

ENERGY LAW

A Look At The 'All Of The Above' Policy In Colorado

By Scot Anderson
HOGAN LOVELLS US

THE NOMINATION of Ernest Moniz to succeed Steven Chu as Secretary of Energy brings new attention to the Obama Administration's "all of the above" energy policy. Moniz has publically committed to prioritizing this strategy. Actively developing all of the energy sources identified by the president (oil, natural gas, clean coal, biofuels, wind, solar and nuclear) will undoubtedly have significant economic and environmental benefits for the United States. This approach is also good news for Colorado, which leads the way across every aspect of energy development.

While stakeholders debate the proper scope and span of an all-of-the-above policy, few dispute the demand for energy in the United States will increase over time, and we must find a way to meet that demand. An expanding economy requires energy, and the efficient delivery of energy promotes further economic expansion. The renewable energy elements of the package — wind, solar and biofuels — will receive plenty of governmental support. It is crucial, however, to recognize the role of the more traditional sources of energy in the United States.

Oil and natural gas

Horizontal drilling and hydraulic fracturing have substantially increased domestic oil and gas production. The Energy Information Agency predicts nearly a 40 percent increase in oil production from 2010 to 2016 and a steady increase in natural gas production through 2040. Oil and natural gas will continue to be a key component of America's energy future.

Abundant natural gas has beneficial economic effects, by providing jobs, contributing to the tax base and supporting businesses that serve both the industry and its employees. Further, access to low-cost natural gas and power attracts manufacturing and industry to the United States. Improved production techniques have



SCOT ANDERSON

important national security benefits by reducing the need to import our energy.

The EIA forecast shows a decline in total energy imports through 2022, when the import curve flattens. Thus, an all-of-the-above strategy cannot relegate natural gas to the role of a bridge to renewable energy. Rather, the policy must assure that domestic oil and natural gas production continues to expand, thereby improving the economy, the environment and national security.

Colorado is at the leading edge of the shale revolution, and already benefits substantially from the robust production of oil and gas in the state. An all-of-the-above strategy assures that these benefits will accrue far into the future.

Coal

Coal has been and will continue to be a fundamental component of the energy mix in America. Low-priced natural gas has displaced some coal use, but natural gas will not entirely replace coal as a source of energy. The EIA shows U.S. coal production declining to 2016, and then ramping back up. The United States has the world's largest estimated recoverable reserves of

coal, and any sensible energy policy will find a way to use that resource.

In 2011, coal provided 42 percent of the electricity in the United States. That percentage may decline over time as the United States develops more renewables and uses inexpensive natural gas for power generation. Still, coal, especially Colorado coal, will be an important base load source of energy. Colorado coal is high in BTUs and low in sulfur, and will remain a preferred source of electricity generation under an all-of-the-above strategy.

Moniz, in his testimony to the Senate Committee on Energy and Natural Resources, reaffirmed that "all of the above" includes a commitment to the use of coal, coupled with future research and development of carbon capture and sequestration technologies.

Nuclear

Nuclear energy provided 19 percent of the electricity in the United States in 2011. It will be interesting to see whether nuclear energy increases its share of energy production over time. Nuclear energy has the advantage of being carbon free and should be

an important part of reducing carbon emission while sustaining economic growth.

Perhaps the best opportunity for growth in nuclear generation comes from the use of small modular reactors, if the licensing process can be modified to promote the use of SMRs. Nuclear generation should be a meaningful part of the all-of-the-above strategy, and again Colorado, with its uranium resources, will have an important role in implementing that part of the strategy.

The naturalist Aldo Leopold told us that the key to intelligent tinkering is to keep all the parts. That principle lies at the heart of the all-of-the-above strategy. This strategy policy, properly implemented, and with a sincere commitment to the intelligent development of all our energy resources, provides a solid foundation for our energy future, in Colorado and beyond.

— Scot Anderson is a partner with Hogan Lovells. His practice focuses on commercial transactions, regulatory advice, and project development involving the mining, oil and gas, and energy industries. He can be reached at scot.anderson@hoganlovells.com, or 303-454-2462.

CAFE OPTIONS
1650 Curtis St
Denver, CO 80202
www.cafeoptions.com



We cater
downtown Denver!
Call us for details
(303) 673-0733

**Richilano
Shea**

Civil Litigation

Criminal Defense

"White-Collar" Defense

Defense of Professionals

"Compact but formidable..."

— Chambers and Partners USA 2011



Between them, Kevin and John have tried to a verdict more than 100 cases, both civil and criminal in Federal and State Courts in Colorado and beyond. Their strong trial record and

years of experience give them a time tested perspective to help clients understand their legal options and choose the best avenue for a positive outcome whether by trial or settlement.

Richilano Shea

1800 15th Street, Suite 101 | Denver, CO 80202
303.893.8000 | www.RichilanoShea.com