

Days Of Violence Also Scramble Northeast Energy Situation

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Following days of rioting that frightened even those of us who remember the 1960's, a dazed America wakes up in a very different place than before. Still in the midst of civic unrest and a global pandemic, the country also faces a financial and budgetary reality completely different from anything imagined as recently as early March. For energy companies, the world has turned upside down, and is now partly back again.

The rioting left many of our great cities in virtual ruins. Sections of downtown Chicago, Manhattan, Center City Philadelphia and many other cities are now scenes of charred objects, broken glass, boarded up windows, and destroyed dreams. Already financially devastated by the coronavirus, the cities, their businesses, and their inhabitants have little to fall back on to recover from the civic carnage.

Politically, that means energy companies have entirely different calculations than before.

Pennsylvania is a good example. Home to the largest shale gas deposit in the nation, the Marcellus Shale Basin, and the second largest natural gas producer in the country, Pennsylvania has been deeply ambivalent towards its energy industry, especially under the administration of Democratic Governor Tom Wolf.

Votes on natural gas matters, from taxes to regulations, generally have broken along party lines. With most of the Democratic votes coming from the cities and in the heavily populated southeast - where there currently is no shale industry - that part of the state has been generally unwelcoming to energy interests. However, for the most part, the rest of the state has been more supportive of the industry.

Now it is the southeast, and especially Philadelphia, that will be begging for revenue and aid. But the region will find little support from much of the rest of the state which, except for Pittsburgh in the southwest, is heavily rural and decidedly Republican. Southeastern Democratic votes have spearheaded drives for more taxes on the gas industry and more regulation, including a prohibition on drilling in the Delaware River Basin which constitutes the state's eastern border with New York and New Jersey. These restrictions on the gas industry have generally not gone over well in other areas of the state more sympathetic to the industry.

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To get anything from the rest of Pennsylvania, the Democrats in the southeast will likely be asked to give on much of the industry regulation and many of the prohibitions in certain areas, like pipeline permitting. While it will be necessary to maintain the environmental balance enshrined in the Pennsylvania Constitution, much other regulation will be vulnerable. This is not entirely a bad thing, as the Wolf Administration often has engaged in regulatory practices that seem designed more to hinder gas development than regulate it.

The same general analysis holds true in New York, with one huge exception. Under Governor Andrew Cuomo, New York has outright banned fracking instead of just seeking to regulate it. That means that a potentially huge source of both revenue and energy to feed and rebuild the heavily populated downstate region has been off the table.

Therefore, the more important question for New York will be whether the pandemic and the riots force a change in Governor Cuomo's policy regarding gas pipelines. To date, he has refused to allow them even to cross the state, to convey gas extracted from other locations, like Pennsylvania. Given current budgetary realities, that policy no longer may be sustainable – either economically or politically. If there is slippage in Governor Cuomo's hard line position, it would benefit everybody. New York would earn transshipment fees and get construction jobs, gas would move more efficiently and environmentally soundly via pipelines than on trucks, and areas like heavily populated downstate New York and New England would get ensured a steady and abundant energy supply as they try to recover.

It is hard to see silver linings during these dark days in America, but the return to sane energy policies in the northeast may just be one of them.

ATTORNEYS MENTIONED

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