The Proposed Northeast Supply Enhancement Pipeline: Follow the Money

The proposed Northeast Supply Enhancement project would be very profitable for the energy company Williams, a fortune 500 company based in Oklahoma. The local gas utility that would be Williams’ sole customer, National Grid, too wants this pipeline so it can expand its customer base and hence expand its profitability. The burden of paying for this expensive project would be borne by National Grid’s customers. And, since under the recently enacted Climate Leadership and Community Protection Act New York State will be required to reduce the use of natural gas in the region, those customers who are slow to move off fossil fuels will be left to pay an even greater proportion of the cost. Critically, there is no current need for this pipeline and there will be even less need for it in the future, because expanding the use of natural gas in the New York metropolitan area is a recipe for climate disaster and also runs completely contrary to the emissions goals set forth in the CLCPA.

The proposed NESE pipeline would certainly be an expensive project. In its initial filing with federal authorities in 2017, Williams estimated that the cost of the NESE pipeline would be $926.5 million, i.e., just under a billion dollars. Williams said that it would finance the construction itself through cash on hand and short-term loans. However, note that since 2017 Williams has had to refile permit applications with both New York and New Jersey several times. In the course of this it has had to do additional studies and produce additional documentation. Moreover, while Williams originally thought it would have eighteen months to construct this pipeline, endangered species restrictions in the waters off New York State have now reduced this to a nine-month window. This will force Williams to hire many more specialized marine vessels to operate along the proposed path of the pipeline simultaneously. Whatever the cost of the NESE that Williams estimated in 2017, it will surely be higher were it to be built three or four years later.

However, were it to build this pipeline, Williams would pay itself back, whatever the cost of construction. Once the pipeline is built, Williams would buy fracked gas from producers in Pennsylvania, process it, and ship it through the pipeline to its customer. Williams would pay itself back for the cost of construction by adding the price of construction to the cost of the gas. Thus customers for this gas would pay both for the gas itself and for
the pipeline. Moreover, Williams would be allowed by federal regulatory authorities to charge an additional return on its investment in the pipeline’s construction. Typically, the Federal Energy Regulatory Commission allows rates of return as high as 14%, which makes building pipelines quite profitable. Williams is pushing to build this pipeline because it stands to make both a steady revenue stream in the form of sales of fracked gas plus a high return on its initial investment.

National Grid, the sole customer for this gas, wants the NESE built so that it can expand its customer base and hence its profitability. A British multinational energy company that purchased the utilities that provide gas to Staten Island, Brooklyn, parts of Queens, and Nassau and Suffolk Counties in 2006, National Grid holds a 15-year contract with Williams to buy all of the fracked gas that the NESE can deliver. National Grid, then, would pass the cost of the gas plus construction costs plus Williams’ profit onto its customers.

These are already very profitable companies. Williams’ CEO Alan Armstrong made $10.6 million in 2017. National Grid’s CEO John Pettigrew, based in the U.K., made $4.6 million in 2018. The Williams company made $2.62 billion in 2017 while National Grid’s US units made 2.71 billion pounds ($3.66 billion)

And yet there is no need for this pipeline. Williams and National Grid claim that the NESE project is necessary because NYC needs more natural gas, but there is no publicly available data that supports this claim. In its application to FERC, Williams says that “National Grid has forecasted a need for additional natural gas supply to meet residential and commercial demands due to population and market growth within its service territory.” However, Williams requested that the supporting market data be kept out of the public record because it contains “confidential commercial information” from National Grid. Yet National Grid is a monopoly; it is the only supplier of natural gas for its service area with no competitors who could benefit from such information. Similarly, National Grid’s website asserts that “National Grid and other experts agree that the Company faces long-term supply constraints in its ability to obtain enough quantities of natural gas to continue to serve the growing needs of its customers in Brooklyn, Queens, and Long Island, and that these supply constraints must be resolved to enable further economic growth in the region.”
These claims that a growth in demand requires the construction of the NESE are false. A recent study by Suzanne Mattei, a former regional director for the NYS Department of Environmental Conservation, showed that whatever need for gas that exists now and in the near future can be satisfied with current supplies coupled with efficiency measures.

As importantly, over the next few decades New York State has committed itself to reducing the use of fossil fuels in the state to near zero. Legislation passed in 2019, the Climate Leadership and Community Protection Act, requires the state to lower its greenhouse gas emissions by 2030 to 60% of what it emitted in 1990; by 2050 it must emit no more than 15% of its 1990 emissions. There is simply no place in this future for natural gas. Natural gas is primarily methane, and methane is 86 times more powerful a greenhouse gas than is carbon dioxide. To build a pipeline designed to bring in 400 dekatherms/day of climate-busting gas, a pipeline with an expected lifespan of 50-60 years, is absurd in the face of the state-wide legal requirement to cut emissions dramatically in the next decade.

Fortunately, there are good choices available now that render this proposed pipeline moot. To reduce its carbon footprint from electricity generation, NYS will need to build out its wind, solar, and battery storage capacities. Heat pumps--both air-source and ground-source--can provide low-energy, high comfort building heating and cooling. Induction stoves, common in Europe, can cook to the specifications of even demanding chefs.

The public good is not served by expanding National Grid’s business when that expansion in fact threatens our health and well-being. The cost would be exorbitant and only serve the interests of Williams and National Grid. The demand they speak of is not for gas but for energy, and the energy of the future will come from renewables.

Sources


https://docs.google.com/document/d/1N59E92OeJIUKXGQeosKNarzwK5qYm_NZFMB6Jz_BM/edit?usp=sharing.

https://drive.google.com/file/d/1100KMECsnIq0h05iiyEjZjYVB6kKnD3/view.


For the impact of methane on climate: https://www.epa.gov/ghgemissions/understanding-globalwarming-potentials

Updated: February 2020
Questions? Email infrastructure@350Brooklyn.org