

MIDSTREAM

Monitor

JUNE 2, 2017 | VOLUME 35 | ISSUE 22

FEATURES

Kinder Morgan's Stock, Hopes For Trans Mountain Pipeline Both Suffer

By **JOSEPH MARKMAN**, Hart Energy

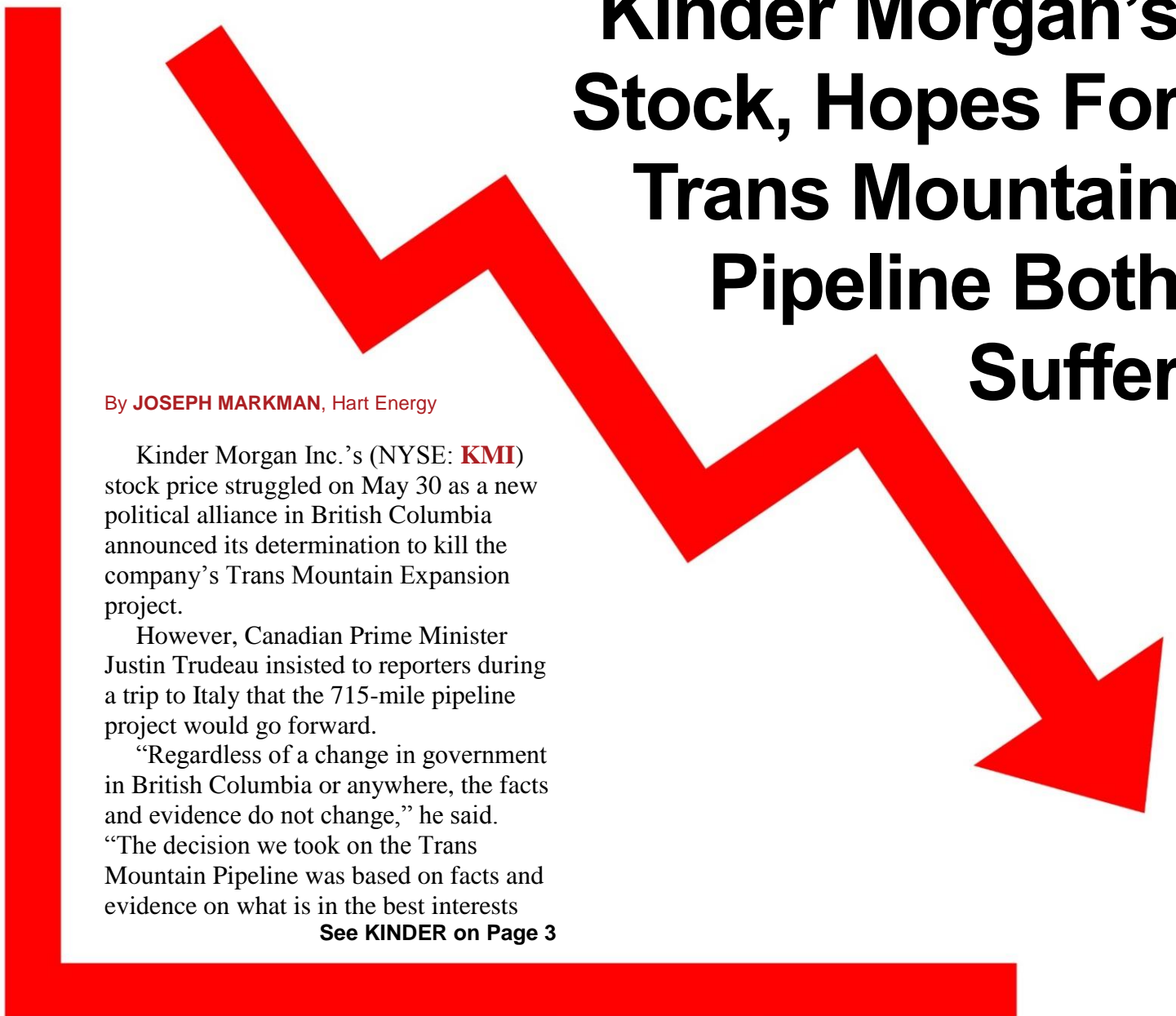
Kinder Morgan Inc.'s (NYSE: **KMI**) stock price struggled on May 30 as a new political alliance in British Columbia announced its determination to kill the company's Trans Mountain Expansion project.

However, Canadian Prime Minister Justin Trudeau insisted to reporters during a trip to Italy that the 715-mile pipeline project would go forward.

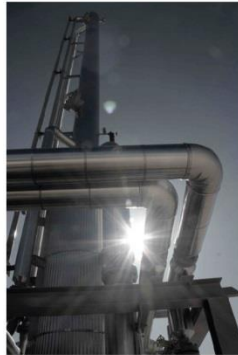
"Regardless of a change in government in British Columbia or anywhere, the facts and evidence do not change," he said.

"The decision we took on the Trans Mountain Pipeline was based on facts and evidence on what is in the best interests

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of Canadians and indeed, all of Canada. That is what drives us in the choices we make. We stand by those choices.”

The Green Party promised to kill the Trans Mountain project and Petronas’ \$20 billion LNG export facility on Lelu Island near Prince Rupert.



The Globe And Mail newspaper reported on May 30 that the Green Party and its new ally, the New Democratic Party (NDP) would “immediately employ every tool available” to stop Kinder Morgan’s project from going forward. The newspaper was quoting the text of an announcement released prior to a news conference.

Also on May 30, the neighboring province of Alberta warned British Columbia not to interfere with the Trans Mountain project.

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“Mark my words, that pipeline will be built,” Alberta Premier Rachel Notley told reporters in a story reported by *Reuters*. “The decision has been made.”

British Columbia’s Green Party, which won three seats in the province’s legislature in the May 9 election, joined with the center-left NDP on May 29. No party won a majority of the seats in the legislature, but the alliance would have 44 seats to the ruling center-right British Columbia Liberal Party’s 43. Unless Premier Christy Clark is able to convince other legislators to support her and form a majority, she would be forced to step down.

Clark said she would not resign and would call for a confidence vote, though she admitted that she would likely face defeat. ■

Trump Withdraws US From Paris Climate Agreement

Calling the Paris climate agreement a “self-inflicted, major economic wound,” President Donald Trump said June 1 that the U.S. will withdraw from the deal signed by 194 other countries.

Trump said he will begin negotiations to re-enter the Paris accords on terms that put the U.S. back on a level playing field.

The president, speaking in the White House Rose Garden, said other signatories of the deal “went wild they were so happy” when the U.S. committed to lower greenhouse gas emissions. Other nations were pleased “for the simple reason that it put our country at a very, very big disadvantage,” he said. “We would find it very hard to compete with other countries.”



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In September 2016, former President Barack Obama formally entered the Paris Accords, which committed the U.S. to reducing 2020 emissions by about 17% compared to 2005 levels.

In 2015, U.S. energy-related carbon dioxide emissions were already 12% below the 2005 levels, mostly because of electric power generation fueled by natural gas instead of coal. However, emission reductions are projected to rise steeply in the following decades, with 30% reductions by 2025 and 42% reductions by 2030.

Many organizations, politicians and businesses had urged Trump to remain in the agreement.

In March, ExxonMobil Corp. (NYSE: **XOM**) sent a letter to Trump saying that the U.S. was “well positioned to compete within the framework of the Paris Agreement, with abundant low-carbon resources such as natural gas and innovate private industries including the oil, gas and petrochemical sectors.”

—DARREN BARBEE, Hart Energy

FRAC SPREAD

NGL Markets Have Their ‘Covfefe’ Moment

By JOSEPH MARKMAN, Hart Energy

You might be wondering what the “covfefe” is going on with the markets.

Well, propane inventories are well below average, so propane prices might be expected to rise. Nope. Propane prices declined last week. Ethane prices dipped, too, despite expectations that the U.S. supply will be less than 25 days’ worth by the end of the year.

And OPEC’s decision to extend its production cuts into 2018 was not enough to keep the price of West Texas Intermediate (WTI) crude oil above \$50 per barrel.

It’s enough to make you want to throw up your hands and stack your drilling rigs (which might not be a bad idea, actually, given the outlook for WTI).

Prices changed little for NGL, and margins were mixed in the week shortened by the Memorial Day holiday. The price of the

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hypothetical NGL barrel was 15.8% higher than it was last Memorial Day at Mont Belvieu, Texas. At Conway, Kan., the price increase was 14.5%.

The price of natural gas swung up before settling lower for the week at the Houston Ship Channel, while at Chicago City Gate the price swung to a 4.4% decline. The New York Mercantile Exchange futures prices for benchmark Henry Hub natural gas was down to \$2.84 per million British thermal units for 2019 and 2020.

Storage of natural gas in the Lower 48 increased by 81 billion cubic feet (Bcf) in the week ended May 26, the U.S. Energy Information Administration (EIA) reported. The increase, above the Bloomberg consensus of 77 Bcf,

CURRENT FRAC SPREAD (CENTS/GAL)				
JUNE 2, 2017	Conway	Change from Start of Week	Mont Belvieu	Last Week
Ethane	20.38		24.94	
Shrink	19.62		21.71	
Margin	0.76	-427.03%	3.23	-14.87%
Propane	62.50		66.08	
Shrink	27.11		29.99	
Margin	35.39	2.04%	36.09	-0.50%
Normal Butane	73.00		73.02	
Shrink	30.69		33.95	
Margin	42.31	2.23%	39.07	-2.94%
Isobutane	83.92		77.00	
Shrink	29.48		32.61	
Margin	54.44	2.84%	44.39	0.39%
Pentane+	111.29		110.75	
Shrink	32.82		36.31	
Margin	78.47	1.64%	74.44	-0.39%
NGL \$/Bbl	24.41	0.24%	25.11	-0.59%
Shrink	10.81		11.96	
Margin	13.60	3.13%	13.15	-1.39%
Gas (\$/mmBtu)	2.96	-3.17%	3.27	0.30%
Gross Bbl Margin (in cents/gal)	30.87	3.22%	30.43	-1.38%
NGL Value in \$/mmBtu (Basket Value)				
Ethane	1.12	1.75%	1.37	-1.97%
Propane	2.17	-0.29%	2.29	-0.14%
Normal Butane	0.79	-0.11%	0.79	-1.46%
Isobutane	0.52	0.65%	0.48	0.35%
Pentane+	1.44	0.17%	1.43	-0.16%
Total Barrel Value in \$/mmbtu	6.04	0.30%	6.36	-0.67%
Margin	3.08	3.87%	3.09	-1.68%

Price, Shrink of 42-gal NGL barrel based on following: Ethane, 36.5%; Propane, 31.8%; Normal Butane, 11.2%; Isobutane, 6.2%; Pentane+, 14.3%, Fuel, frac, transport costs not included. Conway gas based on Midwest region, Mont Belvieu based on Houston region. Shrink is defined as Btus that are removed from natural gas through the gathering and processing operation.

resulted in a total of 2.525 Tcf. The figure is 12.8% below the 2.895 Tcf figure at the same time in 2016 and 9.8% above the five-year average of 2.3 Tcf. ■

Can Permian Midstream Capacity Keep Up?

This report and others like it are available to subscribers of Stratas Advisors' [North America](#), [North American Natural Gas](#), [North American NGL](#), [North American Oil](#) and [North American Shale](#) services.

Our comprehensive second-quarter 2017 liquids infrastructure analysis conducted as part of the North American Shale Infrastructure Service shows that midstream project activity in the Permian Basin in the current quarter exceeds the activity of expansions and announcements in the entire rest of the liquids-rich shale industry of North America.

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During second-quarter 2017, Permian midstream developers announced 23 new projects, expansions or completions at expanding pipelines, terminals and docks, tanks and processing plants that serve the Permian region's burgeoning oil and associated liquid-rich wet gas production. For the rest of the nation's liquids-oriented plays, our analysis of project announcements and activity showed just 20 projects.

The ongoing quarterly analysis of infrastructure expansion activity is the key feature of the North American Shale Infrastructure service. When used with the North American Shale Service's NGL, oil and gas production forecasts, subscribers can stay abreast of our quarterly views and updates of potential takeaway bottlenecks or overbuilt situations given the dynamic nature of midstream project development and oil and gas drilling and completions in North American shale and tight oil basins. —STRATAS ADVISORS

Pennsylvania's Next Era In Energy

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In Pennsylvania, we will likely always be well-known for our coal, manufacturing, and steel—throughout history these industries have provided the necessary framework to support the advanced industries of today and tomorrow.

The Department of Community and Economic Development and the Team Pennsylvania Foundation released a comprehensive study by IHS Markit outlining Pennsylvania's exciting opportunities in the petrochemical and plastics industries. [Watch Video.](#)

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TOP STORIES

DCP To Expand Sand Hills NGL Pipeline

DCP Midstream LP (NYSE: **DCP**) on May 30 announced an additional large-scale expansion of the Sand Hills NGL Pipeline, with plans to initially spend \$105 million toward long-lead equipment and right-of-way.

In a phased approach, this expansion is designed to first increase capacity by 85,000 barrels per day (Mbb/d) up to about 450 Mbb/d. When completed, this phase is anticipated to include partial looping of the pipeline and the addition of seven new pump stations at an estimated total cost of \$500 million.

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