry is improving its environmental footprint, state policies can get “out of balance” with what is affordable and beneficial for consumers, Brown asserted. He referred to “misguided ideologies” that have led to limits on gas infrastructure, imports of foreign LNG and increased use of fuel oil for power generation.

Some states’ emphasis on solar and wind power facilities creates the need for a massive investment in transmission lines to move the power from remote areas with high wind and solar output to population centers, but transmission line rights-of-way tend to be bigger than pipelines and less efficient in terms of energy delivery, Brown said. “We’re just better off running our natural gas pipelines than all of this other infrastructure that’s being built,” he said.

Haley provided Colorado as an example of how “the industry was caught flat footed” when environmental groups enlisted support for views to ban fracking and oppose energy projects. “There was a whole conversation on social media and we just weren’t there,” until COGA and others formed alliances to run digital ads and other messaging on the benefits of responsible energy development. Democratic elected officials were told they would face an opponent in a party primary if they did not oppose fracking and pipelines, Haley said.

Opposition to pipelines has actually had a perverse effect in New York state, where trucking LNG and transporting compressed natural gas (CNG) have grown, other speakers said at the Forum. Companies like

Sapphire Gas Solutions and Stabilis Solutions have seen their businesses grow due to legal challenges and siting difficulties encountered by pipelines in New York and other states

Dubbing such solutions “virtual pipelines,” Sapphire two years ago was providing about 15,000 Dth/d of winter peak shaving service in New York, and this coming winter saw 70,000 Dth/d of requests for proposals from different entities, said Sam Thigpen, CEO of Sapphire. The company is also a contractor overseeing three CNG receiving terminals, he said.

“The regulations and resistance to pipelines don’t always keep up with consumers’ desire to heat their homes and cook their food,” added Jim Reddinger, CEO of Stabilis Solutions. Trucking and other transportation options for LNG and CNG are more costly than pipeline transportation, but they are moving from an exotic option to be more mainstream in areas where pipelines are not the preferred choice, Reddinger said.

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