

Governor calls for truce between natural gas, coal

DUSTIN BLEIZEFFER - Star-Tribune energy reporter | Posted: Friday, September 18, 2009 7:10 am |

Roughnecks work on an EnCana natural gas well near Moneta earlier this month. Low prices for natural gas have significantly slowed the industry in Wyoming. (Tim Kupsick/Star-Tribune)

JACKSON -- Gov. Dave Freudenthal told the natural gas industry Thursday that depressed energy prices are going to drag down the state's economy, and he's particularly concerned about the increasing unemployment rate. That drives Medicaid costs and other social services, and is probably the biggest budget pain for Wyoming.

He said the current economy is discouraging, and relief doesn't appear to be just around the corner.

But the strongest message he wanted to impress upon the natural gas industry was this: Stop attacking coal.

"There's an emerging conflict between coal and gas, and the only one that's going to win is the environmental groups. You're both going to lose," Freudenthal said.

The governor spoke to a crowd of hundreds attending the 13th annual Wyoming Natural Gas Fair. He did not single out any specific industry groups or companies, but said he's noticed an ugly public relations fight between the two industries as both struggle through diminishing demand and an uncertain regulatory future.

Industry groups such as the Independent Petroleum Association of Mountain States have issued white sheets touting the greenhouse gas advantage of natural gas over coal, and many in the gas industry say they are aggressively seeking to take more of the utility market from coal.

"This is an incredibly dangerous premise to go forward on as a state and as a country," Freudenthal said. "Once you go at each other's throat, nobody wins."

A wide energy portfolio is the only way to meet the world's economic needs along with growing energy and environmental demands, Freudenthal said. Wyoming happens to have wind, oil, coal, natural gas and nuclear resources in spades. What's good for one energy industry, he said, is good for another.

"Promote your industry to death, if you want. But it doesn't gain anything to go after another industry," Freudenthal said. "At the end of the day, we all have an interest that this country and this world has a diversified energy mix."

Freudenthal said he has delivered the same message to the coal industry.

Reached for comment, Petroleum Association of Wyoming President Bruce Hinchey said he agreed with Freudenthal's message.

"I think you need all forms of energy -- it's going to take every bit of it," Hinchey said. "But it's like any business trying to promote their product over another product."

Road ahead

The average price for natural gas produced in Wyoming was about \$5 per thousand cubic feet in 2008. The price this year might not break \$3, representing a potential loss of \$750 million in revenues to state and local governments.

Yet plans are still in the works to build a major new natural gas pipeline opening a new West Coast market to Wyoming's natural gas producers.

El Paso Corp.'s Ruby Pipeline would span from western Wyoming to Malin, Ore., and serve the Northwest market as Canadian imports to that region decline. Construction of the \$3 billion project could begin in 2011. While permitting and right-of-way procurement is moving along, El Paso is still trying to secure final financing.

Freudenthal said he is in discussion with State Treasurer Joe Meyer to see if the state can use its "fixed-income" portfolio to invest in the project and ensure that it gets built.

"I think that's an incredibly important line to Wyoming," Freudenthal said. "I think there's room in here to work out something for both sides."

For several years, booming natural gas development in the Rockies outpaced pipeline capacity to ship it to market, which discounted the price for Rocky Mountain gas along with revenues to producing states.

Industry officials here seem to agree that boom days of annual gas production growth rates exceeding 5 percent are over. But cool heads are still banking on the region for prolonged, more stable growth.

But what worries producers -- and states that have grown found of mineral revenues -- is the mass exit of drilling rigs from the Rockies to hot new "shale gas" plays in Pennsylvania, Texas and New York.

Investment dollars follow those rigs, which means not only is Wyoming losing rigs, but also those service companies that rely on new development activity.

However, few are writing the industry's obituary in the Rockies. While many producers are shutting in wells and curtailing production, they are not auctioning off their Rocky Mountain properties.

"You're not going to hear doom and gloom from me," said Gary Schmitt of Questar Pipeline Co.

Schmitt said there's a massive amount of natural gas in the region, including largely unmeasured shale gas resources. He said companies including Shell, BP, Anadarko Petroleum and other industry heavy-hitters are still spending billions of dollars in the Rockies, "because they're not stupid. They know the future is still the Rockies."

Contact energy reporter Dustin Bleizeffer at (307) 577-6069 or dustin.bleizeffer@trib.com. Read his energy blog at tribtown.trib.com/post/DustinBleizeffer/blog.