
News, Rationale, Market Commentary, and Notes; News
US 'one event away' from shift in public view on energy security: Rice

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* Sees reliability, costs concerns ahead

* Expects a turn toward infrastructure support

The US is one reliability event away from a turning point that could help drive public support for permitting of natural gas infrastructure, EQT CEO Toby Rice said Oct. 24.

"I think we're going to get the permit reform -- we're going to get the infrastructure built, because we're just one event away from something happening," Rice said during the North American Gas Forum in Washington, organized by Energy Dialogues.

Rice pointed to gas supply shocks in Germany following Russia's invasion of Ukraine that prompted Germany to quickly add gas import facilities.

"Like what happened in Germany, you have an event, you get to reality real quick and you start getting stuff built, and Germany built some pretty amazing infrastructure in less than 12 months," he said.

Natural gas companies have argued that a shortfall in midstream infrastructure was putting the brakes on production and creating price and reliability risks in pipeline capacity-constrained areas such as New England.

Permitting challenges have persisted in the eastern US as some states have set climate targets as they seek to shift away from fossil fuels. Projects have also faced robust litigation from climate advocates and local opponents. In fact, protestors from Climate Defiance staged a small rally outside the hotel where the conference was located.

Asked to elaborate on the nature of such turning point events, Rice highlighted "signals" such as utility owners in New England writing the president to say they were unsure they could withstand the winter with the capacity they had. He also referenced parts of the country that had seen electricity price spikes.

"This has not hit the public yet," Rice said, with US power prices well below those in Europe. "What I think has happened is a lot of these costs have been covered up by the low cost of electricity," with gas at times trading at \$2/MMBtu.

But Rice suggested the US would start running into major reliability and cost issues that will present a turning point.

"Americans, unfortunately, are going to start bearing the cost of these less efficient, less cost-effective energy solutions, he said. "That is coming over, I believe, the next one to two years."

An unprecedented severe winter storm in December 2022 forced multiple utilities to cut electric service to thousands of customers. Utilities in the US Southeast resorted to more than 5,000 MW of rotating customer blackouts in response to the unexpected generation outages. Amid that event, gas production in the Marcellus and Utica shales dropped precipitously, and pipelines in the region declared force majeure events and had to use storage assets and operational flow orders to maintain pressure, according to a report released in September by staff of the Federal Energy Regulatory Commission and North American Electric Reliability Corp.

Rice, who has been outspoken advocate for unleashing US gas as a climate solution, said it was essential for American gas producers to reiterate energy security benefits of exporting gas, both for the world and at home.

He suggested that unleashing US LNG would help put 50% surplus gas flowing on pipelines, available when needed domestically, not “behind an 18-month signal demand lag” in response to prices.

In addition, with the geopolitical tensions in the world, he said the message needs to be that the US offers the most security of supply of any place in the world.

The conference also heard cautions, however, from Scott Tinker, director of the **Bureau of Economic Geology**, University of Texas at Austin, that the US was not investing enough in production.

“My personal view on gas production growth in the next few years is it’s going to struggle unless we can get takeaway capacity, unless we can get investment in infrastructure, unless we can start to signal that natural gas is an important piece of our future in this country,” Tinker said.

Tinker, like several other speakers at the conference, argued that a binary dialogue between clean and dirty fuels needed to end.

Geoffrey Pyatt, State Department assistant secretary for energy resources, signaled that gas exports remained an important part of US geostrategic efforts.

“As we’ve looked at the decades ahead, the world is going to need all the energy that we can provide, and we have an interest in seeing that energy is produced in the most climate friendly, least carbon intensive way possible,” Pyatt said. Some of the energy will be from small modular reactors, some from clean hydrogen and renewables, “but some is going to be from gas,” he said. Pyatt added that the US has an interest in getting coal out of the picture “as fast as we can.”

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