



# SSDA News

*Service Station Dealers of America and Allied Trades*

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## Happy New Year from SSDA-AT!

By Roy Littlefield



A Happy New Year from SSDA-AT! We want to thank you for the continued support throughout the year. We had a busy legislative year and appreciate the continued participation.

SSDA-AT had two significant meetings in 2017, in New Jersey and later in Las Vegas to discuss the initiatives of the association and ways our state associations can collaborate and work together for the betterment of the industry.

I recently spoke at Service Station Dealers of Greater New York annual membership dinner which was extremely successful and well attended. I provided an update of the current state of Washington and the issues impacting the industry. I am happy to come to any state show or event to give these updates to members.

Given the political landscape, we are planning for more legislative action to occur in 2018.

We will continue to update the website ([ssda-at.com](http://ssda-at.com)) and I am happy to post any information on there from state associations in regards to upcoming events, political issues, or any other industry related news.

We will look to meet again as a group sometime in the Spring either at a location that works for everyone or in Washington for a political event. We will need your involvements are grassroots efforts for the many issues that we will be facing legislatively in 2018.

This year, we expect potentially hundreds of bills around the country to be introduced on state and local levels that will impact the service station and automotive repair industry.

SSDA-AT will continue to be a leader facing these bills. We ask that you stay involved throughout 2018 and do your part to help yourself and the industry!

## Reviewing the 2017 Legislative Year and Looking ahead to the Challenges of 2018

2017 proved to be an interesting year in Washington. SSDA-AT spent much of the year lobbying on estate tax reform, individual tax reform, business tax reform, Obamacare repeal, infrastructure funding, and marketplace fairness in addition to others.

We expect 2018 to pose several legislative challenges and we will need full grassroots efforts from SSDA-AT members.

We have stayed busy attending fundraisers, lobbying on Capitol Hill, participating in Coalition meetings, conference calls, and meeting with regulatory officials. We expect these activities to increase over the next year.

In his first year in office, the President had limited success working with Congress to pass substantial legislation and has thus throughout the year used executive orders to address Obamacare, cutting regulations, boosting energy exploration, and adopting a far more aggressive trade-enforcement posture.

Given the political landscape, we are planning for more legislative action to occur in 2018.

As we continue to anticipate the possibility of a massive infrastructure bill being moved in 2018, SSDA-AT met with Alan Pisarski who served as a transportation and funding advisor on the Trump transition team. Pisarski lead a discussion on funding and finance in our new world, with reauthorization behind us for a change, and a trillion dollar program of infrastructure in the wings. We later attended a White House briefing session on transportation funding. In addition,

SSDA-AT met with U.S. Congressman Lou Barletta (R-PA), Congressman Blake Farenthold (TX-27-R) and Senator Sheldon Whitehouse (RI-D) to discuss legislative options to finance President Trump's major infrastructure initiative. We also spoke with Jack Gerard, API President and CEO, who spoke about America's energy independence and the prospects moving forward.

Saving LIFO will remain a priority in 2018 for SSDA-AT. If an infrastructure proposal worth \$1 trillion is proposed, funding for such a program will require funds from a variety of places. This would put repealing LIFO at risk, given that doing so would raise \$80-105 billion on a one time hit. We remain active in the Save LIFO coalition and will continue to raise the importance of keeping the LIFO accounting system alive.

SSDA-AT will continue to lobby on the Marketplace Fairness Act so that local family owned businesses in the tire industry can compete fairly with large online corporations. Both bills (House and Senate versions) take different approaches to ending unfair competition caused by this loophole, which puts brick-and-mortar retailers at a price disadvantage to remote sellers. This has been an important piece of legislation for SSDA-AT members and we will continue lobbying efforts to gain support on these bills. We are disappointed that some members of Congress see this legislation as a tax increase when in reality, the legislation is needed to help community businesses compete.

SSDA-AT continues to take part in ongoing efforts to form a White House Conference on Small Business (WHCSB) under the

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## Reviewing the 2017 Legislative Year and Looking ahead to the Challenges of 2018

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Trump Administration. Recently, we wrote to the President respectfully requesting that he sign an Executive Order authorizing the next White House Conference on Small Business. The White House Conference on Small Business (WHCSB) has not taken place in over two decades. That is far too long to go without giving voice and a forum to America's small businesses which account for 99 percent of U.S. private sector employers and 64 percent of net new private sector jobs. We have taken part in several conference calls focused on the formation of the WHCSB.

SSDA-AT regularly attends the monthly Small Business Labor Safety (OSHA/MSHA) roundtable meetings. We recently learned that only 25% of OSHA inspections are in full compliance, so make sure your location is up to code. Under the Trump administration we will see very few new regulations and thus far into his presidency Trump has repealed over 500 burdensome regulations. This included the rolling back of recently passed regulations including the new recordkeeping regulation that SSDA-AT opposed. We will continue to stay active on the regulatory front in 2018.

We continue to help SEMA on their bill, H.R. 350, the Recognizing the Protection of Motorsports Act of 2017 (RPM Act). SSDA-AT and SEMA have worked closely on this bill. The RPM Act is cosponsored by 118 members of the U.S. House of Representatives. The bill ensures that transforming motor vehicles into racecars used exclusively in competition does not violate the Clean Air Act. We hope to pass this bill in 2018. We are pleased to report that the U.S. House En-

ergy & Commerce Committee passed the RPM Act without amendment in December by a margin of 33-20, with affirmative votes from all of the committee Republicans and three Democrats: Schrader (OR), Loeb sack (IA), and Ruiz (CA). A number of Democrats (Ruiz, Dingell, Cárdenas, Green and Peters) have expressed a desire to support the bill. They contend no one opposes the conversion of motor vehicles into racing vehicles or the marketing of racing parts, noting that they are simply looking to ensure that the EPA will be able to enforce against tampering (installation of racing parts on street vehicles). Republican/Democrat committee staff have engaged in discussions on ways to amend the bill in order to address enforcement concerns but no language has been agreed to. We will keep you informed as things move forward along these lines.

In 2018, we expect potentially hundreds of bills around the country to be introduced on state and local levels that will impact the service station and automotive repair industry. SSDA-AT will continue to be a leader facing these bills. We ask that you stay involved throughout 2018 and do your part to help yourself and the industry!



## Phillips 66, Enbridge to Build Permian Basin Oil Pipeline

Phillips 66 and Enbridge announced plans to develop a 385,000-barrel-per-day crude oil pipeline running from the Permian Basin to Texas Gulf Coast markets such as Corpus Christi, Houston and Freeport. The two companies have launched an open season to gauge shipper interest in the proposed Gray Oak Pipeline, which could become operational in late 2019.

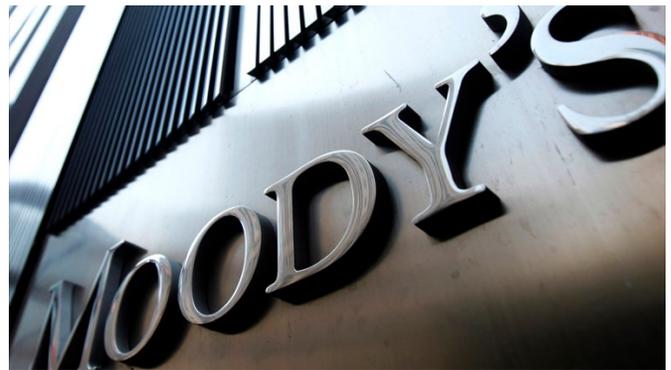


## Oil Industry to Maintain Momentum in 2018

The oil and natural gas industry is expected to continue on its growth trajectory next year even though production increases will likely keep oil prices in the \$40-to-\$60-per-barrel range through 2019, according to the Moody's oil outlook for 2018.

Exploration and production companies and oilfield service firms could see earnings rise by 10% to 12% in 2018, with the

North American onshore market providing the best opportunities for growth.



## Underground Data Reshaping the way Drillers Search for Oil and Gas

New data in the oil industry is shaping the way the companies work — so drastically that the data has become almost as important as the oil itself.

New uses for data collected by drillers was one of the main topics at the Bennett Jones Lake Louise Business Forum.

Peter Tertzakian, and economist and executive director of the Arc Energy Research Institute in Calgary, said data has always been a part of oil and gas — but companies are looking at new ways of collecting and using it.

"Data has had a long relationship with the industry, all the way from gathering seismic information to being able to map out the subsurface," Tertzakian told CBC's Radio Active.

"But we're about to undergo another step change."



The dramatic change, Tertzakian said, will be companies using data gathered from low-cost sensors, which can help detect rock formation patterns underground.

"The ultimate goal, of course, is to be able to drill

a safer, better, more productive well that is more environmentally compliant and also able to compete on the world stage," he said.

Tertzakian said the last time the oil and gas industry went through such a major change was in the 1990s, when there were two key changes: 3D mapping of what's underneath the surface and the ability to steer a drill bit while drilling.

Turning to Silicon Valley

Both the changes were key in drilling safer and more successfully. The next big change, which Tertzakian called once-in-a-generation, will help further that goal.

"Now, we're going to layer on top of that the intelligence of pattern recognition," Tertzakian said.

Companies that are collecting data from their wells are looking at companies from Silicon Valley to help them make sense of it. The Bennett Jones conference brought the two industries — oil and gas and data collection and extrapolation — together under one roof.

But other companies are looking locally, too.

"We have a lot of this expertise, even here, to be able to handle just the sheer amount of new digital data that is coming from the subsurface," Tertzakian said.

Oil and gas companies are also using new data-gathering techniques on the type of material they are extracting oil from, in hopes they can be competitive in the world market.

The companies are looking for "good rocks" — rocks that have good quantities of oil and gas while also being easily extractable — to compete in the global market.

"That is almost a requirement these days, to be able to compete in this low-price environment," he said. "The information about rocks is of tremendous value."

But, as is the case in most industries, there will be some companies, or "dinosaurs," that will fall behind in data collecting, Tertzakian said.

"There are [dinosaurs], but that's not exclusive to oil and gas," he said. "Some organizations are more adept to adapting to change than others."



## Scott Pruitt on a mission to change the climate of the EPA

EPA Administrator Scott Pruitt isn't just dismantling the Clean Power Plan and other high-profile environmental programs of the Obama era. He's on a mission to re-engineer the agency's culture by returning power to states and away from the Washington bureaucrats and coastal elites he said have led it astray.

The EPA, for example, is doing away with the "sue-and-settle" approach that Pruitt said improperly allowed the Obama administration to circumvent laws by rewriting regulations behind closed doors with friendly environmental groups who filed lawsuits.

The agency also has rewritten membership rules for the agency's advisory boards, so that both industry advocates and academics from Midwestern and Mountain states — which Pruitt said were under-represented — have greater influence when counseling agency leaders on new rules.

And he's adopted a "red team/blue team" model designed to challenge climate change assumptions that global warming is occurring and humans are the primary cause — a view endorsed both by the vast majority of scientists and by a massive federal report the White House issued earlier last month.

Pruitt, who challenged the Clean Power Plan as Oklahoma attorney general, said he's plowing ahead with the rollback of the rule designed to curb carbon emissions from coal-fired power plants despite the report's conclusions.

And he said the red team/blue team approach that promotes "curious inquiry and continued analysis" is integral to the rigor-

ous self-analysis he believes the EPA has been lacking in recent years.

"I'm an attorney. I believe in bringing people together in an open process to encourage peer review, that's what science is," Pruitt said during a recent interview in his office. "We shouldn't run from that ... That's something we ought to embrace as a culture and I think as an agency."

### Red Team/Blue Team

Of all Pruitt's moves to reshape an agency whose authority he frequently challenged in court, the red team/blue team strategy has raised some of the loudest alarm bells among his many critics who consider it an attack on settled science.

The exercise was designed at the height of the Cold War to assess Soviet reactions to various scenarios. And that's where it belongs — not to relitigate the proven facts of climate science, said former New Jersey GOP Gov. Christine Todd Whitman, who served as EPA administrator under George W. Bush.

"That Mr. Pruitt seeks to use the power of the EPA to elevate those who have already lost the argument is shameful, and the only outcome will be that the public will know less about the science of climate change than before," she wrote in a opinion column for The New York Times entitled "How not to run the EPA"

Ken Cuccinelli, a Pruitt ally and former Republican attorney general from Virginia, said the EPA administrator rightly believes the agency needs to return to its roots and abandon quixotic pursuits Obama conduct-

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## Scott Pruitt on a mission to change the climate of the EPA

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ed on global warming embodied by the Clean Power Plan and the decision to sign on to the international treaty known as the Paris Accord.

“The previous administration weaponized this agency,” Cuccinelli said. “They were assaulting America through the EPA. Scott believes in clean water and clean air. There’s never been any doubt about that. But all of the other creative stuff is the kind of stuff that political elites want to spend their time on and if it affects Americans all it does is reduce their opportunities.”

### Changing a culture

Pruitt arrived at EPA under a mutual cloud of hostility.

He had sued the agency 14 times on behalf of Oklahoma challenging a variety of regulations and billing himself as “a leading activist against EPA’s activist agenda.” A month after he took the helm in February, the budget released by President Trump, an ardent EPA critic, proposed gutting the \$8.2 billion agency by nearly a third.

In turn, Pruitt was opposed loudly by hundreds of former EPA employees, and more quietly by some current ones. They feared he would assist the petrochemical industry he grew close to in Oklahoma while ignoring the carefully constructed science that served as the foundation of many public health protections.

Subsequent cuts in pollution enforcement and the departure of hundreds of veteran EPA staffers through a buyout program have given environmental groups more reason to worry.

Nearly a year into his tenure, Pruitt still feels the resistance from employees who have yet to buy into his message that the EPA ought to work more with business to find mutually acceptable solutions when it comes to public health.

“The most challenging thing that we encounter (at EPA) is this thinking, this attitude that we as a country have to choose between growth and jobs and being good stewards of our environment,” he recently told an audience at the conservative Federalist Society National Lawyers Convention. “We can do both. But the past few years, we’ve been told it’s prohibition, it’s put up a fence, it’s do not touch. And frankly I don’t think that’s consistent with the law. I don’t think that’s consistent with how we’ve done business as a country.”

His many critics say that’s code for giving the energy industry and other polluters carte blanche to maximize profit with little regard for environmental damage.

Normally soft-spoken Delaware Sen. Tom Carper, the top Democrat on the Senate Environment and Public Works Committee, described Pruitt during his confirmation process earlier this year as “hostile to the basic protections to keep Americans and our environment safe.”

### Back to basics

As part of his effort to change the culture at EPA, Pruitt is touting a “back-to-basics” agenda that emphasizes partnerships with states and issues he calls central to the agency’s mission when Congress created it in 1970.

## US Considers Weakening Offshore Safety Rules to Promote More Drilling

The Trump administration is considering easing offshore oil and natural gas safety regulations, including eliminating certain requirements for Arctic drilling put in place by the Obama administration, and cutting testing requirements for rules developed in response to BP's Deepwater Horizon disaster, an Interior Department document showed.

In addition, the administration is considering giving operators access to Arctic waters for longer periods than currently allowed, a rule change regulators claim could boost interest in exploration.

Details of the administration's plans of offshore rules were outlined in the Interior Department's latest statement of regulatory priorities.

That plan calls for Interior's Bureau of Safety and Environmental Enforcement to rollback or weaken offshore safety regulations put in place by the Obama administration in order to promote additional oil and natural gas drilling in federal waters.

"BSEE is reviewing existing regulations to determine whether they may potentially burden the development or use of domestically produced energy resources, constrain economic growth, or prevent job creation," the plan states. "BSEE is well-positioned to help maintain the nation's position as a global energy leader and fos-

ter energy security and resilience for the benefit of the American people, while ensuring that any such activity is performed in a safe and environmentally sustainable manner."

According to the plan, BSEE is considering significant changes to a well control and blowout prevention system rule which Obama's Interior Department finalized in April 2016. That rule, developed in response to BP's Deepwater Horizon disaster, took years to develop and was revised multiple times. Industry groups have criticized elements of the rule, including frequent testing of the blowout preventers and standardized safe drilling margins, arguing they will increase costs for offshore operators.

According to the plan, BSEE is considering changing some of the most criticized provisions in the rule, including: extending pressure testing of blowout preventer systems from every two weeks to three weeks in "appropriate situations," revising a requirement to shut in platforms when a lift boat approached within 500 feet and potentially repealing a requirement to submit test results to BSEE within 72 hours.

In addition, BSEE is also considering substantial changes to Obama-era regulations for drilling in US Arctic waters. The Arctic rule, finalized by BSEE and the Bu-

## US Considers Weakening Offshore Safety Rules to Promote More Drilling

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reau of Ocean Energy Management in July 2016, include oil spill prevention, containment and response and operational standards in the Arctic, and new requirement mandating access to source control and containment equipment, such as capping stacks and containment domes while drilling, and access to a separate relief rig able to drill relief wells in the event of a loss of well control. The relief-rig rule, which was included in the originally proposed regulations, was criticized by industry as costly and unnecessary.

In its plan released, BSEE said it is considering eliminating the requirement for a cap and flow system and containment

domes that are capable of being located at a well site within seven days of loss of well control. In addition,

"BOEM and BSEE are also exploring joint options that would allow greater flexibility for operators to continue to drill later into the Arctic drilling season," the agency said in its plan. "If they are successful in implementing this strategy, exploration of the Nation's Arctic oil and gas reserves will increase while providing appropriate safety and environmental protection."

At a White House event, Trump highlighted his administration "deregulatory" agenda and efforts to cut federal regulations.



## Dacono implements 6-month oil and gas moratorium

The Dacono City Council implemented a six-month moratorium on permitting new oil and gas development on an emergency basis.

City Manager AJ Euckert said that city staff felt that Dacono needed to examine its oil and gas development regulations — which have not been updated since 1996 — but the city is not trying to ban oil and gas development. "It's totally within our purview as a city to guard the health, safety and welfare of our residents and just hit the pause button while we review our regulations," he said.

Euckert said that Dacono's new moratorium, which went into effect the moment it passed Monday night, is unique because there is an exception for oil and gas developers who work with city staff. Specifically, if an operator negotiated an agreement with the city and the council approved it, that company could bypass the moratorium. "That's our exception to the moratorium that we included," he said. "Other moratoria that have been passed around the state and made the news lately — those seem to be focused on just stopping operations, and that is not our intent. We want to update our 20-plus-year-old rules."

Euckert added that city staff proposed the measure on an emergency basis — meaning it bypasses the usual two-meeting and two-vote process — because there have been rumblings of oil and gas operators wanting to drill in city limits. Oil and gas development companies have ramped up interest in drilling in Boulder, Broomfield and Weld counties. Crestone Peak is preparing to submit a final Comprehensive Drilling Plan for at least 180 wells in east Boulder County to the Colorado Oil and Gas Conservation Commission in December.

Dacono staff posted frequently asked questions about the moratorium on the city website. Under

"Why was the moratorium issued now?" the response reads:

"Oil and gas development continues to expand in our area, and the City anticipates this will only continue in the future. Evaluating and improving regulations that protect our community and its residents is a necessary step." According to a map The Denver Post compiled in May from COGCC data, there are about 161 wells in Dacono city limits that are either producing, active or being drilled. That figure does not include several more wells just outside of city limits or within enclaves. Dacono is a city of nearly 8.2 square miles with a 2016 population of 4,469 people. Euckert said that there was public comment against the moratorium, which passed unanimously. Due to a technical error, the video of Monday night's meeting is not yet available online. He said that among those who spoke in opposition to the moratorium were representatives from: Anadarko, an oil and gas developer; the Colorado Oil and Gas Association, an industry trade group; and Erie Forward, a group that describes itself on Facebook as "a place to connect and share with other Erie residents about the many benefits of energy development."

Scott Prestidge, a COGA spokesman, said in an email that COGA Community Outreach Coordinator Ryan Seastrom spoke before the Dacono City Council.

"A moratorium is a serious step and can inhibit job creation, economic activity, and deny mineral rights owners access to their property rights. Many municipalities throughout Colorado have been able to update codes without a moratorium and coexist with the industry and we respectfully ask the City to vote down this ordinance. Colorado already has the most aggressive regulations of any state in the country," Seastrom told the council, according to remarks that Prestidge sent via email.

## Will energy companies strike oil with AI?

Some businesses, including energy companies, have been somewhat slow to adopt artificial intelligence (AI) tools, perhaps due to concerns about security, cost, or just a lack of knowledge about the best applications of AI and benefits they might receive.

AI has the potential to provide immediate impact within companies such as oil and gas providers, enabling them to cut expenses, increase productivity, and even revolutionize the way they work, according to experts.

For example, key applications of AI within the energy industry might include sourcing the best drilling locations and decreasing the number of "false positives"; quickly analyzing historical data to provide recommendations on the best ships for trading companies; and determining the most cost- and time-efficient route for a ship carrying gasoline, taking into consideration issues such as supply, weather and natural disasters.

For oil and gas companies, there are several primary drivers for adopting AI early, said Rashed Haq, global lead for artificial intelligence at technology consulting firm SapienRazorfish.

One is the cost of production. "There continues to be long-term price uncertainty, so the earlier that companies can improve production, refining, and distribution costs, the better," Haq said. Many applications of AI can reduce exploration and production costs, he said. "While not every use case has been deployed by any single company, there has been enough application of AI technologies in various processes that we can estimate about a 10 percent reduction in [exploration and production] cost over time.

Another is an aging workforce in the industry. "Some estimates say 30 percent to 40 percent of the workforce in oil and gas will retire in the next decade, taking with them much of the knowhow that these companies rely on," Haq said. "Moving to robotic process automation, and building knowledge-based expert assistants can go a long way to mitigate for workforce aging for skilled labor," he said.

"This is not just a cost savings issue, which has been estimated at close to 20 percent to 40 percent savings, but also a potential ability-to-operate issue."

In addition, general and administrative (G&A) expenses for companies continue to rise. "G&A for many of these firms has grown disproportionately over the last few decades, and can create a \$3 per barrel difference in cost for many firms," Haq said. "But even the firms on the lower end of G&A can show significant improvement," with AI.

Finally, AI can address the safety and risk management issues companies face. "Improved safety and risk management [is] always hard to tame because it is not always detectable early," Haq said.

"AI-based early warning systems have obvious benefits. Even reduction of false alarms by applying AI as some companies have implemented can save up to 50 percent of engineering time because not every alarm has to be manually investigated."

Among the various types of AI applications that can help with addressing these issues are better decision making in the seismic analysis to reduce exploration costs; machine learning predictive maintenance of wells, pipes and other assets; and optimizing logistics operations to improve stock levels, loss, etc.

Others include robotic or intelligent process automation for the many repetitive tasks, automation of tasks such as ship vetting, and improved automated drilling with lower cost and better equipment lifetime, Haq said.

"There are some aspects that couldn't be done before that help [from AI], meaning that these are not things that are just reducing cost of manual labor, but processes that are qualitatively different such as moving from single-variable based drilling planning and strategy to multi-factor based usage," he said. "Real-time usage of this can improve drill direction, penetration rate, etc."

## U.S. Fuel Sellers Saddle Up for Mexico's Newly Free Market

From oil majors to trading companies to pipeline operators, U.S. companies are jumping at the chance to supply a newly free Mexico fuel market.

After years of preparation, Mexico finished liberalizing prices for gasoline and diesel across the country. Foreign companies were allowed to start moving fuels in April last year, but now consumers' costs will be more closely aligned with the ebbs and flows of the open market. As fuel specifications and prices align, U.S. companies are working to make transportation to Mexico seamless.

On the U.S. border with Mexico, trucks and trains scurry southward from Texas refineries to fuel distribution terminals south of the Rio Grande. An increasing number of foreign firms, including Koch Supply & Trading Mexico, or KMEX, plan to invest in ports terminals, fuel storage facilities and other logistics infrastructure in order to compete with state-owned Petroleos Mexicanos, the primary fuel vendor and distributor in the country. The vessel Crown II was fixed to haul Koch's second Mexican diesel import to Vopak's Veracruz terminal, the first non-Pemex terminal to import fuels, the company said.

"The transparency and market-based pricing associated with the regulatory reform, which goes into effect today, is helping KMEX to execute their business development plans in the country," Eduardo Andrade, a distillates trader for Koch, said.

Recently, Mexico's energy regulator announced the end

of government-set fuel prices in the remaining central and southern regions where price caps were still being applied.

Chevron Corp, Exxon Mobil Corp, Royal Dutch Shell Plc and BP Plc are among the international companies investing in service stations in Mexico and are now seeking to import fuel.

Chevron plans to import fuel into Mexico from California, where it has two refineries, once the infrastructure is available, Jose Parra, head of the company's Mexico fuel operations, said in Mexico City. Chevron plans to open 350 gas stations in Mexico in two to three years, while Exxon Mobil will inaugurate its first gas station in Mexico on Dec. 6, according to an emailed statement.

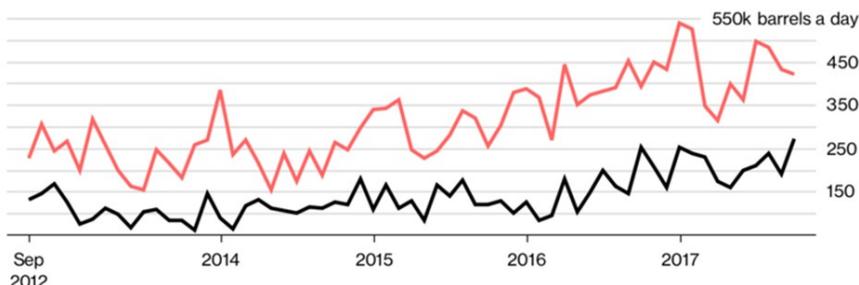
Kinder Morgan Inc has also added two gasoline grades on its California pipelines that meet Mexican specifications.

"We made changes to our Pacific operations manual to incorporate Mexico product grades in anticipation of future demand for those services," Kinder Morgan spokeswoman Melissa Ruiz, said in an emailed response to questions.

### Crossing the Border

U.S. fuel exports to Mexico on the rise

■ Diesel ■ Gasoline



Source: U.S. Census Bureau

Bloomberg

## Transco Natgas Expansion Approved to Start

The US Federal Energy Regulatory Commission (FERC) has given Transcontinental Gas Pipeline permission to begin flows on its Virginia Southside II expansion project in the mid-Atlantic US.

The 241mn cf/d (7mn m<sup>3</sup>/d) expansion was designed to provide additional service to markets in southern Virginia, including deliverability to Dominion Virginia Power's new 1,580MW combined-cycle natural gas-fired power plant in Greensville County, Virginia, when that plant comes on line.



The \$191mn pipeline project includes the new 4-mile (6km) Greensville Lateral in Virginia, as well as metering and compressor station facilities in Virginia, South Carolina and North Carolina.

The project will boost flows from Transco's compressor station 210 pooling point in Mercer County, New Jersey, and from its compressor station 165 pooling point in Pittsylvania County, Virginia, to a proposed delivery point on the Greenville Lateral.

The \$1.3bn Greensville County power plant will acquire full transportation rights on the Virginia Southside II expansion once the plant begins service, according to filings with FERC. Dominion began construction on the plant in June 2016, and expects it to begin commercial operations in late 2018.



**Dominion**

## Commission seeks Fracking Ban in watershed supplying NYC

A commission that oversees water quality for the watershed that supplies Philadelphia and half of New York City with drinking water took another step toward permanently banning natural gas drilling and hydraulic fracturing, despite industry opposition.



The Delaware River Basin Commission's newly published draft regulations would enact a formal ban on fracking, as well as put additional restrictions to make it harder, if not impossible, for the industry to dispose wastewater within the watershed or use water from the river and its tributaries for fracking outside the basin.

It scheduled four hearings in January and a public comment period through Feb. 28, with a final vote possible next year. The area supplies drinking water to 15 million people.

The decade-old drilling boom in the Marcellus Shale natural gas reservoir — which lies beneath much of Pennsylvania and extends into New York — has put pressure on the Delaware River basin to allow exploration and fracking, the tech-

nique that's spurred a U.S. production renaissance in shale gas and oil.

New York banned horizontal drilling and hydraulic fracturing statewide in 2015, while more than 10,000 Marcellus Shale wells drilled in Pennsylvania has rocketed the state to within striking distance of Texas to becoming the nation's No. 1 natural gas producer.

The commission imposed a moratorium on drilling and fracking in 2010, preventing the industry from developing its acreage in the Delaware watershed. It voted 3-1, with one abstention, in September to begin the lengthy process of enacting a formal ban on drilling and fracking.

A commission spokesman said he was not aware of any case where the industry had even applied to draw water from the watershed for use in fracking or to import its wastewater to a treatment facility inside the basin.

David Masur, the director of Philadelphia-based PennEnvironment, an environmental advocacy group, said he supported the new regulations and suggested that the tighter restrictions would ensure the basin's water is off-limits to the exploration industry.

## Commission seeks Fracking Ban in watershed supplying NYC

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“Since they have plenty of other places to get their water and dump their wastewater, why would they go through this process?” Masur said.

Jeff Tittel, the director of the New Jersey Sierra Club, said the draft regulations still leave the possibility that the industry could draw water or return it to the basin as wastewater, and he opposes that.



“We don’t want the threat of wastewater or the removal of precious water, and we’ll keep fighting to get the regulations that way,” Tittel said.

The industry has opposed the fracking ban.

In a statement, David Spigelmyer, the president of the Pennsylvania-based Marcel-

lus Shale Coalition, a trade association, said the proposed regulations “amount to a taking and deny Pennsylvania citizens the right to develop their own property rights. It flies in the face of settled science and common sense environmental

regulation, and would bring self-inflicted economic harm to the commonwealth.”

The commission noted that drilling wastewater discharged through domestic wastewater treatment facilities in the past — such as in Pennsylvania — has caused elevated concentrations of chloride and bromide in receiving waterways.

Though not considered a pollutant by themselves, the bromides combine with the chlorine used in water treatment to produce trihalomethanes, which can cause cancer if ingested over a long period of time, researchers say.

In fracking, large volumes of water, along with sand and chemicals, are injected underground to break rock apart and free oil and gas.

For now, three Democratic state governors represented on the commission — Pennsylvania, Delaware and New York — support the ban in the basin. New Jersey’s election of Phil Murphy, a Democrat, will make it a fourth governor who supports the ban when Murphy is inaugurated in January.

A representative of Republican New Jersey Gov. Chris Christie abstained in September’s vote, and a U.S. Army Corps of Engineers officer, representing GOP President Donald Trump, voted against the ban.

## Mitsubishi Chemical Prepping for Electric-Vehicle Age

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Mitsubishi Chemical plans to restart a U.K. plant, double capacity in the U.S. and shutter a Chinese factory as part of a restructuring of its electrolyte business intended to prepare for the spread of electric vehicles.

Electrolytes are a key material used in lithium-ion batteries. With a 40% market share, the Tokyo-based company is the leader in electrolytes used in vehicle batteries. To enhance its technological capabilities, it plans to stop taking new orders for mobile device batteries -- where inexpensive products are demanded -- and specialize in large batteries such as storage batteries and those for automobiles.

The Mitsubishi Chemical Holdings unit will restart an electrolyte plant in the English town of Stockton-on-Tees in spring 2018. That location will initially ship prototypes with plans to transition to mass production as early as next fall. The plant began producing batteries in 2012 but suspended operations in March 2016 because electric vehicles had not caught on as quickly as anticipated.

In the U.S., the chemical company is planning to invest in expansion. In addition to adding capacity at an existing facility in Tennessee, it is considering construction of a new plant in Nevada depending on a leading electric-vehicle venture's production plans. Productivity may also be improved at the Yokkaichi plant in Japan to enhance capacity there by 2019.

Mitsubishi Chemical and Ube Industries are merging their Chinese electrolyte operations, with a joint venture set to launch in January 2018. Ube's Chinese plant will then be closed and Mitsubishi Chemical's plant there will take over its customers to boost factory utilization rates. Mitsubishi Chemical will also explore other partnerships with Tokyo-based Ube.





## **EIA raises 2018 U.S. Oil Output Forecast to Highest on Record**

The U.S. Energy Information Administration said that the 2018 average oil production rate will hit the highest level for any year on record in the United States.

In its monthly short-term energy outlook, the agency forecast that U.S. crude oil output will rise by 780,000 barrels per day (bpd) to 10.02 million bpd in 2018. Last month, it expected a 720,000 bpd year-over-year increase to 9.95 million bpd.

Output will only top 10 million bpd in the fourth quarter of 2018, however.

The forecast for stronger output comes as global oil prices topped \$65 a barrel on Tuesday, the strongest since June 2015, driven by continued supply curbs from OPEC and an outage on a key North Sea pipeline.

But analysts and traders say the increase in U.S. supply may put some downward pressure on prices next year, especially if demand fails to keep up.

The EIA also forecast that 2017 crude oil production will rise by 380,000 bpd from 370,000 bpd previously.

The agency added that U.S. oil demand for 2017 is on course to grow by 160,000 bpd, unchanged from its previous forecast. For 2018, oil demand growth was also unchanged at 410,000 bpd.



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