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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)**
  
Preview

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

Townships accused of failing to enforce ordinances over Mariner East 2

Source: Energy Transfer Partners
LARIS KARKLIS/THE WASHINGTON POST

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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

<table>
<thead>
<tr>
<th>Vote for Smith</th>
<th>Vote for Jones</th>
</tr>
</thead>
<tbody>
<tr>
<td>FOR Smith: 25%</td>
<td>FOR Jones: 25%</td>
</tr>
<tr>
<td>AGAINST Jones: 30%</td>
<td>AGAINST Smith: 20%</td>
</tr>
</tbody>
</table>

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

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