



2018
MID-YEAR
ENERGY FORUM

Monday, Oct. 29 – Tuesday, Oct. 30

Renaissance Downtown Hotel
999 Ninth Street, NW Washington, DC

Prospects for Oil & Gas Pipeline Infrastructure Investments

October 29, 2018, 4:15 – 5:30 pm

SESSION OVERVIEW: When it comes to prospects for U.S. oil and gas pipeline infrastructure investments, the attention grabbing story right now is the Permian Basin. While production in other domestic basins require takeaway capacity, growth in Permian Basin oil production and associated natural gas and natural gas liquids is expected to drive new pipeline need for the foreseeable future. And, theoretically, there are billions of dollars of capital available to be deployed for midstream assets in the Permian and across the country. Against this backdrop of investment optimism is a mix of regulatory uncertainty. Recent actions by the Federal Energy Regulatory Commission have weakened prospects for Master Limited Partnership pipelines, a previously popular structure for funding infrastructure growth. Trade tariffs are threatening to raise the cost of and access to pipeline steel while unpredictable shifts in trade policy could upset access to foreign markets for U.S. production. Experts in energy project finance, pipeline commercial transactions, and market watchers provide their insights for Energy Bar Association members.

Moderator: Charles F. Caldwell, Partner, Caldwell Boudreaux Lefler PLLC

Speakers:

Christine L. Tezak, Managing Director, ClearView Energy Partners, LLC

James C. Baker, Director and President, Kayne Anderson Capital Advisors, L.P.

Meghan Coffman, Assistant General Counsel, Kinder Morgan

Melissa Mitchell, Tariff, Land, & Permitting Manager, Shell Pipeline Company LP

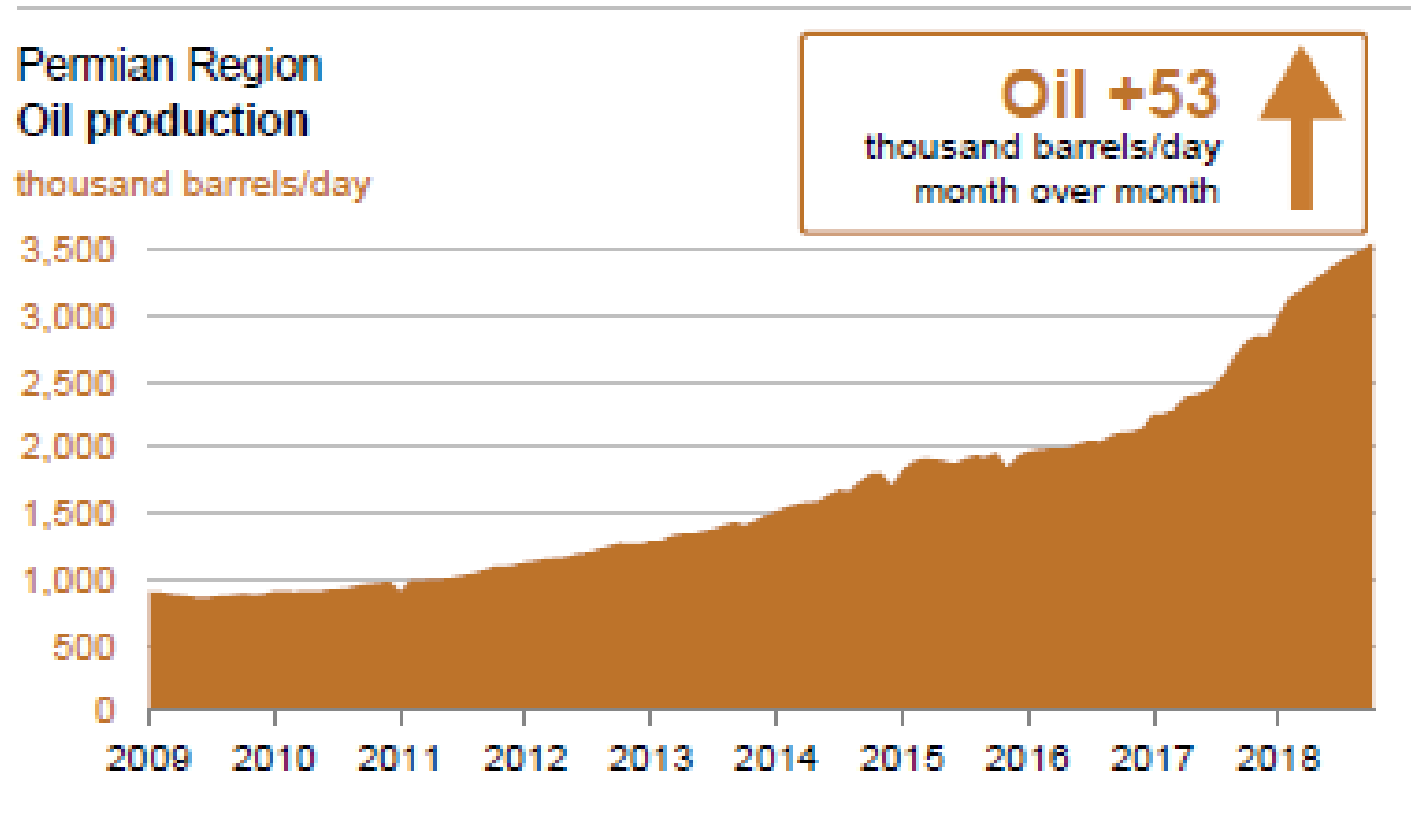
Prospects for Oil & Gas Pipeline Infrastructure Investments

Panelists

- *James C. Baker*, Senior Managing Director, Kayne Anderson Capital Advisors
- *Meghan Coffman*, Assistant General Counsel, Kinder Morgan
- *Melissa Mitchell*, Tariff, Land, & Permitting Manager, Shell Pipeline
- *Christine L. Tezak*, Managing Director, Clearview Energy Partners

Moderator – *Charles Caldwell*, Caldwell Boudreaux Lefler PLLC

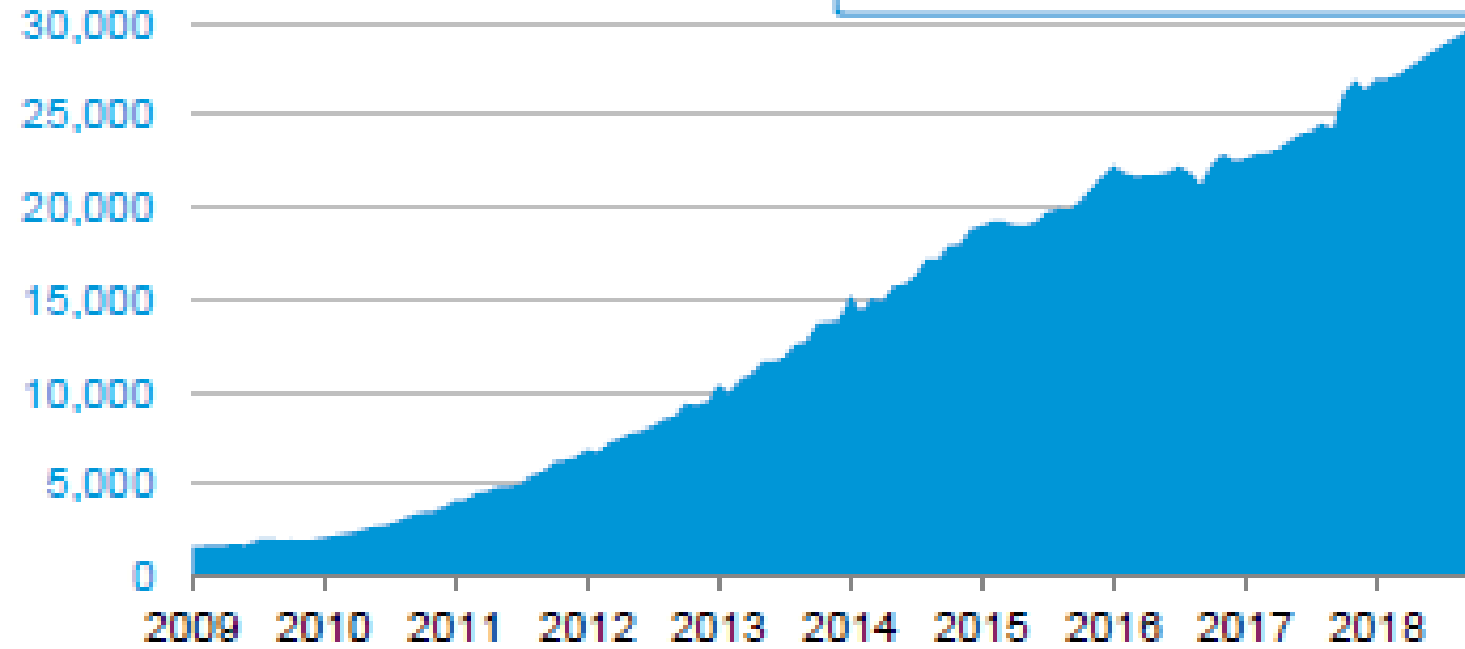
EIA October Permian snapshot



EIA October Marcellus snapshot

Appalachia Region
Natural gas production
million cubic feet/day

Gas +337
million cubic feet/day
month over month



Siting and Permitting Considerations for Oil and Liquids Pipelines

Melissa Mitchell

Tariff, Land & Permitting Manager

Shell Pipeline Company LP

Shell Midstream

Permitting Process for Oil & Liquids Pipelines

- A little different than natural gas pipeline processes
- No FERC Process

(FERC is not even involved at all until 30 days before the pipeline begins to transport for shippers)

Where do you build? It depends . . .

Some Questions to Consider:

Where are you building (origins & destinations)?

Intrastate? Interstate? Cross-border?

What are you transporting?

Where do your engineers want to build?

Private lands? Public lands? Wetlands?
National Park? Tribal Lands? Candyland?

How do you want to acquire land and ROW?



Who Ya' Gonna Call?

Possible Relevant Agencies:

US Army Corps of Engineers

US Fish & Wildlife

Bureau of Safety and Environmental Enforcement (for offshore)

State Agencies - E.g., Louisiana Dept of Natural Resources or Pennsylvania Dept of Environmental Protection

State PUCs

Department of State

Local Municipalities

FEMA



To Take or Not to Take: Eminent Domain

No Federal right of Eminent Domain for oil/liquids lines

Possibly state rights of Eminent Domain

Some States allow use of Eminent Domain under certain circumstances

Pipeline can demonstrate it is a “common carrier”

Pipeline qualifies as and is determined to be a “public utility”

Some states do not allow Eminent Domain

This is a constantly evolving issue and changing all the time



“Hot” Topics

OK, Lukewarm Topics...

Shift to “one-stop shop” for oil pipeline permitting?

Shift Cross-Border pipeline approval from State Dept. to FERC?

Streamline permitting process for USACE?



To Build or Not to Build?: Factors in Making a Decision

Depends on overall economics and timing

Time to apply for and receive appropriate permits

Overall economics of the market

Is there sufficient need and potential for return?

Are shippers asking for transportation to/from certain points?

Increased Public Interest and Action – Times, they are a-changing

Early stakeholder engagement with community and agencies important

Listening and understanding potential concerns – and being able to address and apply mitigation to those concerns

Midstream: Where do things stand?

- FAVORABLE ENERGY INDUSTRY BACKDROP
 - Record domestic production levels
 - MANY LESSONS WERE LEARNED DURING THE DOWNTURN
 - MLPs had to adapt; “status quo” was not an option
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- MIDSTREAM SECTOR CONTINUES TO EVOLVE
 - Role for both Midstream MLPs and Midstream C-corps

Midstream: Where do things stand?

- INVESTOR SENTIMENT TOWARDS MIDSTREAM IS IMPROVING
 - Strong operating results; attractive growth outlook
- KEY AREAS OF FOCUS: REGULATORY, GOVERNANCE AND FUNDING NEEDS

SECTOR IS ADAPTING TO CHANGING MARKET CONDITIONS

Midstream: Vital Signs

	<u>Feb. 2016</u>	<u>Now</u>	<u>Δ</u>
AMZ	250	271	8%
S&P 500	1,932	2,751	42%
MLPs¹: EV/ NTM EBITDA	12.9x	11.8x	(1.1x)
S&P: EV/ NTM EBITDA	10.0x	10.7x	0.7x
Midstream HY Credit Spread	765 bps	277 bps	(488) bps
WTI \$/Bbl	\$33.75	\$71.72	113%
U.S. Crude Production	9.1 MMBbl/d	11.2 MMBbl/d	23%
U.S. Exports	4.3 MMboe/d	7.6 MMboe/d	77%