



BLACKSTONE DRILLS DEEPER AS INVESTORS SHIFT AWAY FROM FOSSIL FUELS

The largest alternative asset manager's extensive fossil fuels investments face litigation, community opposition and environmental violations



Construction of Blackstone's 713-mile Rover Pipeline, with Energy Transfer Partners, which is planned to cross through four states, Photo: Ohio Valley Environmental Coalition Dec. 2017

The world's largest asset manager, The Blackstone Group posted a loss in the first quarter of 2020, as its private equity portfolio lost 21.6% of its value, largely dragged down by sinking oil prices.¹ Although rebounding oil prices in the second quarter improved returns for Blackstone, which had \$564 billion in assets as of June 30,² the early part of the year underscored the risks to the firm posed by in its energy investments.

Blackstone's investors are exposed to fossil fuel investments across a variety of funds including the flagship buyout funds, Blackstone Capital Partners, as well as Tactical Opportunities, Infrastructure funds, GSO credit funds, and others. Blackstone has also sponsored several energy-focused funds that raised nearly \$20 billion since 2012.³

KEY POINTS

- Blackstone's exposure to fossil fuel investments spans multiple funds, from its flagship Blackstone Capital Partners to its targeted Tactical Opportunities and Infrastructure Partners and Energy Partners Funds to its GSO credit funds.
- While investor appetite for fossil fuel investments has declined in the face of catastrophic climate change and growing warnings from industry analysts of declining demand and increased risks, Blackstone has pursued investments in controversial pipelines and export terminals, offshore drilling and coal-fired power plants.
- Blackstone executives, particularly its Chairman and CEO, have donated millions to President Donald Trump as he has aggressively slashed environmental rules to benefit the oil and gas industry.
- As a share of the U.S. energy mix, the Energy Information Agency expects coal to continue its years-long decline, falling to just 17% of power in 2020 – outshined for the first time by renewables. Yet Blackstone acquired an Ohio coal plant in 2017 through Lightstone Generation. The Gavin plant is one of the ten largest coal polluters in the US.
- Blackstone completed a “tumultuous” transaction to acquire Tallgrass Energy in April 2020, a deal that was criticized by shareholders and analysts over poor governance. Tallgrass is developing an export terminal in Louisiana that has been plagued by delays and opposition by environmental groups.

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The current volatility in oil prices and recent legal setbacks for pipelines prompt questions about the risks of fossil fuel investments, and the sector analysis developed prior to the pandemic may take on new relevance.

Blackstone has not shown signs of slowing its investments in oil and gas, closing two transactions in April 2020 while oil prices lurched into negative territory that same month. Blackstone took a significant ownership stake in Energy Transfer Partners,⁴ owner of the controversial Dakota Access Pipeline which suffered a major legal defeat on July 6 when a federal judge ordered the pipeline to be emptied of oil pending environmental reviews.⁵

Also in April, Blackstone finalized its acquisition of Tallgrass Energy without a pandemic price adjustment and despite community opposition to its Louisiana Terminal project.

In recent years, Blackstone's oil and gas investments have faced controversy and litigation over environmental violations and community opposition to pipelines, natural gas terminals, offshore drilling and coal plants.

Blackstone has doubled down on fossil fuel investments while its executives, particularly its Chairman and CEO, have contributed heavily to President Donald Trump as he has rolled back environmental rules to benefit the oil and gas industry.

BLACKSTONE INVESTS HEAVILY IN FOSSIL FUELS

The Blackstone Group has invested substantial capital into the energy and power sector over the past decade. It has acquired fossil fuel assets across its entire portfolio – through multiple funds including its flagship Blackstone Capital Partners funds. Blackstone has raised around \$19 billion for energy-focused funds in the past eight years, including its \$4.2 billion Blackstone Energy Partners III fund, which closed in February 2020.⁶

Blackstone reported in 2018 that its energy investments have largely concentrated on fossil fuel assets, dominated by upstream oil and gas exploration and production, which accounted for around half of the firm's energy investments.⁷ Around 23% of the firm's energy investments were in midstream and downstream companies, with 28% in power generation companies, which includes some renewable energy investments as well as coal-fired power plants.⁸ In recent years, Blackstone has shifted more toward midstream assets, such as pipelines.

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- In April 2020, Blackstone became the second-largest shareholder of Energy Transfer Partners, owner of the controversial Dakota Access Pipeline as well as other pipelines that have faced millions of dollars in fines for environmental violations and an FBI investigation.
- Blackstone partnered earlier with Energy Transfer Partners in 2017 when it acquired the 713-mile Rover Pipeline, which has racked up hundreds environmental and permit violations, including for the release of 2 million gallons of drilling fluid into wetlands.
- Blackstone's EagleClaw Midstream Ventures is developing the 430-mile Permian Highway Pipeline, which has been delayed by drilling accidents, lawsuits and faces opposition from local governments and Texas residents.
- The Sabine Pass Liquefaction terminal in Louisiana, owned by Blackstone's Cheniere Energy Partners, had to shut down two of its Liquid Natural Gas storage tanks after a leak in 2018. They remain closed, and regulatory agencies have warned against resuming operations over safety concerns.
- Blackstone has invested in two major offshore drilling companies in the Gulf of Mexico, and in 2018 oversaw a leak of 672,000 gallons of crude oil 40 miles off the shore of Louisiana, 4,500 feet below the surface. It was one of the largest offshore spills since the 2010 BP disaster.

BLACKSTONE ENERGY-FOCUSED FUNDS

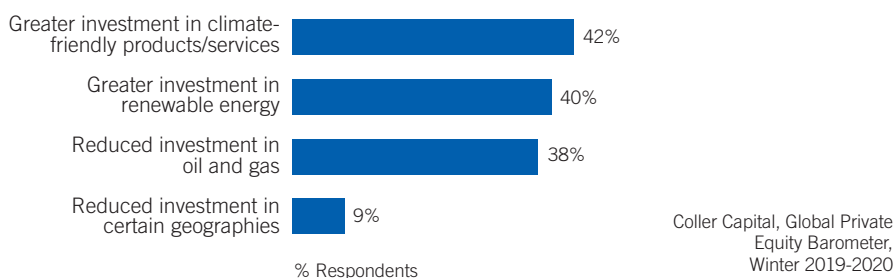
FUND NAME	YEAR	FUND SIZE (BILLIONS)
Blackstone Energy Partners III	2020	\$4.20
GSO Energy Select Opportunities Fund II	2019	\$4.50
GSO Energy Select Opportunities Fund	2015	\$2.85
Blackstone Energy Partners II	2015	\$4.80
Blackstone Energy Partners I	2012	\$2.59
Total		\$18.85

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INVESTOR APPETITE FOR FOSSIL FUELS DECLINES

Yet over the same period, investor appetite for fossil fuel investments has cooled due to concerns about climate change and declining demand. The Collier Capital Global Private Equity Barometer survey of investors in 2019 found that 38% intend to reduce their investments in oil & gas.⁹ At the same time 40% of investors expect to be investing more in renewable and “climate-friendly” strategies.¹⁰

LIKELY MODIFICATIONS IN LP INVESTMENT STRATEGIES IN RESPONSE TO CLIMATE CHANGE



The coronavirus pandemic and economic fallout has slammed both oil prices and demand, inserting greater uncertainty into a typically volatile market. Demand is expected to significantly decline through remainder of 2020, according to the Energy Information Administration’s (EIA) June Short Term Energy Outlook, which forecast a drop of nearly 12% in demand for liquid fuels including gasoline, compared to 2019, with 2021 demand improving slightly but remaining below 2019 levels.¹¹ Meanwhile, renewables will continue to gain a growing share of electricity generation in 2020, driven by expanding solar and wind power.¹²

On oil production, EIA reported the fewest active drilling wells in the U.S. for more than 30 years and 2020 production is anticipated to drop by 700,000 barrels/day compared to 2019.¹³ Crude oil production is expected to continue to decline through March 2021, with the annual production for 2021 remaining below 2019.¹⁴

But the industry’s trajectory had been experiencing declines long before the pandemic. The McKinsey Global Energy Perspective in 2019 expected carbon emissions to peak in the next five years even assuming economic growth, due to dropping coal demand and flattened oil demand.¹⁵ McKinsey expected the transition toward renewables like solar and wind to accelerate significantly and start to reach cost competitiveness around 2025.¹⁶

BNP Paribas laid out a grim future for oil as key demand sectors transition to renewable electricity in a 2019 report, concluding “the economics of oil for gasoline and diesel vehicles versus wind- and solar-powered EVs are now in relentless and irreversible decline, with far-reaching implications for both policymakers and the oil majors.”¹⁷ Forty-five percent of crude oil is processed into gasoline,¹⁸ with the largest portion being for light duty vehicles. The report noted that light duty is expected to accelerate its transition to electric, with medium and heavy duty following. Similarly, the 5% of demand driven by power generation is expected to move into renewables.

“The economics of oil for gasoline and diesel vehicles versus wind- and solar-powered EVs are now in relentless and irreversible decline, with far-reaching implications for both policymakers and the oil majors.”

BNP Paribas, August 2019

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For both transportation and energy, the shift will be driven by competitive economics and climate policies.¹⁹

Natural gas is also on a trajectory for demand to decline, albeit stretched over a longer term than other fossil fuels. Global demand for gas has been expected to experience slowed growth of 0.7% after 2023 before peaking around 2035 followed by declines in demand, according to McKinsey.²⁰

However, the coronavirus has disrupted demand with the suspension of operations in industries like manufacturing and restaurants. The EIA forecast a decrease of 8.7% in industrial demand for natural gas in 2020.²¹ Overall, the EIA foresees an overall drop in natural gas consumption across all demand sectors of 3.6% in 2020.²²

Although natural gas is marketed as a cleaner-burning fuel relative to coal or oil, environmental groups and institutional investors have voiced concerns about risks due to the environmental impacts, particularly of methane emissions as well as chemical, energy and water usage from extraction and processing.²³

FLARE-UPS IN BLACKSTONE'S OIL & GAS ASSETS

Beyond the oil and gas industry's inherent risks, which predate the pandemic and have been deeply exacerbated by it, some of Blackstone's holdings are facing challenges due to regulatory concerns, environmental damage and impacts on local communities.

Although Blackstone says that it considers Environmental, Social and Governance principles, the extensive environmental and regulatory risks across much of its oil and gas portfolio raise questions about how an ESG analysis would allow for such investments.

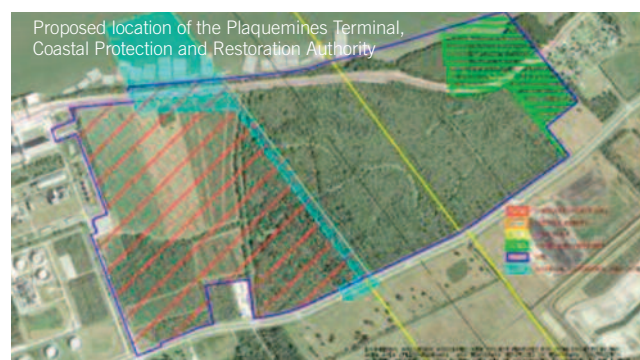
Blackstone's Responsible Investing Policy states that, "we believe that a comprehensive ESG program, aside from being the right thing, drives value and enhances returns. We also believe that understanding ESG factors helps us understand trends and how they will shape demand and markets in years to come."³⁷ This statement is puzzling, given that global political and market trends are leading away from fossil fuels, yet Blackstone has acquired new assets in coal, pipeline, natural gas and offshore drilling.

Blackstone's fossil fuel investments extend across the globe, but this report focuses primarily on examples of the US portfolio companies that illustrate the risks to investors, due to regulatory and reputational risks and that seem to contravene Blackstone's stated commitments to consideration of Environmental, Social and Governance factors.

Tallgrass Energy

One of Blackstone's most recent acquisitions is Tallgrass Energy, a \$6.3 billion take-private transaction that was approved by Tallgrass shareholders in April 2020.

Reuters reported that the deal was a "rare case of a pre-market crash deal going ahead without a price cut," as the deal closed without Blackstone attempted to renegotiate the terms agreed to in December, despite pandemic-induced uncertainty.⁵¹ *Reuters* cited other pre-crash deals in the oil and gas sector that were renegotiated with price reductions of over 25%.⁵²



The takeover was deemed "tumultuous" by a Scotiabank analyst, with analysts and shareholders criticizing a side letter from 2019 offering executives a higher price than shareholders.⁵³ Blackstone sweetened its price offering in December 2019 in the face of criticism.⁵⁴ Ultimately, the deal was approved by a majority of shareholders.

Tallgrass is a midstream energy company, with pipelines moving crude oil and natural gas across the Rocky Mountains, Upper Midwest and Appalachian regions.⁵⁵ The acquisition was made by the Blackstone Infrastructure Partners fund with minority investments from Singapore's GIC and Spanish Engás.⁵⁶

In addition to its existing natural gas and crude pipelines, Tallgrass Energy is spearheading the Plaquemines Liquids Terminal, a controversial \$2.5 billion crude oil export terminal in Louisiana.⁵⁷ The terminal was originally proposed in 2018, with plans to be fully operational by mid-2020.⁵⁸

However, the proposed terminal is still working through regulatory approvals, and has encountered resistance from environmental organizations. The *Times-Picayune* reported that "the project faces significant hurdles," and in February state regulatory agencies delayed a hearing on the project after Tallgrass and environmental advocates requested additional time.⁵⁹ A coalition of advocacy and environmental groups called Restore the Mississippi River Delta has called for regulators to require more detail as to how Tallgrass plans to mitigate the project's impact including sediment diversion needed to replenish wetland resources.⁶⁰

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BLACKSTONE EXECUTIVES DONATE MILLIONS TO PRESIDENT TRUMP WHILE INVESTMENTS BENEFIT FROM WEAKENED ENVIRONMENTAL RULES

Blackstone executives have contributed nearly \$4.8 million to PACs supporting President Donald Trump.²⁴ In 2017, Blackstone CEO Stephen Schwarzman hosted a \$100,000-per-plate fundraiser dinner for Trump.²⁵ As president, Trump has aggressively rolled back environmental protections and regulations affecting the oil and gas industry while Blackstone has made continuous investments in the sector.

The Trump Administration has slashed environmental regulations to the benefit of various segments of the oil and gas and coal industries including:

- The Environmental Protection Agency rolled back standards on methane leaks generated from the extraction of oil and natural gas in August 2019.²⁶
- The EPA drastically weakened restrictions on power sector emissions in June 2019.²⁷
- The administration gutted safety regulations designed to prevent a repeat of the 2010 BP Deepwater Horizon disaster, including those targeting blowout preventers in May 2019.²⁸
- In June 2020, the EPA restricted states' ability to oppose pipelines over environmental concerns.²⁹ The EPA rule change mirrors an executive order signed by Trump in April 2019 to block states from intervening in pipeline projects.³⁰

The Trump Administration continues to pursue further rollbacks, including the EPA's plans to strip greenhouse gas standards on future coal plants and the Department of Energy's plan to promote extraction of coal and natural gas resources in Appalachia.³¹

At the start of World Oceans Month (June), the White House released a proclamation reiterating its commitment to expanding offshore energy,³² drawing renewed condemnation from scientists.³³

Many of Blackstone's oil and gas investments stand to benefit from the Trump Administration's weakening of environmental rules. Following Trump's election, Blackstone has acquired additional oil and gas assets, including Rover Pipeline in 2017, EagleClaw

BLACKSTONE EXECUTIVES' TRUMP CONTRIBUTIONS SINCE 2017

RECIPIENT	AMOUNT
America First Action, Inc	\$3,000,000
Donald J. Trump for President, Inc.	\$8,200
Republican National Committee	\$824,300
Trump Inauguration Committee	\$250,000
Trump Victory	\$699,400
TOTAL	\$4,781,900

Midstream Ventures in 2018 and in 2020, Tallgrass Energy and a significant ownership stake in Energy Transfer Partners.

Over 90% of Blackstone executives' contributions have been to Republican candidates or committees since 2015, and they are not limited to Trump.³⁴ Executives have contributed millions to Senate and House PACs and the campaigns of climate change deniers like Senator Ted Cruz and Representative Devin Nunes and others who have questioned the science of and stood in the way of policies to address climate change like Senator Mitch McConnell and Representative Kevin McCarthy.³⁵

Despite the Trump administration's enthusiasm for gutting environmental protections, it has recently suffered a string of legal defeats through litigation brought by states, tribes and environmental groups. *The Washington Post* reported that legal losses in 2020 have halted three multi-billion dollar pipeline projects, "setting back President Trump's 3½-year effort to expand oil and gas development" which illustrate, "both the enduring power of environmental laws that the Trump administration has been trying to weaken and the tenacity of environmental, tribal and community activists who have battled the projects on forested land and in federal courtrooms."³⁶

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Energy Transfer Partners

On April 30, 2020 Blackstone disclosed that it had acquired a 7% stake in Energy Transfer Partners,⁵⁹ worth around \$1.5 billion. That makes Blackstone the second largest shareholder after the company's founder and CEO.⁶² Bloomberg reported that Energy Transfer's lagging stock price has fueled speculation about the company going private.⁶³ The current oil crisis has led Energy Transfer to cut its capital investments into projects that already face challenges, even though the company has been able to utilize its storage and transfer capacity during the pandemic.⁶⁴

Many of Texas-based Energy Transfer's pipeline projects have been controversial, with lengthy litigation over land rights and environmental damage. Among the more prominent are:

- **Dakota Access Pipeline:** On July 6, a federal district judge ordered the pipeline shut down for 30 days pending further environmental review, a legal victory for the Standing Rock Sioux Tribe in a years-long battle. In a press release responding to the decision, the Standing Rock Sioux Tribe said, "If the events of 2020 have taught us anything, it's that health and justice must be prioritized early on in any decision-making process if we want to avoid a crisis later on."⁶⁵

- **Mariner East in Pennsylvania:** An FBI corruption investigation was reported in late 2019, looking into permitting for the \$3 billion construction project which has already faced over \$13 million in fines, shutdowns and protests.⁶⁶

- **Revolution Pipeline in Pennsylvania:** Energy Transfer is facing hundreds of environmental violations, after being fined \$30 million by state regulators for a 2018 explosion. The Revolution pipeline is designed to feed natural gas into the Rover and Mariner East 2 pipelines.⁶⁷

Rover Pipeline

The Rover Pipeline, which has violated environmental regulations repeatedly in the past several years. Three years ago, Blackstone acquired a 32.44% stake in Energy Transfer Partners' Rover pipeline project for \$1.57 billion in July 2017.⁶⁸ At the time of the sale, the project had recently been cited for environmental violations in West Virginia and Ohio.

In April 2020 the Supreme Court of Ohio agreed to hear the Ohio Attorney General's case over Rover's environmental violations across a dozen counties, including discharges of sediment-laden stormwater, drilling fluid leaks and the release of water used to pressure-test the pipeline.⁶⁹ The Sierra Club filed an amicus brief in the Ohio Attorney General's case against Rover,⁷⁰ and has been an active critic of the Rover Pipeline and had previously filed charges over environmental damages.⁷¹

Blackstone owns a 32.4% interest in the 713-mile Rover pipeline is intended to transport natural gas from the Marcellus and Utica Shale production areas across Michigan, Ohio, Pennsylvania and West Virginia.⁷²

Construction started on the Rover in March 2017, but in April regulators in West Virginia halted work citing environmental violations, including the release of two million gallons of drilling fluid into wetlands.⁷³

Blackstone acquired its interest a few months later in July. By August 2017, the Rover pipeline had racked up more environmental violations than other major interstate natural gas pipelines built in the two years prior, according to *Bloomberg*.⁷⁴



Sacred Stone Camp in Canon Ball, ND marchers protest the Dakota Access Pipeline. Photo/ Joe Brusky, taken Sept. 4, 2016.

"If the events of 2020 have taught us anything, it's that health and justice must be prioritized early on in any decision-making process if we want to avoid a crisis later on."

Statement from Standing Rock Sioux Tribe after its July 6, 2020 legal victory to shut down the Dakota Access Pipeline

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BLACKSTONE INVESTS IN COAL DESPITE RISKS

Blackstone has invested in coal-fired power plants in recent years, in the US and the Philippines, despite the fuel being increasingly sidelined due to its contribution to climate change and adverse health impacts.

Coal power generation has experienced a precipitous decline over the past decade, and the pandemic has deepened the industry's distress. Restrictions on movement have dramatically shifted energy demand, with the Energy Information Agency (EIA) forecasting that coal consumption will drop by 33% in 2020.³⁸ As a share of the U.S. energy mix, the EIA expects coal to continue its years-long decline, falling to just 17% of power in 2020 – outshined for the first time by renewables, driven by solar and wind growth. The EIA expects renewables to continue to pull ahead of coal in 2021.³⁹

Blackstone acquired Lightstone Generation in 2017 through a joint venture with ArcLight Capital Partners, a \$2.1 billion acquisition of three natural gas plants and the Gen. James M. Gavin coal power plant in Ohio.⁴⁰

Coal plant retirements had accelerated in 2020 already, as additional plant closures pushed the decreasing capacity to a historically low level.⁴¹ The impacts of the pandemic reinforce the risks of coal for investors, making it even less attractive economically and environmentally.⁴² Despite coal's decline, America's coal plants have continued to generate substantial carbon dioxide and other pollutants, accounting for 60% of power sector emissions in 2019.⁴³ However, coal-related CO₂ emissions in the US are expected to decline by 33% in 2020, the largest part of an overall decline in energy-related CO₂ emissions.⁴⁴

Blackstone's Gen. James M. Gavin coal plant in Ohio was one of the top ten CO₂ emitters in 2019 according to the Environmental Protection Agency, generating 14.25 million metric tons of CO₂.⁴⁵

Since 2019, Lightstone is one of the many energy companies that have lobbied on a controversial Ohio bill that would prevent environmental activism and

protest (SB 33).⁴⁶ Over 160 opponents of the bill testified at Ohio Senate hearings last year including the ACLU Ohio, the Buckeye Environmental Network, the Ohio Council of Churches and the Freshwater Accountability Project.⁴⁷

In the Philippines, Blackstone invested in the Mariveles Coal Plant, which started operations in 2013 generating 600 megawatts of power. Blackstone acquired the plant through its 2005 majority stake in Sithe Global Power, and proceeded with a phased expansion that will triple the capacity to 1,800 megawatts when completed,⁴⁸ despite objections from local environmental movements.⁴⁹ Blackstone oversaw the planning for the Diginin expansion while operating the adjacent Mariveles coal plan, but sold off its stake in both in 2016.⁵⁰

Gavin Power Plant Chimneys, wikimedia commons



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In September 2017, Ohio's EPA doubled the fines against the owners of the Rover Pipeline to \$2.3 million.⁷⁵

The director of the Ohio EPA said, "I find it troubling how only a few short weeks after being allowed to restart operations by FERC in Ohio, we are continuing to document significant violations. I cannot explain how disappointed I am with the continued trend of Rover causing environmental damage in Ohio by continuing operations causing unauthorized discharges to Ohio waterways," in a letter dated Nov. 22, 2017, four months after Blackstone's acquisition.⁷⁶

Rover spilled another 150,000 gallons of drilling fluid into Ohio wetlands in January 2018.⁷⁷

Energy Transfer Partners continued to violate environmental regulations as it proceeded with construction of the Rover and Sunoco Mariner East 2 pipelines, according to an analysis by Reuters, with more than 800 state and federal permit violations as of November 2018.⁷⁸

EagleClaw Midstream Ventures

Blackstone Energy Partners and Blackstone Capital Partners acquired EagleClaw Midstream Ventures, an operator of pipelines and processing facilities in West Texas, for approximately \$2 billion in July 2017. At the time of purchase, EagleClaw's assets included over 375 miles of natural gas pipelines and 320 million cubic feet per day of processing capacity.⁷⁹

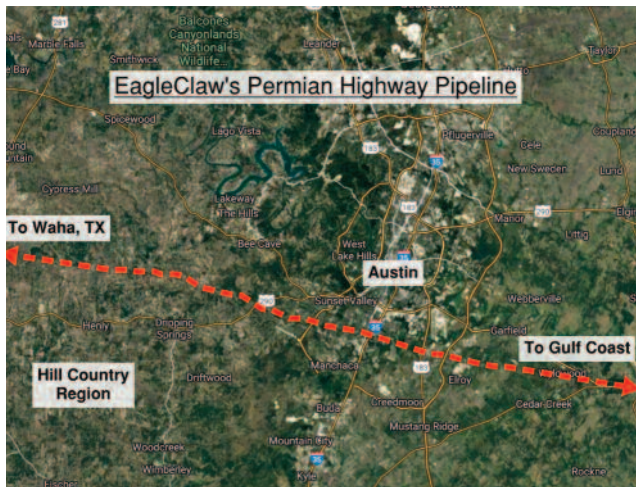
Under Blackstone's ownership, EagleClaw has expanded its footprint.

- In April 2019, EagleClaw committed to building the Delaware Link pipeline, a natural gas pipeline.⁸⁰
- Acquired Gas Midstream Systems in the Permian's Delaware sub-basin from PDC Energy through a \$242.5 million LBO on June 11, 2019.⁸¹
- Acquired Pinnacle Midstream in Nov 2018 – Through the acquisition of Pinnacle and Caprock, EagleClaw has nearly half a million acres in the core of the southern Delaware Basin.⁸²
- Acquired Caprock Midstream in Sept 2018 for \$950 million - Expands EagleClaw beyond natural gas gathering and processing-related services into crude and water-related services in the Permian's Delaware basin.⁸³

"I find it troubling how only a few short weeks after being allowed to restart operations by FERC in Ohio, we are continuing to document significant violations. I cannot explain how disappointed I am with the continued trend of Rover causing environmental damage in Ohio by continuing operations causing unauthorized discharges to Ohio waterways,"

Craig Butler, Director, Ohio EPA
November 22, 2017

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Map shows the EagleClaw pipeline section that will extend through the ecologically sensitive Hill Country and near Austin.

Additionally, EagleClaw became a 50% partner with Kinder Morgan on the Permian Highway Pipeline in 2018, which is expected to transport natural gas from the Permian Basin in West Texas to Katy, Texas for export.⁸⁴ A lawsuit in January against the pipeline filed by local property owners names Blackstone and EagleClaw as a 26.7% owner of the project.⁸⁵ The pipeline is under construction and was originally aiming to be operational in mid 2020, but the date was revised to early 2021.⁸⁶

The 430-mile Permian Highway Pipeline has been delayed by drilling accidents, lawsuits and faces opposition from local government agencies and Texas residents.

In late March 2020, a drilling accident led to the accidental release of 36,000 gallons of drilling fluid.⁸⁷ The Permian Highway suspended drilling operations to investigate the leak and how to mitigate it.⁸⁸ At least two homeowners next to the drilling site found their well water contaminated, coming from their taps a cloudy brown. Two organizations, the Wimberley Valley Watershed Association and the Trinity Edwards Springs Protection Association, announced their intent to sue on behalf of the landowners over alleged violations of the federal safe drinking act.⁸⁹

In a separate lawsuit filed in February, the City of Austin, Central Texas landowners, and other local governments filed a lawsuit seeking an injunction on construction of the pipeline over the environmental hazards including damage to endangered species' habitats expected from the project.⁹⁰

The Austin City Council adopted a resolution opposing the Permian Highway Pipeline in June 2019. The city's resolution cited risks associated with the excavation

through limestone of the Edwards and Trinity aquifers, likely damage to the habitat of endangered species like the golden-cheeked warbler and salamanders.

They also cited the risk of hydrocarbons spilling into the Edwards and Trinity aquifers, which provide drinking water to two million people, as well as the contribution to climate change. In addition to Austin, other groups opposing the pipeline include the towns of San Marcos, Kyle, Wimberley, the Barton Springs/Edwards Aquifer Conservation District, Hays Trinity Groundwater Conservation District and the Save Barton Creek Association.⁹¹

While the construction of the pipeline has begun in west Texas, the work has yet to move east, into the ecologically sensitive Hill Country. The pipeline is expected to be in service by early 2021, but with legal delays, it is unclear if the original timeline will be met.⁹² Local residents have organized to oppose the pipeline, forming Blanco Stop the Pipeline to defend the Hill Country and address concerns to the Texas Railroad commissioner and other authorities.⁹³

Musicians Paul Simon and Willie Nelson published an op-ed in the Houston Chronicle August 11, calling on authorities to block the Permian Highway Pipeline because of the threats to the Texas Hill Country, saying "The region is a pristine, bio-diverse ecological gem, one of the most treasured landscapes of the American Southwest. But the pride and lifeblood of this unique part of the world are the granite and karst features, the thousands of underground streams and aquifers that hold groundwater and course like veins." They wrote that the pipeline is a "threat to this precious water (that) has caused alarm, outrage, and despair."⁹⁴

Delays in construction may be creating another set of problems for the Permian Highway. Across Texas, the company has at least five stockyards of 42-inch pipes stacked in open fields waiting to be deployed as segments of the pipeline. An investigative report found that the stockyards have been storing the pipes under the Texas sun since spring of 2019, and that the anti-corrosive coatings on the pipes may be degrading through UV exposure.⁹⁵



Blanco Stop the Pipeline facebook group, from June 2019

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The golden-cheeked warbler lives in the Hill Country in Texas and is endangered

The investigative report found that the intended use of the coatings is to protect pipes buried underground. One industry source recommended pipes not have UV exposure beyond six months, another source suggested a year might be acceptable. The stockyards were found to have pipes stacked in piles dating back to March, April and June of 2019.⁹⁶

Sabine Pass Liquefaction Project (Cheniere Energy Partners)

In 2012, Blackstone invested \$2 billion to establish Cheniere Energy Partners.⁹⁷ Blackstone provided 75% of the equity, partnering with Cheniere Energy, the second largest Liquid Natural Gas (LNG) operator in the world.⁹⁸ Blackstone's investment helped finance the costs of developing, constructing and placing into service its Sabine Pass Liquefaction Project and the purchase of the Creole Trail pipeline from Cheniere Energy.⁹⁹

In September 2019, Blackstone acknowledged it was open to exiting its 41% ownership stake of Cheniere Energy Partners.¹⁰⁰

The Sabine Pass Liquefaction Terminal is located along the Sabine Pass River that feeds into the Gulf of Mexico between Texas and Louisiana. The terminal is on the Louisiana side of the river, between the Sabine National Wildlife Refuge and the Texas Point National Wildlife Refuge. Under Blackstone's ownership, Cheniere's Sabine Pass terminal began commercial operations in 2016 and has become the US's largest LNG exporter.¹⁰¹ It has developed five liquefaction units with a 6th unit targeted for completion in 2023. The units convert natural gas into super-cooled LNG and store it in tanks for export.¹⁰²

Sabine Pass Terminal and Cheniere Pipeline, between the Sabine National Wildlife Refuge and the McFaddin National Wildlife Refuge

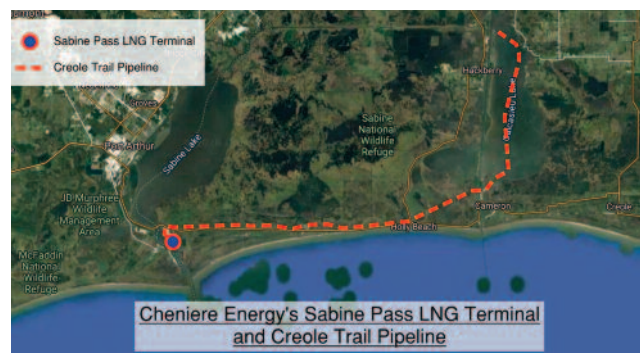
Rainforest Action Network released a report in October 2016 outlining the climate, human and financial risks of liquified natural gas.¹⁰³ The report mentions the Sabine Pass terminal as one of several projects expanding the

US's LNG export market, without adequate consideration of the additional environmental impacts created through export. RAN argued that the impacts of natural gas (through extraction and methane release) are magnified when it is supercooled into exportable LNG – requiring additional energy for liquefaction, ocean transport and regasification. Because of the additional energy required, the Department of Energy concluded that LNG doubles the carbon intensity of natural gas.¹⁰⁴

Two of five Sabine Liquefaction Project's storage tanks have been offline since a January 2018 leak of natural gas and LNG, resulting in the Department of Transportation's Pipeline and Hazardous Materials Safety Administration (PHMSA) ordering a shutdown.¹⁰⁵ Workers had discovered that LNG had leaked from two of the inner tanks to the outer tanks, causing visible cracks in one tank.¹⁰⁶

In July 2019, PHMSA warned Cheniere Energy against using the two disabled storage structures. The agency found that Cheniere was making repairs without the required written approvals from the agency confirming the structures are safe. Although Cheniere has asserted there isn't any immediate health or safety hazard, regulators found that Cheniere has "failed to comply with prior requests."¹⁰⁷ In August 2019 Cheniere reported the repairs were complete, but as of January 2020, PHMSA had not authorize resuming operations.¹⁰⁸

However, the COVID pandemic has caused global demand for LNG to plummet, and as of June, Sabine Pass' operations had dropped to the lowest level in over a year.¹⁰⁹ S&P Global reported that both exports and deliveries of natural gas are down, saying "the reduction in feedgas (to Sabine Pass) suggests that the equivalent of several trains could be sharply underutilized or are not being utilized at all."¹¹⁰



Sabine Pass Terminal and Cheniere Pipeline, between the Sabine National Wildlife Refuge and the McFaddin National Wildlife Refuge

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BLACKSTONE PURSUES OFFSHORE DRILLING AFTER BP DISASTER

Blackstone has invested in at least two deep water drilling companies with significant capacity near the Gulf Coast. With the arrival of the 10-year anniversary of the catastrophic Deepwater Horizon explosion in 2010, experts have said the industry is no better prepared to prevent or respond to another disaster.

BP's Deepwater Horizon explosion killed 11 workers and dumped 3 billion gallons of crude into the Gulf off the coast of Louisiana, and the damage is still felt along the coast despite BP spending \$65 billion on restoration and legal costs.¹¹¹

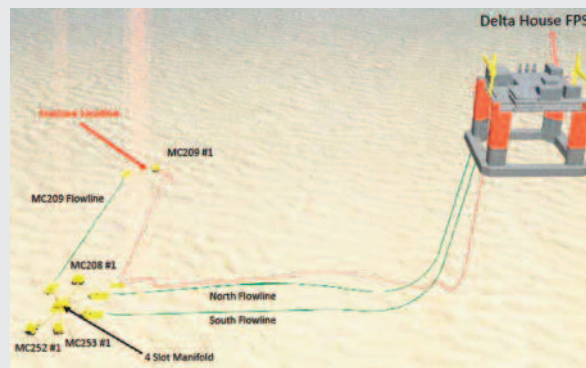
The bipartisan national commission established after the BP disaster to investigate and make recommendations on preventing another found that little has changed in the past decade and "another spill of equally disastrous proportions is possible," according to the *New York Times*.¹¹²

In the wake of the BP disaster, private equity firms like Blackstone invested in offshore drilling in the Gulf, infusing capital into an industry where smaller operators were struggling.¹¹³ Production has increased to a record two million barrels today, making it the second most important oil producing region for the US.¹¹⁴

LLOG Exploration

In November 2012, two years after the BP disaster, Blackstone invested \$1.2 billion in a joint venture with LLOG Exploration, taking advantage of the resulting industry dislocation.¹¹⁵ In a press release, Blackstone and LLOG said, "This strategic partnership is the largest private equity financing executed in the Gulf of Mexico to date."¹¹⁶ LLOG is one of the largest private operators in the Gulf of Mexico; at the time of acquisition, LLOG operated over 95 of its reserves and 86% of its prospective sites.¹¹⁷ In 2014, LLOG moved into the neighborhood of the Deepwater Horizon disaster, buying out BP's interests in the MC 252 block.¹¹⁸

In 2017, one of LLOG's wellhead jumpers fractured 4,500 feet under the surface 40 miles off the coast of Louisiana.¹¹⁹ LLOG was unaware of the leak for more than 24 hours, ultimately pouring 672,000 gallons of crude into the deep sea, one of the largest Gulf spills since the BP disaster.¹²⁰



Illustrations of the underwater fracture from LLOG's 2018 offshore leak. Source: BSEE

LLOG's leak detection was inadequate, according to the investigation conducted by the federal Bureau of Safety and Environmental Enforcement published two years later, in December 2019.¹²¹ BSEE concluded that the fracture occurred in underwater steel pipes that had corroded undetected, suffering a 50% loss in thickness.¹²² The BSEE recommended improvements to personnel training, leak detection technologies, corrosion evaluation and that the firm "increase scrutiny in the design, placement, and maintenance of their subsea infrastructure."¹²³

Beacon Offshore Energy

The year prior to the LLOG oil leak, Blackstone deepened its investments in deep water drilling, forming Beacon Offshore Energy in 2016.¹²⁴ Beacon Energy is a partner alongside LLOG and others in the Buckskin oil field in the Gulf of Mexico. Drilling activities on the Buckskin project began in January 2018 and oil was first produced in June 2019, on a shorter timeline and lower cost than expected.¹²⁵

In December 2018, Blackstone installed Scott Gutterman as chairman and CEO at Beacon Offshore.¹²⁶ Blackstone had lured Gutterman from LLOG just as it exited its investment in the firm, where he served as president and CEO, including overseeing the 2017 leak of 672,000 gallons of oil into the Gulf. Gutterman had contributed money to the failed congressional campaign of the man who later became head of the regulatory agency BSEE that conducted the investigation of the LLOG spill.¹²⁷

Blackstone Drills Deeper

BLACKSTONE PURSUES OFFSHORE DRILLING AFTER BP DISASTER



Image of Corrosion and Pitting on inside of jumper, BSEE Report

Despite risks of offshore drilling, industry gets federal support

Safety recommendations by the bipartisan commission that investigated the BP disaster were never adopted.¹²⁸ Activists and environmentalists like the Rainforest Action Network, the Grow Louisiana Coalition have opposed new leases for offshore drilling.¹²⁹ The Louisiana Bucket Brigade has pointed to the severe storms like 2005's Hurricane Katrina whose impact was magnified by lost wetlands, saying in 2016, "The oil industry's destruction of our coast makes us more vulnerable to every single hurricane that comes through."¹³⁰

The oil industry has done grave harm to the region's wetlands, even according to its own studies. The industry claims responsibility for at least a third of the wetland loss, while other accounts put that figure as high as 75 or 80 percent.¹³¹

But the Trump administration has weakened environmental regulations and defanged the safety mission of the Bureau of Safety and Environmental Enforcement (BSEE).¹³²

The Interior Department, which oversees BSEE, has moved to expand Gulf drilling and discount federal leases to benefit the oil industry. In late 2019, Interior Secretary David Bernhardt proposed a policy shift on offshore drilling panned as a "sweetheart giveaway" for his former client, the National Ocean Industries Association (NOIA).¹³³

NOIA is the offshore industry's lobbying group, for which Interior Secretary Bernhardt previously was a lobbyist, and had pushed for the government's new recommended policy to "ensure maximum resource recovery."¹³⁴ Since taking the helm of the BSEE, Director Angelle has "green-lit 53 permits for offshore drilling for companies that sit on the board of directors for NOIA."¹³⁵ Blackstone's Beacon Offshore Energy has a seat on NOIA's Board of Directors, after its COO was appointed in April of 2019.¹³⁶

Blackstone Drills Deeper

BLACKSTONE FOSSIL FUELS INVESTMENTS

COMPANY	TYPE	DESCRIPTION	ACQUIRED	LOCATIONS
Energy Transfer Partners (7% stake)	Midstream	Large midstream energy companies	April 2020	US
Tallgrass Energy	Midstream	Tallgrass operates and has participating interests in some of the more strategically important midstream assets in the Bakken and Rockies (the REX and Pony Express lines, for example)	April 2020	US
Targa Badlands	Midstream	Pipeline assets located in the Bakken and Three Forks Shale regions	February 2019	North Dakota
Zarou	Upstream	Operator and developer of renewable energy, oil and gas midstream, water	October 2018	Middle East and North Africa (MENA)
Ultrerra Drilling Technologies	Oil services	Designer and manufacturer of oilfield equipment	October 2018	Texas
EagleClaw Midstream Ventures	Midstream	Provider of midstream energy services	September 2018	Permian Basin (TX)
Mime Petroleum	Upstream	Operator of an energy exploration company	January 2018	Norwegian Continental Shelf
Rover Pipeline	Midstream	Operator of 700 mile pipeline designed to transport 3.25 billion cubic feet of natural gas per day.	July 2017	Marcellus and Utica Shale
Vine Resources (Vine Oil & Gas)	Upstream	Operator of oil and natural gas exploration and production company.	April 2017	Haynesville Basin of NW Louisiana
Gavilan Resources	Upstream	Oil and gas production assets	March 2017	Western Eagle Ford (South Texas)
Lightstone Generation	Power generation	Midwest Power Plants (2 natural gas, 1 coal fired power plant) (w/ ArcLight Capital)	January 2017	Ohio, Indiana
Jetta Permian	Upstream	Explorer of oil and gas	August 2016	Delaware Basin (West Texas, So. NM)
Huntley & Huntley	Upstream	Operator of oil and natural gas exploration and production company	April 2016	Pennsylvania
Guidon Energy	Upstream	Operator of a shale development company focused	April 2016	Midland Basin
Beacon Offshore Energy	Upstream	Exploration and production company focused on exploring, developing, acquiring and operating upstream oil and gas properties in the deepwater Gulf of Mexico	January 2016	Gulf of Mexico

Blackstone Drills Deeper

BLACKSTONE FOSSIL FUELS INVESTMENTS

COMPANY	TYPE	DESCRIPTION	ACQUIRED	LOCATIONS
Osum Oil Sands Corp	Upstream	Operator of an energy company engaged in Canadian oil sands development	August 2014	Cold Lake region, Canada
FourPoint Energy	Upstream	Provider of oil and gas exploration and production services intended to develop oil and natural gas assets	June 2014	Texas
Siccar Point Energy	Upstream	Explorer of crude oil and natural gas	January 2014	United Kingdom
Fisterra Energy	Midstream	Investor in energy and infrastructure operations with an emphasis on oil and gas	January 2013	Europe
LLOG Exploration	Upstream	Provider of a platform for oil and gas exploration and production	November 2012	Gulf of Mexico
Sabine Pass Liquefaction Project (Cheniere Energy)	Downstream	A Liquefied Natural Gas (LNG) plant in Louisiana	May 2012	Louisiana
Alta Energy Partners	Upstream	Owner and developer of oil and gas assets in North America	April 2011	Texas
Kosmos Energy	Upstream	Provider of oil and gas exploration and production company focused on frontier and emerging areas along the Atlantic Margin	June 2008	West Africa
Sithe Global Power	Power generation	Owner and operator of electric generation facilities including Coal plants	October 2005	Global

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Endnotes

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