Marcellus Shale Update: Pipelines and Politics

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The tortured story of the Mariner East 2 Pipeline construction may be coming to an end. If so, it will end the way it began, mired in controversy and inconsistent with what had been proposed and promised by the developers.

Last Thursday, Energy Transfer Partners announced that it will start shipping natural gas liquids through the pipeline by the end of the year. That pipeline, however, will look different from what had been expected. The original plans called for a 16-inch pipeline (Mariner 2X) and a 20-inch pipeline (Mariner 2) that each would run along the same right-of-way as the original Mariner East Pipeline from 1931. ETP now says it only will construct one pipeline, that will merge an existing 12-inch pipe with certain areas of 16-inch pipe and other areas of 20-inch pipe, and this will be called Mariner East 2. ETP did not explain why its plans had changed, how much of each size pipe will be used, and why the final route through Delaware and Chester Counties in Pennsylvania will be slightly different than previously stated.

Not surprisingly, local residents and elected officials were not pleased. Pennsylvania State Senator Andy Dinniman, who has been a longtime critic of the pipeline and has also pointed out instances of ETP's failure to follow State regulations, released a statement that said in part "the cobbling together of new and antiquated pipelines of varying sizes appears to have the potential for even more safety risks and concerns."

As Mariner East limps toward the finish line, natural gas prices surged this week to five-year highs. The early storm combined with low stockpiles to produce spot market prices over $4/Mcf. With winter still a month away, this should be a good time for the natural gas industry to redouble its efforts to convince the Northeast public about the virtues of the pipeline buildout. The industry has an excellent case to make, both economically and ecologically. Stories like Mariner 2 however, put the industry in a deep hole. It's hard to convince the public of the environmental benefits when a feature project is recycling antiquated pipe at the last minute without explanation. If the gas industry wants to thrive in the Marcellus, it might try doing itself a favor and treating the public like the concerned residents most are.

Elsewhere, judicial and administrative rulings affected other Marcellus pipelines. Last Wednesday, the 4th Circuit Court of Appeals ordered a temporary halt to a water crossing permit in West Virginia needed to build the Atlantic Coast Pipeline from West Virginia to North Carolina. The Court ruled that two conditions required by the West Virginia Department of Environmental Protection to protect the state's water quality, including a requirement that the stream crossing must be completed within 72 hours, had not been met. The three judge panel in Charleston, which in October had issued a similar stay to the Mountain Valley Pipeline, overruled an Army Corps of Engineers grant which was issued following a route change. This should be worked out without much difficulty, but it adds to the suspicion with which pipeline projects currently are viewed.

Finally, FERC granted the Constitution Pipeline, which would run from Dimock, Pennsylvania to Schoharie County, New York, a two-year extension to complete the project. The unanimous ruling came from two Democratic commissioners and one Republican commissioner. The Constitution is much needed and was the source of the original power grab by New York Governor Andrew Cuomo regarding the Section 401 Clean Streams Permit, a power play that has been copied by other activist governors (and in spirit by Premier John Horgan of the Canadian Province of British Columbia).

The ruling may be prophetic. Just one week after winning reelection, Cuomo is in serious political trouble. Details of the extraordinary giveaways New York State made to the richest man in the world, Amazon's Jeff Bezos, so that Amazon would locate one of its new headquarters in Long Island City have put Governor Cuomo squarely on the defensive. From an Upstate New York perspective, Amazon is another case of Upstaters getting taxed heavily and having their industry stymied so that New York State Government literally can give their money away to a multi-billionaire for the benefit of Downstaters.

New York's natural prices already are rising. A difficult winter possibly is approaching and New York needs gas, which it may have to import again from Vladimir Putin. None of this looks good for Governor Cuomo, especially with the 2020 Presidential Election season approaching. It is possible that the Governor may have to do something that actually helps the Southern Tier and build the pipeline. This will begin to unlock the Marcellus potential for the benefit of New York, New England and the entire United States. If so, it means we could be less dependent on the Russian dictator for our energy. That should strike all of us as a good thing.