

Southern chief warns over shale gas future

By Ed Crooks in New York

The boom in the availability of cheap US shale gas may prove to be a temporary phenomenon, stifled by environmental concerns or a lack of infrastructure, the head of the largest US utility by market capitalisation has warned.

Thomas Fanning, chief executive of Georgia-based [Southern Company](#), told the Financial Times that a “rush to gas” for power generation risked making US electricity prices higher and more volatile.

He also said that new regulations on pollution from coal-fired power plants proposed by the US Environmental Protection Agency, which would force many older plants to close, threatened to “cause a great deal of harm to the economy of the US”.

Southern, which generates and supplies electricity in four states in the south-east of the US, has about half its capacity in coal-fired plants, and owns 45.7 per cent of the Vogtle Electric plant that is committed to a \$14bn project to build two new nuclear reactors.

Of its approximately 20,000 megawatts of coal-fired power plant capacity, Southern expects to have to shut about 4,000MW and convert a further 4,000MW to burn gas, in order to comply with new EPA regulations coming in over the next few years. The rules will impose new curbs on the gases that cause acid rain, mercury and other pollutants.

The boom in US shale gas production from reserves that were not previously commercially viable has encouraged expectations of further growth in gas-fired generation. The US government’s Energy Information Administration has forecast that, over the next 25 years, gas plants will account for 60 per cent of new investment in generation capacity, compared with 11 per cent for coal and 3 per cent for nuclear.

However, Mr Fanning argued that the outlook for the US gas industry was still uncertain.

He said the US lacked the necessary infrastructure, such as pipelines, to handle that rapid expansion of gas demand, and there were still environmental concerns about “[fracking](#)”, the process used to extract the gas by pumping water and chemicals underground at high pressure.

“If the rush is to gas and the infrastructure doesn’t exist, what will happen to [electricity supply] reliability? What will happen to the volatility of [electricity] prices and the absolute level of those prices?”

An analysis from National Economic Research Associates had estimated that if the EPA’s new regulations took effect, US electricity prices would rise by 10-25 per cent, varying in different parts of the country, Mr Fanning said.

If the new regulations were not delayed, “at a minimum”, he said, there would be “economic disruption to the disservice of our customers.”

While he did not predict blackouts as a result of the new rules, he said the upheaval in the industry “certainly stresses reliability”.

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