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Reality Check

Supply, Demand and Infrastructure: A Wake-Up Call for U.S. Energy Future

A confluence of political, energy and technology realities involving energy have put a challenge before elected officials, regulators and policy makers that presents either an opportunity or a crisis – with rational analysis driving the opportunity, and a refusal to face facts doing the same for the road to a crisis.

+ **Technology** – specifically the demand for electricity from data centers and artificial intelligence hubs – is making electricity increasingly scarce, with estimates showing the power needed to supply them doubling every 100 days.

+ **Energy** – specifically the natural gas available in the Appalachian Basin to produce electricity and supply heat – is being squeezed by a two-year period of depressed prices made worse by infrastructure bottlenecks and a refusal to permit new pipeline and generating projects.

+ **Politics** – specifically the re-election of Donald Trump and his efforts to jump-start U.S. energy development – will play a role in pushing back on policies restricting growth in energy supplies, with pressure to permit much-needed pipelines and generating capacity.

As if we needed to add more urgency: what started as signs of concern about electricity shortages and price increases from PJM Interconnect has grown into a flood of bad news. The Federal Energy Regulatory Commission approved a recent PJM request to delay its next power supply auction for six months to provide it with more time to find solutions to projected high wholesale electricity prices.

This confluence does not lend itself to immediate or simple solutions. On a large scale, ExxonMobil's CEO stated in a recent interview regarding the potential for an imminent surge of oil drilling, "I don't think today that production in the US is constrained. I don't know that there's an opportunity to unleash a lot of production in the near term."

Closer to home, increasing natural gas production in Pennsylvania will also only glut the market with supply and worsen the economics of drilling new wells. New infrastructure investments to transport gas to markets where it is needed are complicated significantly by the permitting uncertainty, delays and cost increases, and ordinances with increased setbacks have the potential to choke the drilling of new wells.

The opportunity is there to create a balanced energy approach for Pennsylvania, the Appalachian Basin, and the country. It needs to recognize that oil and natural gas are essential to both energy production and to the manufacture of ethane-derived consumer, medical and transportation goods, and will continue to be for many years. It also needs to support the other energy sources – coal, nuclear and renewables – that are equally important to a demand curve that is increasing steeply.

Decisions made in the near future will play a critical role in mapping future energy policy in the U.S. toward a crisis management mode or thoughtful policy direction.