

Tuesday, July 24, 2012 10:37 AM ET  **Exclusive**

DOE, industry discuss roles in lessening 'level of vitriol' over fracking

By [Kerry Bleskan](#)

In affected communities, the debate over hydraulic fracturing is stirring up fiercer opposition than bona fide environmental disasters, a U.S. Department of Energy official told a conference of state regulators.

The "level of vitriol" was higher at a Pennsylvania hearing on hydraulic fracturing than at DOE hearings in the Gulf of Mexico area after the 2010 Macondo disaster, said Christopher Smith, deputy assistant secretary for oil and gas in the DOE's Office of Fossil Energy. "There's a lot that we have to do to elevate this dialogue."

Smith, industry executives and state regulators rehashed some of the biggest recent controversies in natural gas at the first general session at the summer meeting of the National Association of Regulatory Utility Commissioners in Portland, Ore., on July 23.

Reaching and using natural gas resources remains a priority for the Obama administration, Smith said, and the three agencies that conduct research on and affecting the industry are under an executive order to coordinate research and development efforts. "We want to make sure we're not recreating research that has already been done," he said.

The effort focuses on what the agencies are best at, Smith said, so the DOE will be working on research and development efforts, the EPA will be in charge of monitoring and human health questions, and the U.S. Geological Survey will take geology and resource estimation. Draft multiyear plans are coming in August, he said.

Communication part of problem

"One thing I think we've done fairly badly over the past few decades is communicating in a way that is transparent, in a way that brings clarity," Smith said. Government and industry need to communicate better with people who live in affected areas, he said. "The license to operate is going to be coming from people in communities where the wells are being drilled," he said.

Smith said the "vitriol" is to some degree traceable to a rush to drill without forming relationships with those communities, though he agreed with an industry CEO that some opposition is fed by "misinformation and sometimes disinformation." Referring to a famous scene from the film documentary "Gasland," Smith said, "One of our challenges and one of the industry's challenges is that when you put [factual] arguments against the visual of flaming water coming out of your faucet, it's a loser. [Filmmakers] did it to force the industry to respond, and in many cases the industry response didn't help."

Smith said he thinks the DOE and the gas industry have to show residents that their concerns are being taken seriously before lecturing them about, for example, naturally occurring biogenic gas. "It's useful to be right, but you also have to be convincing," he said. "Then your arguments can resonate with the public much more strongly. It involves debunking the things that need to be debunked, [but also] acknowledging the things that need to be acknowledged. ... It's our job to tell the whole story."

Charles Stanley, president and CEO of [QEP Resources Inc.](#), partially disagreed, saying that debunking myths is more the government's job than industry's because an industry speaking up for itself is seen as less credible than an agency.

He said the industry stumbled on the question of disclosing the ingredients of fracturing fluids. The service companies that provide the fluids were concerned about their trade secrets, he said. "They really dug in their heels. ... [But] at the end of the day, it's the concern about what you don't know that leads to unwarranted fear. It takes a long time to develop trust in communities," Stanley said.

Jeff Sterba, a former energy executive who is now the president and CEO of [American Water Works Co. Inc.](#), said transparency is crucial to both industries. "When you don't have transparency, you've got suspicion," he said.

Sterba said his company wants both clean water and the cheaper energy that comes in part from shale gas, because water is heavy and takes energy to transport. "We provide 500 million gallons of water to drillers," he said. "From what I've seen in Pennsylvania, I believe there absolutely is a way to do this, and we're on the right path."

Sterba said extractive industries as a whole need to do a better job of addressing existing and future contentious issues. "We all know that if the industry could do it over again with fracking fluid disclosure, it would," he said. "But what's the next thing? In the extractive industries, you're always behind the eight ball. Across the industries, we do not always learn from the mistakes."

Stanley said water issues are an example where the industry is working to try to stay ahead of that next thing. Drillers are working to minimize their water usage and recycle the water they do use, and are experimenting with other liquids where feasible, he said. Another option could be to use water from

aquifers but take it from levels of the aquifer that contain more saline water than the higher levels, where drinking water comes from, he said, then treat that saline water and use it as a feedstock.

Stanley said the industry reacted quickly to address an issue that could have been as sensational as flaming tap water — the minor earthquakes that appear to have been caused by drillers' reinjection of water into the ground. "The geology where that happened in Arkansas and Ohio is fairly unique," he said. The sites were on top of older faults that were, in a sense, reactivated by the water reinjection. The solution is simple, Stanley said: explaining that the industry has the data to identify places with similar geology and is avoiding reinjections there.

Rising use, low prices still the story

"The biggest story in natural gas is clearly the production and price story. With record supply and low prices, we are seeing record consumption," said Patrick Bean, senior policy adviser for the industry group American Clean Skies Foundation, at a market update session later in the day. Bean, a former generation planner, said he is looking at procurement options for gas-fired plants as more come online and coal plants are retired.

"To me, if you're building combined-cycle, you need to reserve firm pipeline capacity or you don't have a reliable resource," he said. For plants that do not need firm capacity, Bean said, a hybrid contract approach that blends a fixed price and a market price would make procuring gas more like procuring other resources and mitigates price risk on both sides.

Michael Killion, manager of government affairs for [EQT Corp.](#), said the next logical place for the industry to look is transportation fuel. There is a chicken-and-egg problem in that consumers will not buy natural gas vehicles until there are sufficient fueling stations and companies will not install fueling stations if there are no customers to use them, he said.

But it is a start that 15 fueling stations will be built in Pennsylvania in the next year, according to Bean. At today's prices, natural gas represents a nearly \$2 savings for the equivalent of a gallon of gas, and natural gas vehicles could help regions with air quality problems come closer to attainment of clean air standards, he said.