

For Fracking, Much Regulatory Ado about Nothing

Daniel J. Graeber, OilPrice.com, 5-19-13

The U.S. Energy Department last week said it gave conditional authority for a facility in Texas to eventually export liquefied natural gas. New drilling technologies mean the United States could become a natural gas export leader, though opponents of LNG say that's likely to lead to more hydraulic fracturing. Last week, the government published more than 100 pages of documents that spell out what it sees as the way forward for hydraulic fracturing. The Interior Department said it took a "common sense" approach to the debate, though both sides of the argument have expressed concern.

So far only one company in the United States, Cheniere Energy, has the licenses necessary to ship natural gas to the global market. The terminal at Sabine Pass was built originally for imports, but with the shale natural gas boom, that situation turned around a few years ago. The U.S. Energy Department now said it gave its preliminary approval for the export of LNG from a terminal at Quintana Island, Texas. Combined, the two facilities would be able to export about 3.5 billion cubic feet of natural gas per day, marking the U.S. debut in a global natural gas market dominated by the likes of Russia and Qatar.

Critics of LNG exports from the United States worry it will lead to more hydraulic fracturing, a controversial practice at the heart of the U.S. energy debate. Concerns over hydraulic fracturing, or fracking, range from groundwater contamination by trace amounts of carcinogens to earthquakes. The U.S. Interior Department last week announced a "common sense" approach to fracking regulations on federal lands. The new plans, all 171 pages of them, give drillers the ability to use the industry-backed FracFocus to disclose what types of chemicals they use in the fracking process. That frustrated green groups who worried the government wasn't serious enough about the risks associated with the controversial procedure.

"You're going to hear from folks that we've caved in to industry or we're bowing to pressure from environmentalists," Interior Secretary Sally Jewell said.

Sierra Club Executive Director Michael Brune said the latest proposal, a revision of a 2012 effort, is a complete failure. There's nothing in the measure that requires any sort of baseline water testing, nothing in terms of full chemical disclosure and nothing to ensure the public health is protected. Brune said the Sierra Club is "alarmed and disappointed" by the proposed regulations.

The industry wasn't much pleased either. Eric Milito, upstream director for the American Petroleum Institute, the energy industry's lobbying group, said fracking has put the United States at the top of the global oil and natural gas heap. Adding more layers to an already confusing regulatory regime would only get in the way of the economic gains tied to a booming energy sector. Milito said he wanted to know why the Interior Department was even bothering.

Jewell's new initiative showcases her dual legacy by trying to win support of the energy industry and environmentalists alike. The proposal kicks off a 30-day public comment period that's already brought out the best of what the usual suspects have to offer. Barely 10 percent of the U.S. natural gas production and about 5 percent of the oil comes from public lands, however. That means federal regulations on fracking barely apply because the states involved already have a say in the way drilling proceeds. Perhaps, then, it's the energy industry that has a right to question why the government would "is moving forward with these requirements in the first place."