

Say what?! Energy Secretary Moniz and the pipeline problem



Michael W. Wise | Wednesday, March 2, 2016

Last week, the U.S. Energy Secretary stated in an [interview on CNBC](#) that we have a very well developed pipeline infrastructure for natural gas in this country and that the rapid economic impact of natural gas was only possible because of the existing robust natural gas infrastructure. He indicated that while there are a few bottlenecks, projects are in the works to take gas to areas that are currently under supplied and the U.S. infrastructure is adequate for both domestic use and exports.

The drilling experience in the Appalachian Basin has differed from the optimistic views expressed by the Energy Secretary. Natural Gas has been selling in the Basin at a substantial discount to stated U.S. commodity prices because producers cannot economically transport the gas to the more expensive U.S. markets. Just in the last 10 days the U.S. sent overseas the first tanker of liquefied natural gas, yet we are unable to transport cheap natural gas to New England here in the U.S. Last Sunday's *Akron Beacon Journal* [noted](#) that "indeed, experts looking at the oil and gas industry have identified a lack of pipelines as a factor driving the decrease in drilling. Without the ability to transport products to where they are needed, production naturally stalls."

The United States is the Saudi Arabia of natural gas but, to-date, has been stifled from developing this asset due to lack of infrastructure. While projects are underway to debottleneck this problem, relief is not expected until mid-2017. Furthermore, in order to receive a decent price for their product, the oil and gas producers have been forced to shoulder the burden and underwrite the buildout of these projects

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themselves (the first time in history this has happened to this scale). The irony of the situation is that the oil and gas producers have done this to their own detriment and many companies will fail due to the liabilities that they assumed by underwriting the pipes. You hear a lot about "the greed of oil and gas companies" – well, the oil and gas companies just bought a brand new pipeline grid for the United States and many put their businesses in significant jeopardy to do so!

The opportunity of a generation has been presented to the U.S. – energy self-sufficiency obtained through technological breakthroughs in both drilling technology and the efficiency of renewables - energy superpower status! With continued investment in infrastructure, we can provide cheap and reliable energy to the U.S. and the world. Bill Gates noted in his [annual letter](#) that over a billion people in the world do not have access to electricity. While I do not agree with his call for only renewable power, he correctly notes that bringing electrical power to the third world is a challenge that must be addressed by the developed nations and the U.S. can position itself to be the leader in the effort if we fully embrace all of our energy assets.

This could be the year to begin a concentrated effort to build and leverage our energy assets. The U.S. Congress continues to debate S. 2012, which is a broad energy bill [supported by the U.S. Chamber of Commerce](#). I would argue that 2016 should not be squandered and that pipeline infrastructure must be addressed in the legislation. We should also aggressively remove any barriers to moving oil, natural gas, and energy equipment / infrastructure to under-served parts of the U.S. and also to overseas markets to fill the need in underdeveloped nations.

The U.S. is on the brink of becoming an energy superpower and now is the time to aggressively press forward.



Michael W. Wise

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