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After State Rejects Gas Pipeline Permit, Utility Pushes Back. One Result: New Buildings Go Electric.

UK-based National Grid, already under scrutiny at home, is now tangling with New York's governor over plans for a new pipeline under Lower New York Bay.

By **GREGORY MEYER & NATHALIE THOMAS, FINANCIAL TIMES**
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Protesters opposed the Williams Pipeline outside Gov. Andrew Cuomo's Manhattan office on Aug. 7, 2019. The project has federal approval, but New York and New Jersey rejected water quality permits for the project. Credit: Erik McGregor/Pacific Press/LightRocket via Getty Images

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NEW YORK — When Rae Arora's property company began building a block of 115 flats in Brooklyn, the blueprint called for the blue flames of natural gas for heat, hot water and the burners in kitchen stoves.

Plans have changed since then because of a tussle between National Grid, the UK-based energy utility, and Andrew Cuomo, the governor of New York. Instead of gas, electricity will be now used for heating in the building, backstopped by a diesel generator, Arora said.

National Grid owns a utility that distributes gas to parts of New York City and neighbouring Long Island. In May, the utility refused all new gas service after the Cuomo administration turned down a permit for an additional supply pipeline.

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The drama intensified last month when Cuomo said his administration had received reports that National Grid was improperly denying service, including to existing customers who temporarily needed to turn off their connections. The governor suggested National Grid could lose its right to operate in the state.

National Grid, which is under intense scrutiny in its home market after a major blackout last month, contends it needs the pipeline to meet a 10 percent increase in gas over the next decade as New York's economy grows and building owners abandon



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The dispute encapsulates thorny questions policymakers face as shale drilling unleashes U.S. gas output while climate scientists urge a sharp reduction in fossil fuel use. Natural gas produces less carbon dioxide than oil or coal when it is burned, but it still accounts for 43 percent of New York state's emissions from combustion, according to a government report.

Climate Warnings Around New Gas Pipelines

U.S. gas production has risen 60 percent in the past decade to an estimated 91 billion cubic feet per day. The most prolific gasfield lies a few hundred miles west of New York City in the Marcellus Shale of Pennsylvania, offering a convenient source of energy.

Gas is now cheaper than heating oil, adjusted for energy value. Under former Mayor Michael Bloomberg, New York City encouraged a shift to gas in part because it causes less pollution.

But increasingly dire warnings about the climate have amplified calls for a halt to new pipelines. The Cuomo administration earlier this decade rejected the Constitution gas pipeline proposed to run through upstate New York. Federal regulators initially agreed that the state was in its right to reject the permit, but they **reversed that decision** last month.

“The science is very clear globally that we need to stop building fossil fuel infrastructure. It’s a climate disaster,” said Kim Fraczek, director of Sane Energy Project, a car group in New York.



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Blaming interstate pipeline supply constraints, the New York utility Con Edison in March suspended new gas connections for most of suburban Westchester county.

State Is Investigating Two Utilities

Cuomo’s department of public service said it is investigating both Con Edison and National Grid “to determine whether they took appropriate actions to balance the need for reliability with customer impacts in declaring a moratorium on new natural gas hookups.” In August it expanded the investigation into National Grid after businesses complained of improper refusals.



The Northeast Supply Enhancement pipeline project, or NESE, would increase gas volumes by 400 million cubic feet per day to National Grid customers in the New York City boroughs of Brooklyn and Queens and on Long Island. The market already consumes about 2.8 billion cubic feet per day on average.

The pipeline company Williams would build the \$926.5 million pipeline more than 20 miles under water from a hub in New Jersey to a link off the coast of Queens.

A study commissioned by National Grid found that using NESE would reduce net greenhouse gas emissions between 2020 and 2030. The Environmental Defense Fund, a non-governmental group, said the study was the first of its kind for a U.S. pipeline project, though it added a more complete assessment would have looked beyond 10 years.



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Williams has since submitted amended applications to the states, but an answer may not come until mid-2020.

Trouble at Home in the UK

The conflict in New York comes as National Grid faces two inquiries, one by the UK government and the second by Britain's energy market regulator, into its management of Britain's electricity system, following a blackout that affected more than 1 million homes and businesses, as well as rail travel, particularly in London and southeast England.

The regulator has warned National Grid of fines if it was found to have breached its licence conditions.

In the U.S., regulated businesses such as gas utilities earned half of National Grid's 3.4 billion pounds in adjusted operating profit in fiscal 2019.

Not Enough Capacity?

John Bruckner, president of National Grid's New York business, said current pipeline capacity was not sufficient to grow beyond the company's 1.8 million customers in New York City and Long Island. Since the freeze began, 2,600 applications for new gas service covering 20,000 commercial, residential and apartment units have been halted.

Bruckner said of Cuomo's criticism, "The governor is certainly looking out for constituents in New York, as he should." But he disputed the claim that Nation



For Arora, the stand-off has altered plans for five properties under development. He said his company has re-engineered them to provide electric heat now and gas if it becomes available in future. The cost of the necessary equipment has increased by 30 percent 40 percent, he said.

“Most people who are sane agree we want to move the state towards green energy. Most people agree on that,” he said. “But how we do it, and who we punish along the way, I think is going to determine whether we get there sooner rather than later. And this is the wrong way to do it.”

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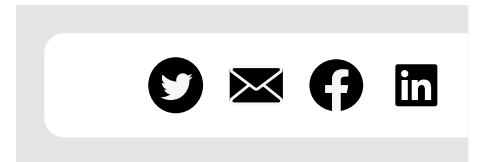


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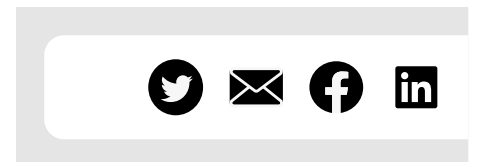


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