Utah’s hope for oil shale as a viable energy source is dealt another blow

An Estonian firm withdraws its energy leases in eastern Utah, and environmentalists cheer.

Estonian company Enefit is giving up its federal oil shale leases in eastern Utah, signaling once again that Utah shale may never overcome the obstacles to becoming a commercial source of energy.
Enefit in August notified the U.S. Bureau of Land Management’s Vernal office that it intends to relinquish its leases, and it proposed a reclamation plan to mitigate the impacts of its work there.

“Upon extensive consideration of business plans regarding federal oil shale leasing and development, EAO has elected not to prepare an application to BLM to trigger the conversion process from the RD&D Lease to a commercial lease, and thus is voluntarily relinquishing the RD&D Lease,” wrote Ryan Clerico, Chief Executive Officer Enefit American Oil, in an August 9 letter.

The withdrawal came as the Grand Canyon Trust and the owners of the Bonanza coal-fired power plant near Vernal entered into a settlement agreement regarding water rights that may have gone to the Enefit project. Oil shale is essentially petroleum embedded in sedimentary rock. Separating the petroleum from the rock makes it more difficult and water-intensive than traditional oil drilling.

Under that agreement, Deseret Generation and Transmission, owners of the Bonanza plant, agreed to not use the water rights it obtained from Enefit for any kind of fossil-fuel production.

Deseret had obtained the rights from Enefit for a mere $10, and the Grand Canyon Trust challenged that transfer.
Because Enefit had not developed a commercial oil shale operation that would require the water, it risked losing the right under “use it or lose it” water laws. Environmentalists viewed the sale to Deseret as a dodge of use-it-or-lose-it laws, although Deseret maintained it intended to use the water for its own projects.

“The good news is that the Bush-Cheney nightmare vision of strip mining thousands of acres of wildlife habitat on public lands to produce the most carbon-polluting gasoline in the world appears to finally be ending,” said Ted Zukoski, senior attorney at the Center for Biological Diversity, in a statement on Enefit’s lease relinquishment. “Enefit was the last company holding an oil shale research lease on BLM land that hadn’t expired or been relinquished.”

**Environmental groups cheer Enefit’s move**

The Natural Resources Defense Council, the Southern Utah Wilderness Alliance, Utah Physicians for a Healthy Environment, Earthjustice and Waterkeeper Alliance all issued statements cheering Enefit’s decision.

Michael Vanden Berg, energy and minerals program manager for the Utah Geological Survey, confirmed that Enefit’s was the last “RD&D” oil shale lease in Utah.
leases differ from regular oil leases in that they aimed at unconventional sources like shale that need more research and development to become a commercial source. At one time Exxon, Chevron, Shell and others also had RD&D shale leases, but all have been abandoned.

Other companies still hold shale leases from the state Trust Land Administration, but no shale operations are under development on those lands.

Vanden Berg said shale looked promising back in 2006 when oil prices shot up, and interest persisted until oil prices dropped again around 2014. By that point, Vanden Berg said, new techniques like fracking and horizontal drilling had come to dominate oil production, and shale projects were put on the back burner. “That just became dominant. Major companies dropped their RD&D leases.”

Vanden Berg noted that Enefit still has significant oil shale holdings in Utah even after giving up the federal leases. Those include private lands and leases from the state Trust Land Administration, and those shale deposits are closer to the surface than on the federal lands, which theoretically makes them easier to commercialize. “Giving up the BLM lease is really not that big of a deal,” he said, although he said all the challenges to shale development remain.

In an email, Clerico said the company is looking at options
for its private holdings. “EAO is currently evaluating a number of different business cases, including some that are unrelated to oil shale. For example, EAO commissioned a conceptual study for a utility-scale solar power project in the recent past, and we have considered combined solar, wind and energy storage layouts on our private land.”

He added, “There is no active development or construction on the property, but there are also no definitive or imminent plans to terminate our operations in the U.S.”

The settlement around water rights could be a major deterrent to developing the oil shale deposits. In all scenarios, a commercial shale operation would require large amounts of water.

Before the settlement agreement, Deseret Generation and Transmission could use the water rights it obtained from Enefit for irrigation, domestic and industrial use and mining, including oil shale. Under the settlement, the only allowable use is for the Bonanza plant.

Coal-fired power plants, which use steam power, require large amounts of water. Under a previous legal settlement, Bonanza is only allowed to produce a certain amount of coal emissions before it must close. The plant is a main source of power for rural electric cooperatives in and around Utah, and Deseret has been looking at options for trying to extend its
life.

One of those options could be carbon capture, which involves capturing the climate-damaging carbon dioxide from the plant’s smokestack and sequestering it underground. The University of Utah has a grant to study carbon capture possibilities in the Uinta Basin. There are no coal-fired power plants with carbon capture operating in the U.S.

A separate U. of U. study looked at the water demands of various energy sources, and it found that adding carbon capture to coal-fired plants almost doubled the amount of water required. It also turns coal into one of the most expensive energy sources.