

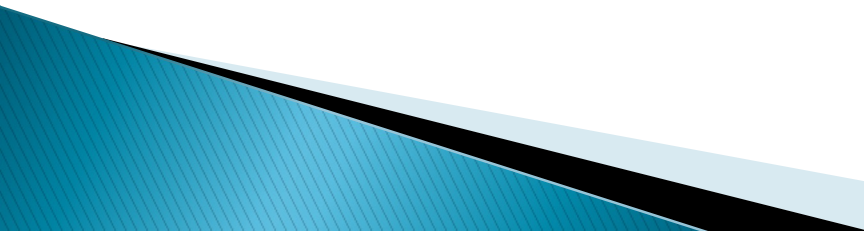


# Lecture 2: Energy Jobs

Energy Law and Policy

Fall, 2013

# First Month Class Schedule

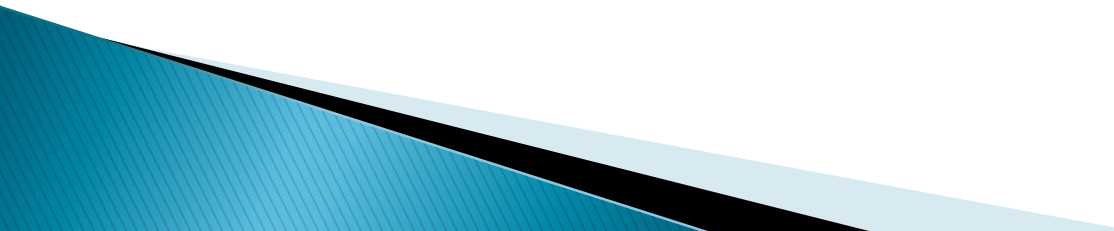
- ▶ 8/26: INTRODUCTION AND BACKGROUND
  - ▶ 8/28: **Energy jobs; Jim Halloran, PNC Bank.**
  - ▶ 9/4: History of energy regulation
  - ▶ 9/9: Regulation of electricity in Ohio
  - ▶ 9/11: Wholesale electricity/RTOs/Aggregation
  - ▶ 9/16: Writing (Laura Ray)/retail electricity
  - ▶ 9/18: Matt Brakey/Beth Polk – Electricity Markets
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# Electricity Careers

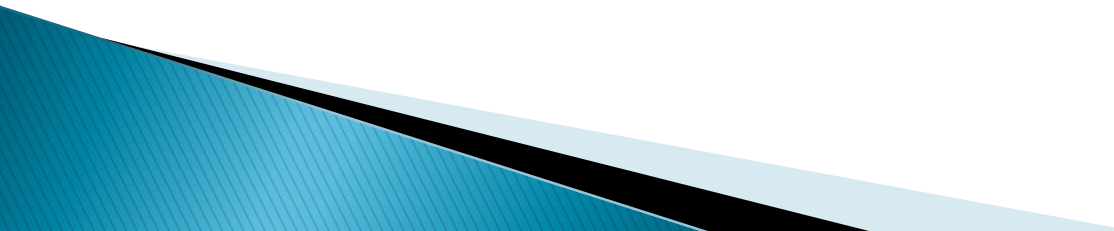
## ▶ Technical

- Electrical and mechanical engineering
- Physicists
- Civil engineering

## ▶ Nontechnical

- Lawyers, lawyers, lawyers
  - Accounting
  - Business
- 

# Location Quotients

- ▶ Compares jobs within a particular industry against overall jobs for a region
  - ▶ LQ for Cuyahoga, Summit and Lake Counties for energy business among the highest in the nation.
    - Large percentage of employees in NE Ohio employed in the energy business
    - First Energy national HQ in Summit County
- 

# Business Trends Affecting Electricity

- **Generation**

- Distributed generation is cheaper/cleaner
- No new coal, nuclear
- Uncertainty in long term market conditions discourages large scale capital investment and centralized generation
- New generation projects are likely to be natural gas or renewable

- **Grid**

- Aging infrastructure points to major investments needed near term
- Move to DG/smart grid suggests a different route
- The future of the grid will be fought by regulatory lawyers

# Cross Training

- **Need for professionals to understand all aspects of the business**
- **Common to find negotiating parties are from various backgrounds**

# Business Trends Affecting Law

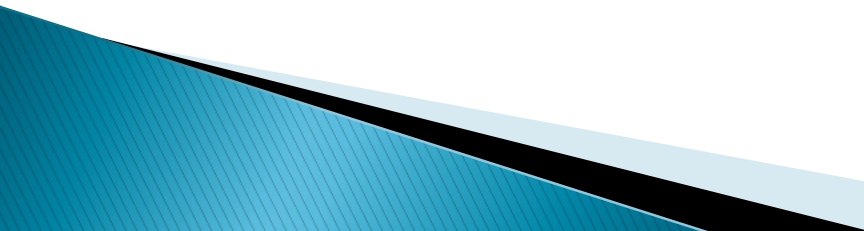
- Recession
- “Eat what you kill” culture
- Curious pay structure for recent graduates
  - Driven by stature
- Business movement away from the “white shoe” firms to smaller, more agile law firms
- Energy business remains among the biggest employers at the highest salaries
  - Electricity – regulatory, contracts, litigation
  - Oil and Gas – litigation, contracts, regulatory

# Oil and Gas Industry

## ▶ Technical careers

- Upstream – engineering, geology, geophysics
- Midstream – civil, mechanical, chemical engineering
- Downstream – civil, mechanical, chemical

## ▶ Nontechnical careers

- Legal
  - Land
  - Accounting
  - Environmental management – quasi-technical
  - Business usually comes out of other areas
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# Business Trends Affecting Oil and Gas Contracting

- Workforce reductions – but scaling back up now
- Cross disciplinary training
- Development and use of contract forms
- Placement of properties into commerce

# Workforce Issues

- Same work of 20 years ago with 1 / 3 the workforce
- Problem of aging workforce
- Problem of monitoring complex contracts
  - Mistakes are missed
  - Producers tend to treat all royalty owners the same – simplifies accounting

# Oil and Gas Law Practice

- ▶ Transactional
    - Leasing/Granting instruments
    - Exploration/Joint Operation agreements
    - Purchase and Sale/Finance Agreements
    - Service Agreements
    - Marketing Agreements
  - ▶ Litigation
    - Royalties/Lease Cancellation
    - Personal injury/environmental
    - Equipment/mechanical failure
    - Contract disputes
  - ▶ Regulatory
    - Unitization
    - Permitting
- 

# The Advent of Form Contracts

- **Contracts becoming commonly available**
  - Trade associations – AIPN, AAPG, AAPL
  - Services – Kane’s, Barrow’s
- **Establish perceptions of fairness**
- **Need to know perspective of drafters**
  - Bias of trade association – IADC drilling contract, Bath lease form, etc.
- **Risk parties won’t read it.**
- **Can create instead of save work**
  - Risk of superfluous or inapplicable provisions, creating confusion
  - Risk of contradictory language, failure to read entire document to ensure internal consistency.
    - Tendency to add special provisions at the end.

# Contracts as Part of Commerce

- Many companies have 3 year exit plan – build production up and then sell.
- Producers look to reduce provisions that restrict the free transfer of property rights.
  - Consents to assign
  - Preferential rights
- Need to have documents that conform with norms.
  - Easily recognized by parties during due diligence phase
    - Form agreements important
  - Easily evaluated by potential buyers

# Expected Average Labor Income in 2014: \$50,225 per year

## Associated with field development \$59,451

▶ Support activities oil & gas operations	\$69,319
▶ Construction oil & gas infrastructure	\$48,213
▶ Equipment rental:	\$81,131
▶ Cement manufacturing:	\$77,404

## Professional services \$69,177

▶ Architecture, engineering & related	\$67,382
▶ Environmental & other tech consulting	\$68,263
▶ Management of companies	\$109,280
▶ Legal services	\$63,828

# CSU Energy Policy Center

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Thank you!