The Recorder

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Pipeliners shift to survival mode

Perspective

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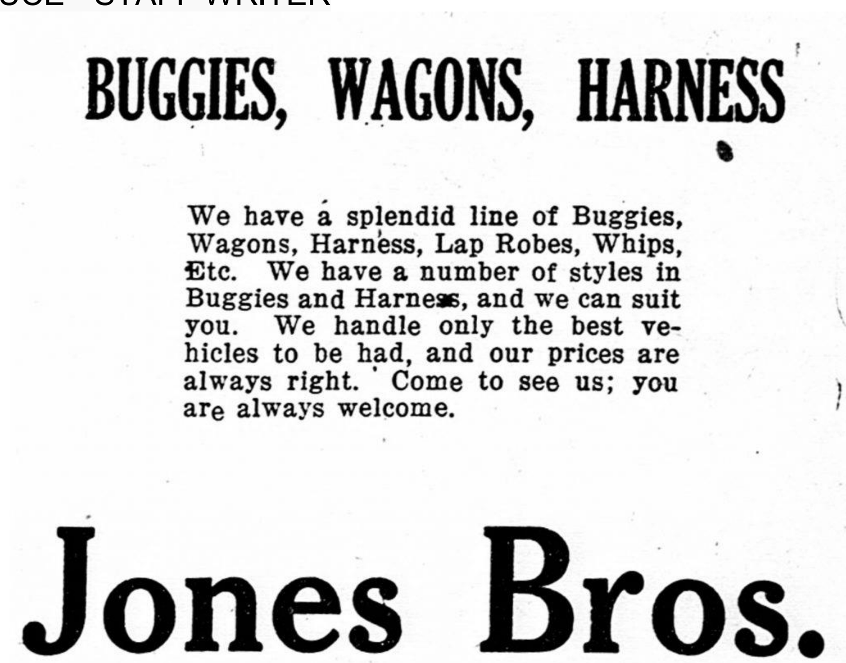

This advertisement from 1918 was probably one of the last.

WASHIGTON, D.C. – Is the methane gas industry going the way of the buggy whip maker?

Wagon and carriage drivers snapped buggy whips to drive horses down the road before there were cars and trucks. Buggy whip makers began to disappear when motor vehicles made their products nearly obsolete. Any business model facing technological threats to survival can fit the description of a modern-day buggy whip maker.

Facing an uncertain future, a coalition of fossil fuel trade associations is urging the Trump administration to speedily nominate new commissioners to fill current and forthcoming vacancies on the Federal Energy Regulatory Commission.

One of five FERC seats is vacant, the Natural Gas Council said in a letter to the White House. The death of former chair Kevin McIntyre Jan. 2 this year created the current vacancy. His was the briefest FERC chair tenure.

Commissioner and former chair Cheryl LaFleur's term will expire June 30 and create a second vacancy. One of her most imposing actions was in August 2018, when LaFleur, an Obama nominee, dissented on the FERC order authorizing the proposed Atlantic Coast Pipeline because she concluded the proposal was not in the public interest.

Her dissent was notable because it marked a departure from business as usual. What set it apart was a truly regulatory approach, by insisting on following public interest and consciously rejecting the investor-owned utility mindset to make money at all costs. "I believe finding a project is in the public interest requires thoughtful review and consideration of all environmental impacts, and that could very well mean deciding not to authorize certain projects based on their environmental impacts," LaFleur concluded in her dissent.

Unsurprisingly, the fossil fuel group has an entirely different take on FERC's role in the pipeline industry. Substitute "regulatory" with "approval" in the agency's name, and you get the idea.

Look at the council's interpretation of what FERC does, as if the White House didn't already know: "FERC approves the construction of interstate natural gas pipelines and storage facilities, and is the lead federal agency for coordinating all federal authorizations for such projects," the council said in the letter to Trump. "A full commission will facilitate in the development of energy infrastructure, delivering countless opportunities to communities across America. Moving all energy resources safely, affordably, efficiently and reliably to where they are needed requires a modern and highly interconnected system.

"Innovative projects bring an influx of investment and jobs to all corners of the country," the council said. "This means wages are paid to local workers and money is spent in local economies. The lack of a full commission can delay the approval of pending projects, such as natural gas infrastructure projects, thereby hindering the advancement of critical infrastructure."

What makes gas infrastructure critical is guaranteeing a profit under an obsolete regulatory establishment. In recent years, electricity demand has slowed, and average use has decreased, while peak use has increased or remained the same.

The current electric utility regulatory structure doesn't play well with energy efficiency or investment in renewable energy. Regulation as it has been in place over the last century guarantees investor-owned monopolies profits on massive investments.

For instance, regulated utilities are rewarded for investing in fossil fuel infrastructure to run their power plants.

Utilities long accustomed to operating centralized sales organizations and power plants now face an uncertain future. They are scrambling to preserve their 100-year-old business model before new forces such as rooftop solar power and net metering further slice profits. Net metering allows consumers who generate some or all of their own electricity to use that electricity anytime, instead of when it is generated.

Lawmakers need to craft new policies that enable utilities to adopt a smarter business model. It would reduce use of fossil fuel, embracing renewables, energy efficiency, and focus on environmentally friendly energy storage technologies instead of relying mainly on fossil fuel power generation and rejecting alternatives.

It's in the public interest. Sixty percent of adults in a recent Gallup Poll favor or strongly favor "proposals to dramatically reduce the use of fossil fuels such as gas, oil and coal in the U.S. within the next 10 or 20 years, in order to reduce greenhouse gas emissions."

"Support for greater emphasis on solar and wind energy has been stable since 2013, but support for more oil, natural gas and coal has fallen in that time," Gallup noted. "Almost two in three Americans wanted greater emphasis on natural gas production in 2013, but that figure has dropped by 19 percentage points in the years since."

The current rate design, with high fixed charges, overburdens people on fixed incomes, discouraging renewable investment and energy efficiency. In contrast, a smarter rate structure would provide true innovation by rewarding consumers using less power with lower rates and encouraging renewables and energy efficiency – and avoid the way of the buggy whip maker.