

Managing Our Production Potential



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With significant growth anticipated in the state's energy infrastructure sector in the coming years, **regulating the safety of both existing pipelines and the installation of new pipelines** will be vital to West Virginia's industry success.

Located in the heart of the Appalachian Basin, at the crossroads of the Marcellus and Utica shales, West Virginia sits atop one of the world's most prolific deposits of hydrocarbons. Recent technological advances, particularly the emergence of horizontal drilling and hydraulic fracturing, have left the oil and gas industry well positioned to develop these resources for decades to come. However, the use of advanced drilling techniques is only the first step in the commercial development of these energy products. A safe and efficient transportation network is necessary to move hydrocarbons from production areas to end users.

Data compiled by the U.S. Department of Transportation and the results of several studies confirm that pipelines are generally the safest and most effective means of transporting the country's energy products, particularly when compared to other modes of transport. According to the American Gas Association, the natural gas industry spends more than \$20 billion annually to ensure the safety of the more than 2.5 million miles of gas pipelines located in the United States. The American Petroleum Institute and Association of Oil Pipe Lines report that the liquids pipeline industry spends at a similar rate—more than \$2 billion annually—to maintain the integrity of the nation's nearly 200,000 miles of pipeline that transport crude oil, natural gas liquids (NGLs) and other petroleum products.

Recognizing that safety is a shared responsibility, the pipeline industry works closely with the Pipeline and Hazardous Materials Safety Administration (PHMSA), the federal agency that regulates the safety of this vast and growing network of pipelines. The PHMSA's primary charge is to establish and enforce minimum federal safety standards for pipeline facilities. It also administers a certification program that allows state authorities to regulate certain kinds of pipelines within their jurisdictions. Participating states receive federal grant funding to offset the costs of implementing these pipeline safety programs.

In West Virginia, pipeline safety is regulated by the Public Service Commission of West Virginia. The commission's Gas Pipeline Safety Division oversees nearly 14,000 miles of gas pipeline in the state, as well as almost 200 additional miles of pipeline transporting NGLs and petroleum products. The commission received more than \$1.5 million in federal grant funding for performing these activities in 2015.

Like many other states in the region, West Virginia is anticipating significant growth in the energy infrastructure sector in the coming years. This includes the installation of new pipelines to transport the expanding supply of natural gas and NGLs from the Marcellus and Utica shales to domestic and international customers. The U.S. Energy Information Administration (EIA) is projecting that natural gas will generate more electricity than coal for the first time in 2016, and that trend is expected to continue into the foreseeable future. The EIA is also forecasting a substantial expansion in the nation's petrochemical industry in response to the availability and low cost of hydrocarbons produced in the United States. Several liquefied natural gas export projects are slated to go into service in the next few years, and Congress recently repealed the four-decade-old ban on crude oil exports. All of these developments should mean the demand for energy products—and the pipelines necessary to transport them—will remain strong in the years ahead.

Operators, the PHMSA and the commission are taking steps to maintain the pipeline industry's excellent safety record in West Virginia and other states. The pipeline industry has undertaken a number of voluntary initiatives to meet that objective and is developing new technologies

to advance pipeline safety. The PHMSA is also in the process of making significant changes to the federal standards for gas and hazardous liquid pipelines, and the commission will play an important role in implementing those requirements in West Virginia once they become effective. ■



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