Gas Industry Addressing Flaring/Climate Concerns of Consumers, NAGF Speakers Say

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The U.S. natural gas industry is facing increased pressure from consumers about the environmental profile of the resource, and companies need to pay more attention to consumers than some of the policy proposals coming out of Washington, an LNG company official said October 22 at the North American Gas Forum.

The Trump administration is proposing reduced regulations for methane emissions and other policy steps, which is polarizing the debate on energy and environment issues, said Octavio Simoes, senior advisor to the CEO at Tellurian Inc. “That polarization leads us nowhere,” Simoes said.

“Companies listen to consumers more than anything else,” and the industry will make progress on meeting consumers’ needs, including reducing energy poverty in the world and reducing harmful emissions, Simoes said. Companies will do what is right and allows them to survive as a business, because if they ignore climate concerns stemming from higher emissions “we’ll be dinosaurs,” he said. The progress and collaboration on environmental issues will come about through meetings and industry efforts rather than some of the things being proposed in Washington, Simoes asserted.

Ken Medlock, a fellow in energy and resource economics at Rice University’s Baker Institute, said the global gas market is shifting in that consumers are demanding more environment-friendly products and gas suppliers need to adapt to that new reality. Some companies, such as Shell and Equinor, are moving into new businesses with lower carbon footprints, or joining the Oil and Gas Climate Initiative (OGCI) speakers noted. Equinor, based in Norway with production operations around the world, is focusing on offshore wind investments and joined the OGCI, noted Nicole Baird, asset manager in the Appalachian Basin for Equinor.

The OGCI has gained members and is “moving the dial” toward environmental progress because the whole is greater than the sum of the parts when it comes to reducing emissions and advancing low-carbon technologies, said Paul Jefferiss, head of group policy at BP International Ltd. Members of the OGCI gain confidence in moving farther down a low-carbon path and at a faster rate than they would on their own, especially since investors are taking a bigger interest in the low-carbon agenda, Jefferiss said at the Forum, which is held by Energy Dialogues LLC.

Companies should address “the elephant in the room” of methane emissions and flaring natural gas at oil production sites or they risk being passed over for other resources, Simoes said. Flaring in the Permian Basin amounts to about 1 Bcf/d, which is the equivalent of about $500 million going up in fumes. If the U.S. industry does not reduce flaring, the world will burn more coal, fuel prices for consumers will go up, and other countries will step in to fill the gap, Simoes said.

Producers in the Bakken region, where Equinor has operations, are looking at well completion techniques and enhanced infrastructure to reduce flaring, said Baird. Highlighting the benefits of gas as a fuel, such as a complement to renewable resources and a cleaner alternative than coal should be part of the dialogue coming from the industry, she and others said.

Within the realm of flaring, the Permian Basin might be a blueprint of what not to do, which is valuable for companies to lead a narrative that has gas being part of a solution instead of an environmental problem, Baird said.

Environmental Defense Fund (EDF) is sharing satellite data and other information on flaring and methane emissions, bringing more transparency to the issue, noted Medlock. That lifting of a veil will put pressure on producers and the gas industry in general to reach solutions on the emission profile of the fuel, he said.

Equinor is trying to develop business opportunities that will help decarbonize the energy sector worldwide, Baird said.

U.S. exports of LNG have climbed to about 5 Bcf/d, with roughly 15.5 Bcf/d either in operation or under construction, noted Steven Winberg, assistant secretary for fossil energy at the Department of Energy. DOE and agencies have authorized about 38 Bcf/d for exports, as companies pursue final investment decisions.

The Trump administration has aided exports of LNG, including for small-scale facilities that serve countries where large LNG vessels pose logistical challenges, Winberg said. Executive orders from President Donald Trump have removed barriers to LNG project development and cut red tape on using more LNG in global markets, he said.

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