NESE Fact Sheet 6:

Follow the Money

The proposed Northeast Supply Enhancement project would be both expensive and unnecessary. If built and put into service, it would be quite profitable for Williams. Its sole customer, National Grid, would pass the price of construction onto its customers in Staten Island, Brooklyn, and parts of Queens and Long Island. Williams and National Grid claim that this pipeline is necessary to bring more natural gas to New York City. However, there is no shortage of supply now. Critically, NYC and NYS commitments to fighting climate change through shifting to renewable energy sources means that there will be less demand for fracked gas in the future, not more.

Like any new fossil fuel project, the initial cost of building the NESE would be high but Williams's profits would also be high. Williams estimates that the cost of the NESE pipeline would be $926.5 million, which it would finance through cash on hand and short-term loans. Once the pipeline is finished, Williams would then buy fracked gas from producers in Pennsylvania, process it, and ship it through the pipeline to its customer. Williams would pay itself back for the cost of construction by adding the price of construction to the cost of the gas. And it would be allowed by regulatory authorities to charge an additional return on its investment in the pipeline's construction. Typically, the Federal Energy Regulatory Commission allows rates of return as high as 14%, which makes building pipelines quite profitable. In building this pipeline, then, Williams stands to make both a steady revenue stream in the form of sales of fracked gas plus quite a high return on its initial investment.

Williams' sole customer for this gas is National Grid, and National Grid customers will end up footing the bill. National Grid, a British multinational energy company that now owns the former Keyspan, a natural gas utility in Staten Island, Brooklyn and parts of Queens and Long Island, has entered into a 15-year contract with Williams to buy all of the fracked gas that the NESE can deliver. National Grid can only sustain its purchases of this gas by passing on the cost—of the gas itself plus the cost of construction plus Williams' return on investment-- to its customers, the 1.2 million people who use gas for heat and/or cooking in National Grid's service area.

Williams and National Grid claim that the NESE project is necessary because NYC needs more natural gas, but there is no publicly available data that backs this up. In its application to FERC, Williams says that "National Grid has forecasted a need for additional natural gas supply to meet residential and commercial demands due to population and market growth within its service territory." However, Williams requested that the supporting market data be kept out of the public record because it contains "confidential commercial information" from National Grid. Yet National Grid is a monopoly; it is the only supplier of natural gas for its service area with no competitors who could benefit from such information. Similarly, National

Grid has said that it needs the NESE to support increasing demand, but simply asserts this with no supporting data.

Indeed, publicly available data rouses skepticism about the need for this pipeline. A report developed for the Office of the NYC Mayor in 2012 stated that National Grid had "pipeline capacity contracts" for approximately 622,000 dt/day. The NESE project would add 400,000 dt/day of capacity, a*n increase of 64%.* Moreover, a mayor's report issued in 2013 in response to Superstorm Sandy said that NYC's overall supply of natural gas was sufficient except on cold winter days. Since then Con Edison's access to natural gas, which it supplies to customers in the Bronx, Manhattan, and northern Queens, was expanded by the construction of a pipeline under the Hudson, completed in late 2013, that brought 800,00 dt/day to the west side of Manhattan, a dramatic increase in the city's natural gas supply. The necessity of a second dramatic expansion in the form of this proposed NESE pipeline, given that there is no current shortage, seems improbable.

One alternative to building more pipelines to increase supply is to decrease demand while sustaining comfort. For example, in October 2018 Con Edison, which supplies natural gas to customers in Manhattan, the Bronx, northern Queens, and Westchester County, proposed to spend $305 million on decreasing demand. Among other strategies, Con Edison would electrify heating for up to 8,000 homes in Westchester with ground-source heat pumps and up to 1,000 small-to-mid-sized buildings in the Bronx with air-sourced heat pumps. Note that Con Ed is the sole supplier of both natural gas and electricity to these customers. While its sales of natural gas may go down, its sales of electricity will rise under this plan. National Grid currently has no incentive to pursue similar controls on demand because customers who switch to electrified heating are customers who are lost to them. However, the public good is not served by building a pipeline whose primary function is to support the expansion of National Grid's customer base.

National Grid claims that it needs more access to gas because of ongoing boiler conversions from heating oil to natural gas, but this is overstated. In the short term, new New York City regulations requiring building boilers to convert from No. 6 and No. 4 heating oil to a less polluting fuel will continue to encourage conversions to natural gas. However, even if every boiler so affected were to convert to natural gas, this would only raise demand by 6%—and many of these are in Con Ed's service area, not National Grid's. Moreover, NYC is moving ahead with plans to mandate building retrofits to improve energy efficiency. In addition, New York State is now encouraging the conversion of fossil fuel heating systems to ground-source heat pumps, a development particularly relevant to areas with stand-alone homes and commercial buildings like much of Staten Island, Brooklyn, Queens, and Long Island. All of these factors translate into only a modest increase in demand for natural gas, if at all.

National Grid also claims that it needs to sell more gas to its customers because this will further New York City and New York State's plans to combat climate change, but fracked gas is a particularly powerful greenhouse gas. National Grid says, correctly, that burning fuel oil releases CO2, a major greenhouse gas. But the fracked gas National Grid supplies us with is primarily methane, and methane is 84 times more powerful a greenhouse gas in the first twenty years after its release than is carbon dioxide. The fracked gas Williams wants to sell to

National Grid and that National Grid wants to sell to its customers is leaked into the atmosphere at the wellhead, during processing, and during delivery though pipeline. Indeed, a 2014 study of Staten Island should that methane was leaking continuously from many of the old natural gas pipelines underground delivering to local users. Bringing more fracked gas into an aging system will worsen climate change, not mitigate it.

Lastly, forces are converging that will *reduce* demand for fracked gas, not increase it. Along with New York City's plans for increasing energy efficiency through building retrofits, New York State also has ambitious energy efficiency goals and well as support for more efficient ways of heating buildings. New York State also has ambitious plans for building out its solar and wind capacity, and for accelerating battery storage, which will lower demand for fracked gas as a power plant fuel. New York State has set a goal of 50% of electricity generation as coming from renewable by 2030.

Despite the claims of Williams and National Grid, the outlook for natural gas demand in the region simply does not warrant increasing the supply. The Northeast Supply Enhancement Project is an expensive project that nobody needs.

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