

UpstreamPA 2017 Conference, March 21, 2017

Michael L. Krancer

Principal & Co-Founder

Silent Majority Strategies LLC

and

Sr. Counsel, Energy



Who We Are At Silent Majority Strategies LLC

- A new kind of advocacy and messaging firm specializing in the energy industry.
- **Mike Krancer (Energy)**
- Nationally-recognized expert in energy law and policy; former Secretary of Pennsylvania Department of Environmental Protection; Of Counsel at Blank, Rome; past Chief Judge at Pennsylvania Environmental Hearing Board; Contributor to *Forbes* on energy issues.
- **Keith Naughton (Politics/PhD, Politics & Public Policy)**
- Expert in politics and political communications; political consultant whose client roster has included Senator Bob Dole, Governor Tom Ridge, Pennsylvania State Senate President Pro Tem Joe Scarnati and several Pennsylvania Supreme Court and Appellate Court Judges; author of the book, *Washington Gold Rush: The Competition for Congressional Earmarks*. Contributor to *The Daily Caller*.



Preview

- **Review of Changing Politics of Upstream, Midstream and Downstream Infrastructure Development**
- **Political Risk**
- **Messaging the Public and Regulators**
- **What Can You Do?**

A photograph of a banana is shown with a semi-transparent blue rectangular overlay in the center. The word "BANANA" is written in large, white, bold, sans-serif capital letters across the top of the overlay. Below it, the phrase "Build Absolutely Nothing Anywhere Near Anything" is written in the same white, bold, sans-serif font, arranged in four lines.

BANANA

**Build Absolutely
Nothing
Anywhere Near
Anything**

“LINGO”—Leave It In The Ground



Where the public goes
elected officials and
regulators will follow

Political Risk Is No. 1



ENERGY & ENVIRONMENT

Fracking Divides GOP Party



\$15.68 million per day lost due to inadequate infrastructure*

*Average loss per day in 2016; difference between Henry Hub price and Dominion South price. (Source: Silent Majority Strategies LLC)



Pipeline Projects Under Siege



Delayed Projects

- ❖ Dakota Access (in progress)
- ❖ Mariner East 2 (in progress)
- ❖ Atlantic Sunrise (pending PA permits)

Projects in Question

- ❖ Constitution
- ❖ Keystone XL

Cancelled Projects

- ❖ Palmetto
- ❖ Northeast Direct

Technology Is Robust But Politics Are Brittle

Distribution system: Multiple Veto Points



Source: Energy Transfer Partners

LARIS KARKKLIS/THE WASHINGTON POST

Townships accused of failing to enforce ordinances over Mariner East 2

FEBRUARY 24, 2017 | 6:13 PM

2 Comments

Email

Three Categories of Risk

- 1) Technological
- 2) Financial
- 3) Political

Political Risk can
only be mitigated
with direct action.



Political Risk

- **Difficult to quantify**
- **Changes abruptly and unpredictably**
- **Politics is emotional and irrational**
- **Strange coalitions of interest form**
- **Cost is significant: Carrying costs, lost profits, market share at risk.**

Political Risk: Public Messaging

- 1) Make it personal**
- 2) Diversify**
- 3) Stories beat statistics**
- 4) Work in the “Fear” Space**



Political Risk: Public Messaging

Vote for Smith	Vote for Jones
FOR Smith: 25%	FOR Jones: 25%
AGAINST Jones: 30%	AGAINST Smith: 20%

***Help your friends or
they won't be your
friends for long***

Political Risk: Regulatory Messaging

Understanding Regulatory Agencies:

- 1) Must maintain logical consistency
- 2) Must address all germane arguments
- 3) Agencies fear losing in Court
- 4) Agencies fear loss of funding and power from legislative or executive action.

Administrative Procedures Act (1946): Mandated Opportunity for Participation

- APA of 1946 is the foundational federal rulemaking law
- Requires advanced notice of all federal rule proposals and substantive changes.
- Requires federal agencies to acknowledge and respond to ALL comments.
- Federal agencies must respond, but are NOT required to make changes – however, rarely are all comments completely ignored.
- ALL state rulemaking generally follows APA of 1946.
- Your opportunity to make your opinions heard – so use it!

Political Risk: Regulatory Messaging

- 1) Disrupt their internal logic**
- 2) Maximize your arguments**
- 3) Set the stage for a Court challenge**
- 4) Message outside the system**

Ignoring Political Risk Is Like Picking Up Pennies in Front of a Steamroller



Is Politics Profitable?

- Exelon Nuclear in New York
- Costs: \$110 million to buy FitzPatrick and \$500 million in capital expenditures plus lobbying and public relations campaign.
- Return: 12 years of public subsidy, up to **\$5.7 Billion.**
- ROI: **Over 750%**



Final Thoughts: What Can You Do?

- **Make Yourself Heard: Comment on rulemaking; contact your legislators; contact your local elected officials**
- **Organize Within and Outside the Industry**
- **More Is Better. Encourage others to speak out: not just employees, but vendors, sub-contractors, your attorneys/accountants.**
- **Engage in EFFECTIVE Messaging – send messages that change minds.**

Final Thoughts: What Can You Do?

- You tell your story better than anyone else.
- No one ever made a sale waiting for the phone to ring.



Silent Majority Strategies LLC

Michael Krancer, Principal and Co-Founder

mkrancer@silentmajoritystrategies.com

Cell: 215-880-5644



Keith Naughton, Ph.D., Principal and Co-Founder

knaughton@silentmajoritystrategies.com

Cell: 818-288-1360

