Energy Intelligence

NATURAL GAS WEEK

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Image, Infrastructure Woes Continue Vexing Gas Industry

What keeps the North American gas industry up at night? Speakers at last week's North American Gas Forum said plenty of sleep is lost over the struggle to build new pipelines and the inability to bolster its image to the general public.

Several speakers at the Washington, DC, conference organized by Energy Dialogues noted that it does no good for the industry to "talk to ourselves" at gatherings.

Octavio Simoes, formerly of Sempra Energy and now senior adviser to the CEO of LNG developer Tellurian, urged the industry to talk more about how gas can lift people out of poverty in developing countries and about what the gas supply chain actually does.

"We live in a society that has decarbonization as a priority," Simoes said. "The rest of the world is choosing between coal and gas, if the gas isn't there, they'll choose coal. We need to talk about that more frequently."

If the US and other countries are aiming for net-zero carbon emissions by 2050, "we are not going to get there without some kind of fuel," Simoes, said. "iPhones don't grow on trees."

Simoes also urged the industry to be more flexible. "We sometimes cry wolf for no reason. We argued about catalytic reduction [of carbon dioxide], that's now the standard, nobody argues it anymore. Sometimes it can be done, sometimes it can't. … If you don't adjust you become a dinosaur."

And the industry must solve the gas flaring problem, which Simoes sees as $500 million per year going up in smoke, because there is not enough infrastructure to take the gas where it needs to go -- specifically, to Gulf Coast LNG export terminals.

Simoes is "fully convinced" that flaring, venting, and leakage of methane will be resolved, citing Chevron's momentum toward eliminating flaring in its own operations and reducing venting dramatically (NGW Jun.3'19).

Simoes told Energy Intelligence on the conference sidelines that "we can get there" despite the hefty costs involved in building more robust infrastructure. "And when we get there, we can talk to the greens about it," he said.

But major challenges remain. "Building infrastructure became increasingly complicated over the last five years," said Chip Moldenhauer, CEO of LawIQ. "Opposition groups have become more sophisticated and well-funded."

He sees polarization at the Federal Energy Regulatory Commission (FERC) as the biggest risk for the industry. Because of a partisan split, approvals of a number of pipeline and LNG projects were delayed by months, and the threat of that happening again is real given FERC's current makeup (NGW Sep.23'19).

ClearView Energy Partners Managing Director Kevin Book agreed, telling the conference that "this is the new normal ... building the infrastructure is getting harder."

"This will continue under any political environment," Book said, adding that industry opponents "won't unlearn this information." He advises clients to do more stakeholder engagement, be more flexible about project timelines and communicate to investors about uncertainties early on.

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