

## Energy Insider Interview Series

**Don Santa**

*President and CEO of the Interstate Natural Gas Association of America*



Questions Administered by Ed Hild of Buchanan Ingersoll & Rooney

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- 1. I know it brought on a long-awaited sigh of relief for INGAA members when the Senate finally confirmed two additional FERC commissioners in November, providing the regulatory body with a full complement of officials for the first time since 2015. What does this mean for INGAA and its members in terms of your ability to advance more natural gas pipeline projects across the country, and what else do you hope the agency can help you accomplish?**

A fully functioning Federal Energy Regulatory Commission is crucial to the interstate natural gas pipeline industry, and to the entire natural gas value chain from wellhead to burner-tip. FERC is our economic regulator; it is responsible for authorizing the construction of new and expanded interstate natural gas pipelines and storage facilities. It also is responsible for authorizing the construction and operation of LNG export and import terminals. In addition, FERC is responsible for setting the rates, and authorizing the terms and conditions of service for the transportation of natural gas in interstate commerce.

INGAA estimated that about \$14 billion in private capital investment was placed at risk during the six-month hiatus when FERC lacked a quorum. This affected not only pipeline operators, but also pipeline construction companies and the suppliers of goods and services for building pipelines as well as the shippers on the pending projects. At one point, there was apprehension that the hiatus would continue into the fall and perhaps even into the new year. This created considerable uncertainty for those with a stake in proposed pipeline projects awaiting approval by FERC.

We're pleased that two new commissioners are on board and that another two are on the way. While there will be a steep learning curve for the new commissioners, we are confident that FERC soon will hit its stride in acting on pending pipeline projects and other matters of importance to natural gas stakeholders.

- 2. In September, Senators Jim Inhofe and Angus King introduced a new permitting bill to improve interagency coordination in the review of proposed natural gas pipelines. If passed, how will this bill help facilitate permitting approval and accelerate the speed at which pipeline projects can move forward? What would be the benefits to consumers?**

S. 1844, the Inhofe-King bill, would perfect Congress' intent in the Energy Policy Act of 2005 by promoting a coordinated review of proposed natural gas projects. The bill would do so by strengthening the role of FERC as the lead agency under the National Environmental Policy Act for natural gas projects within its jurisdiction. The bill also would encourage concurrent review of permit applications by the multiple federal and state agencies that must act before a pipeline can be built. The provisions of the legislation would improve interagency coordination and incentivize the development of a single and more fulsome National Environmental Policy Act analysis by the lead agency, working in conjunction with other participating agencies.

Despite the clear need for new pipelines, the permitting process has become increasingly protracted and challenging in recent years. While FERC acts in a timely manner on most proposed applications, delays, and in some cases roadblocks, are becoming commonplace at other federal and state permitting agencies.

S. 1844 is a companion to HR 2910, which already has been passed by the House of Representatives. While we know better than to take anything for granted when it comes to the Congress, it is our hope that having bills under active consideration by both chambers will improve the likelihood that pipeline permitting reforms ultimately become law.

While these bills are not “cure-alls,” there is little doubt that all segments of the natural gas value chain, including natural gas consumers, will benefit from a more efficient and predictable permitting process for interstate natural gas pipelines. Adequate pipeline infrastructure provides producers with more outlets for selling their gas and provides consumers with greater opportunities to purchase competitively priced natural gas. Process improvements that will make it possible to enjoy benefits sooner from the construction of pipeline infrastructure will benefit everyone.

**3. With the abundant natural gas supply our country currently has and continues to build, how soon do you think the U.S. can become fully energy independent?**

I’m always a little uncomfortable with the term ‘energy independent’. Global energy markets are interdependent. Historically, this has been the case with oil and it increasingly is the case with natural gas as LNG trade increases.

It is more useful to think of our domestic energy abundance as creating the circumstances that have enabled the United States to transition rapidly from a position of energy vulnerability to a position of energy strength. This has been a tremendous benefit for the U.S. economy and for American consumers. The cost of energy now is a significant competitive advantage for the U.S. manufacturing and petrochemical industries. The abundance and affordability of U.S. energy is a geopolitical advantage, because energy now can be used to diminish the leverage of energy rich regimes whose interests are contrary to those of the U.S. and its allies.

Natural gas abundance also has contributed to achieving domestic and international environmental goals. While natural gas production jumped 50 percent since 2005, U.S. greenhouse gas emissions were down 11 percent. Why? Because abundant, affordable, domestic natural gas could replace more carbon-intensive fuels in power generation. It’s been an amazing success story.

**4. In a similar vein, what needs to be done from a pipeline construction standpoint to make U.S. energy independence possible and allow companies to be able to deliver natural gas to homes across the country? Is the responsibility on the shoulders of government and regulators or on the industry itself?**

Both. It’s probably best thought of as a confluence of private and public interests. Interstate natural gas pipelines are constructed using private capital in response to the need to create or enhance the ability to transport natural gas between two points. The impetus for constructing pipelines is the fact that market participants find value in creating a transportation path for delivering natural gas to the market. These market-driven transactions are consistent with the public policies embodied in the Natural Gas Act, the Natural Gas Policy Act of 1978 and

the Wellhead Decontrol Act of 1989. FERC’s restructuring of the wholesale natural gas market—i.e., the determination that it was in the national interest to facilitate the development of an interstate network for the sale and transportation of natural gas, that consumers would benefit from natural gas competition at the wellhead, and that non-discriminatory open access to natural gas transportation—were all necessary for consumers to realize these benefits to the fullest extent possible.

Given the public benefits of competitive natural gas markets and a robust natural gas delivery network, the role of government is to provide a fair, efficient and predictable process for authorizing new pipelines. And, of course, this process must promote and protect the other public interests affected by the construction and operation of natural gas pipelines, i.e., the impact on consumers, private landowners and the environment.

The proponents of pipeline projects also have obligations that must be satisfied as part of obtaining authority to construct the project. This includes demonstrating a clear need for the project as well as satisfying the regulator, the public and public officials that the pipeline will be constructed and operated in a manner that is safe and environmentally responsible.

**5. Recently, some of us at Buchanan played a role in gaining federal, state and local approval for the Atlantic Sunrise Pipeline project, which is expected to deliver upwards of 8,000 pipeline design and construction jobs and \$1.6 billion in economic impact. What kind of impact do you foresee this pipeline having on families in the Northeast, and what does the approval of projects like Atlantic Sunrise and the Millennium Pipeline portend for future pipeline projects?**

As the head of the trade association, I’m careful not to speak specifically about any particular pipeline project. The reason is because many of our members compete against each other. It’s a bit like being a parent: You love all your children equally.

There are a lot of pipelines on the drawing board right now that could have an enormously positive impact on American consumers, American manufacturers and the American economy. As I mention before, these projects put money in consumer’s pockets because adequate pipeline capacity allows consumers to see lower natural gas heating bills and, in many cases, lower electricity bills if the generator is using natural gas as a fuel – which they increasingly are. Some estimates put savings from low-cost natural gas at an average of \$800 annually per household, which includes the effects lower natural gas prices have had on the costs of electricity, heating and consumer goods.

**6. Over the past few decades, natural gas pipeline leaks are down more than 94 percent and pipeline construction has become exponentially safer as well. What has the industry done to reduce these numbers so significantly and what is it doing now and in the future to ensure the transportation of natural gas and construction of pipelines is as safe as possible?**

Safety is job one for INGAA's members; it's an essential part of the pipeline industry's social license to operate. First, let me note that according to both the Pipeline and Hazardous Materials Safety Administration (the pipeline safety regulator within the Department of Transportation) and the Government Accountability Office, pipelines are the safest mode of energy transportation. INGAA's members have committed themselves to the goal of zero pipeline incidents, and work tirelessly to inspect and monitor their pipelines to ensure safety and reliability. No incident is acceptable.

Currently, 99.9 percent of the natural gas transported using pipelines is delivered without incident. We are constantly trying to improve this safety record. Here are concrete examples of what we've done:

- Compared with 2007 (10-year period, three-year rolling average):
  - Manufacturing-related incidents down 82 percent in 2016 (most recent data)
  - External corrosion-related incidents down 53 percent in 2016
  - Excavation-related incidents down 10 percent in 2016
- We are working with government, pipeline safety advocates and industry on a structured safety management system that is highly intertwined with a positive safety culture
- We are focusing on widespread communication of incident 'lessons learned' and best practices across the pipeline companies and their service providers
- We have improved inline inspection technology and assessment techniques to permit more accurate and expansive assessments of the integrity of pipeline systems.

**7. Activism against natural gas pipeline construction is a reality for the industry. Despite the safety record of pipeline construction, transporting large amounts of fuel through the country's heartland will always concern large swaths of the population. Can you tell us how INGAA and its members navigate that activism and share positive, accurate information about pipeline construction with the media and the masses?**

You are right; activism against natural gas pipeline construction is the new normal.

The regulatory process to build a pipeline has always been rigorous and there always has been some opposition to pipelines, particularly from landowners and local communities directly affected by the pipeline. What has changed is that pipelines, and in particular the applications to site and permit pipelines, have become the focal point for certain interests to express their opposition to the continued use of natural gas as a source of energy. These interests desire a quicker

transition to renewable energy – and see the construction of infrastructure to utilize our nation's abundant natural gas as an impediment to achieving that goal. For many of them, there is no middle ground in this debate. Consequently, they give little weight to the environmental and economic benefits of natural gas. They don't want to acknowledge that natural gas makes renewables – particularly intermittent renewables – possible. Or that natural gas has benefited all Americans, including low-income Americans, who are disproportionately affected by higher utility bills.

Pipeline project sponsors have a harder job now. It's imperative that the pipeline and its customers explain thoroughly to landowners, local, federal and state governments, local businesses and others why the pipeline is needed. As a pipeline project moves forward, its sponsors must ensure that the process is transparent and that everyone on the team is committed to safe and responsible construction. Specifically, that means using quality materials, ensuring safety every step of the way, treating landowners with respect, working collaboratively with landowners and local communities, using construction processes and technologies to minimize the impacts to natural resources, and always respecting the regulatory process that governs construction projects.

INGAA's 26 members are very serious about these commitments. In July, the INGAA board unanimously endorsed INGAA's "Commitment to Responsible Pipeline Construction."

**8. In general, what are some of the biggest trends and opportunities you see in natural gas pipeline construction over the next few years? Is there anything INGAA members are specifically focused on improving or changing in the next year?**

While it now is more challenging, pipeline projects are getting built. A recent analyst report pointed to 31 gas pipeline projects in North America that could enter service by the end of 2017. This is likely to continue in 2018 as many projects are nearing a final decision by FERC, which means that operators and contractors could be working full out next year on construction projects. (<https://www.ferc.gov/industries/gas/indus-act/pipelines/pending-projects.asp>)

That, of course, brings challenges, including ensuring there are enough crews to do all the work. Construction contractors have indicated that they are ready to get to work on the projects, which will bring much-needed natural gas to markets. For INGAA operators, the priority is to ensure that the work is done safely, with quality construction and with respect – for landowners, communities, environmental resources and regulations – every step of the way.