Mariner East 2's Troubles Underscore Need For New Industry Approaches Toward Northeastern Population

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Less than an hour from the busy streets of Philadelphia in Southeastern Pennsylvania lies Chester County, PA. Long known as relatively rural and wealthy, Chester County also is home to an immense amount of major oil and gas pipelines, with major transmission lines connecting from the South to the North through Chester County.

Recently, one addition to an old East/West pipeline has been the focus of most public discussion in Chester County. Last week, the District Attorney for Chester County announced that his office was preparing to file a civil public nuisance lawsuit against natural gas pipeline developer Sunoco LP over continued problems associated with the construction of the Mariner East 2 Pipeline. Mariner East 2 travels from the Marcellus Shale gas fields near Pittsburgh to the Marcus Hook refinery south of Philadelphia on the Delaware River.

The press release from the office of D.A. Thomas Hogan cited to alleged problems along the construction path, including exposed underground pipes and leaks, or inadvertent returns, of drilling fluid, as the basis for the action. The announcement of a civil lawsuit follows a prior announcement by the District Attorney last December that his office had begun a grand jury investigation into the pipeline and its owners and operators. To date, the only criminal charges that have been filed by his office have been against two men who allegedly used their status as state constables to work as security guards along the pipeline. The status of the grand jury investigation remains unclear.

Still, last weeks action by the prosecutors office is the latest in a series of moves by officials in Chester County against Sunoco and its owner, Energy Transfer Partners of Dallas. As much as any other project in the Marcellus region, the ongoing saga of Mariner East 2 exposes the potential and pitfalls of the shale gas revolution.

Mariner East 1 is a 12 inch pipeline constructed in 1931 to bring oil and natural gas imported from overseas to the Port of Philadelphia inland to the outskirts of Pittsburgh. As recently as ten years ago, few even knew the pipeline existed. Those who did looked at it as an aging yet important piece of our energy infrastructure that could help alleviate the perpetual need of the United States to import these resources from places such as Venezuela and the Persian Gulf.

Fracking changed all that. Suddenly Pittsburgh no longer needed natural gas. It was producing so much it needed ways to get that gas to market. One way was to reverse the flow of Mariner East 1. Instead of going east to west, the pipeline now flows west to east. But this one pipeline wasn't nearly enough to move the enormous quantities of gas being produced in Pennsylvania. In less than a decade, Pennsylvania changed from being a nonentity in energy production to the second largest natural gas producer in the country, behind only Texas.

One answer seemed logical. Sunoco LP would use the existing right of way for Mariner East 1 to build two additional pipelines, a larger 20 inch Mariner East 2 to handle Natural Gas Liquids (NGL) and another 16 inch NGL pipeline in the same right of way called Mariner East 2X. Both new pipelines are scheduled to be completed this year, although there have been delays that may postpone their completion dates. Unfortunately, little has gone as planned. From the start, construction of Mariner East 2 and Mariner East 2X (hereinafter Mariner East 2, for simplification) has been beset with problems. One such problem is sinkholes that keep occurring near the end of the pipeline in Chester County. Making matters worse, Sunoco's response, and later that of Energy Transfer Partners (ETP) after ETP became the parent company, appeared painfully slow and often obtuse.

In one case residents near the pipeline complained they had not been given the required notice before drilling was done in their area. When ETP claimed that the notice had been given, Pennsylvania State Senator Andy Dinniman, a vocal critic of the pipeline, simply went to the phone book and called people who should have been given notice. Few claimed they had heard anything.

Construction was stopped numerous times by the state. After one stoppage, ETP publicly blasted the Commonwealth of Pennsylvania as being a poor place to do business. Eventually, ETP completed the pipeline using retread 12 inch piping from the 1930's to finish what otherwise was supposed to be a 20 inch pipe. The result is little trust between ETP and the community, cost overruns, time delays, and much unfinished business with local and state regulators. In April, two Chester County commissioners filed a lawsuit against ETP seeking to block construction of two additional pipelines. Now the Chester County District Attorney threatens a nuisance lawsuit and may yet still bring criminal action.

One problem the Mariner East 2 saga illustrates is the difficulty of the oil and gas industry to adapt to the culture and economic realities of the northeast, where it now finds itself. Unlike in places like Texas and Oklahoma, where energy is the prime economic engine of the state and the tolerance level by local people for mistakes and problems by industry players may be a bit more forgiving, energy does not hold that status in Pennsylvania, New York or Ohio. In fact, it is possible in the most populous areas of states like Pennsylvania and Ohio - to say nothing of New York - for most people to have almost no contact and know little of the energy industry. In the northeast, the energy industry remains something at best to be tolerated, but many still do not trust it.

Given that economic and political reality, a different approach to the population and to state and local government is needed in places like the northeast. This is especially true now that the energy industry is under huge scrutiny due to the upcoming presidential election and current environmental politics. Complicating things further is that while the public often lumps the producers, pipeline operators and others together as one "industry", in fact the different segments of the overall industry often have vastly different approaches to what should be common problems. Even within industry segments, different companies have trouble working together to tackle common issues as unbridled competition reigns supreme.

Nevertheless, under current realities, it behooves all members of all segments of the oil and gas industry to find as much common ground as possible and to establish a new, and more open relationship, with the populace and governmental officials in places like Ohio and Pennsylvania where they have relatively little experience but which now carry such importance to everyone's success.