

THE MONEY BEHIND THE MOUNTAIN VALLEY PIPELINE: IS YOUR BANK FINANCING ANOTHER FRACKED-GAS DISASTER?

FACTS AT A GLANCE

Six ‘Main Street’ U.S. Banks are Key Pipeline Backers: Bank of America, Wells Fargo, PNC, SunTrust, Bank of the West (via parent company BNP Paribas), U.S. Bank

Project Name:	Mountain Valley Pipeline
Ownership:	Mountain Valley Pipeline, LLC, a joint venture of the following partners: EQT Midstream Partners (45.5%); NextEra Energy Resources (31%); Con Edison Transmission (12.5%); WGL Midstream (10%) and RGC Midstream (1%)
Operator:	EQT Midstream Partners
Project Cost (Est.):	\$3.5 Billion
Pipeline Length:	301 miles
Pipeline Diameter:	42 inch
Pipeline Capacity:	2 billion cubic feet per day (Bcf/d)
Total Annual GHG Emissions:	89.5 million metric tons – equivalent to 26 coal plants or 19 million passenger vehicles
States Affected:	West Virginia and Virginia
Gas Source:	West Virginia, Marcellus Formation, Appalachian Basin
Pipeline Route:	Northwestern West Virginia to south central Virginia
Destination Markets:	Connects to the Transco Pipeline, which serves markets from New Jersey to Texas
Permit and Project Schedule (Est.):	Final Environmental Impact Statement (June 2017), FERC Permit (Fall 2017), Construction (Late 2017 through Late 2018)

Summary: EQT Midstream Partners (EQM) is the driving force behind the Mountain Valley Pipeline. The company is the largest single investor in the project, and its parent company, EQT Corporation (EQT) – the largest gas producer in the Appalachian Basin – would be the largest single shipper on the pipeline. Because EQM has the greatest financial exposure to the Mountain Valley Pipeline among the joint venture

partners, EQM’s financing also reveals the clearest links to the banks behind the project.

Eighteen banks are invested in EQM’s two key current financing tools: a \$750 million revolving credit facility and a recent sale of bonds worth \$500 million. Six U.S. ‘main street’ banks – banks that are leading providers of personal banking services

in the U.S. – rise to the top. Bank of America leads the pack in providing over \$141 million in financial backing. Wells Fargo, the lead arranger of EQM’s credit facility, PNC, SunTrust, Bank of the West (through parent company BNP Paribas), and U.S. Bank are each bankrolling EQM in the range of \$76 to \$86 million.

MOUNTAIN VALLEY PIPELINE OVERVIEW

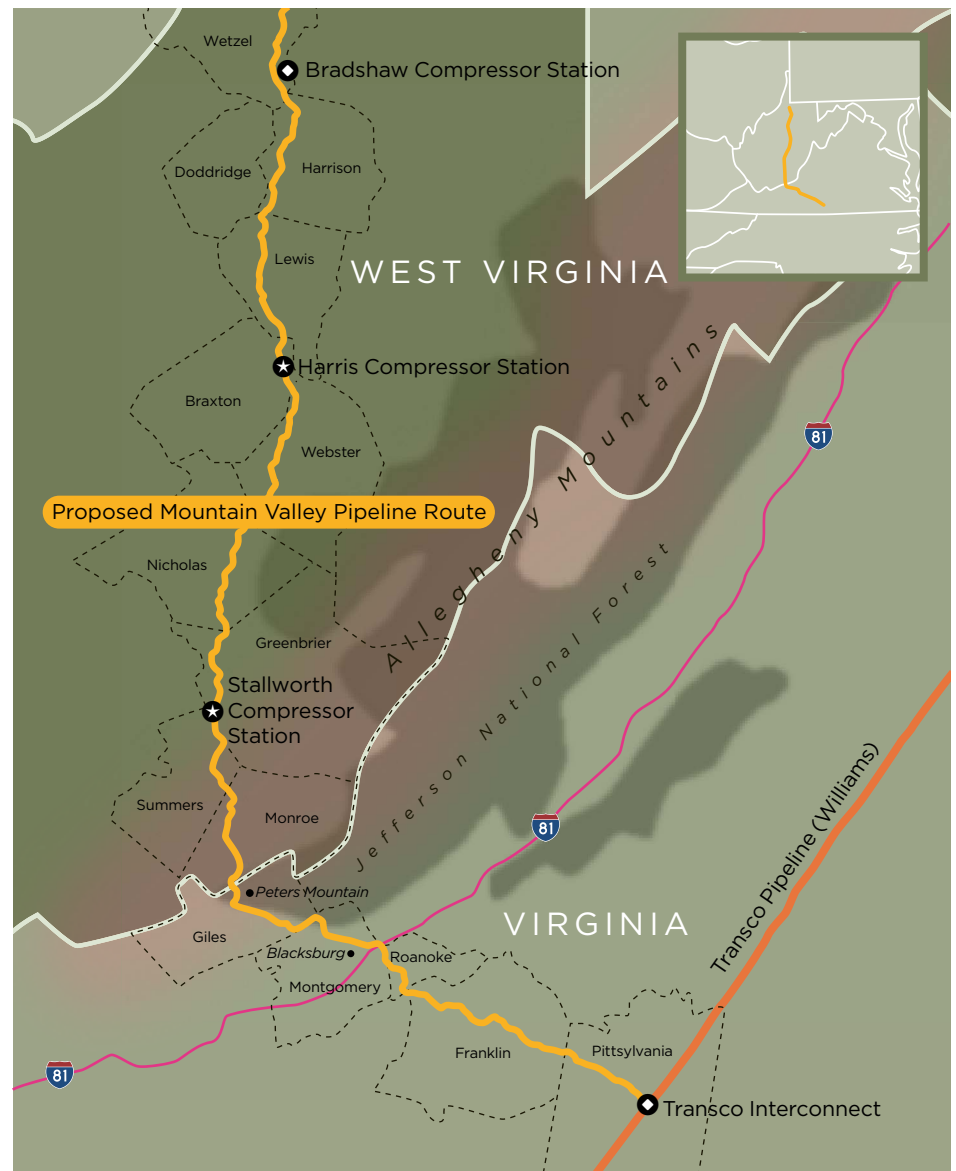
The Mountain Valley Pipeline (MVP) is a proposed 42-inch interstate natural gas pipeline that would run 301 miles from northwestern West Virginia to south central Virginia. The route of the pipeline crosses the Allegheny Highlands that straddle the border between West Virginia and Virginia, threatening pristine forests, headwaters, and steep fragile terrain, as well as many farms, communities and other properties all along its route. The project is facing significant opposition from landowners and citizens along its path.¹

The Mountain Valley Pipeline will exacerbate climate change, as Oil Change International detailed in a February 2017 briefing paper.² The pipeline would trigger new demand for gas and ultimately cause almost 90 million metric tons of greenhouse gas emissions annually when accounting for the full lifecycle of fracking, piping, and burning the gas. The impact would be equivalent to the emissions from 26 average U.S. coal plants or over 19 million passenger vehicles. Climate science clearly indicates we need to complete a transition off of all fossil fuels by mid-century.³ The pipeline would undermine this transition by creating additional demand for gas-fired power that could be met with clean energy sources and energy efficiency instead.

The project backers, led by EQM, are a consortium of companies heavily invested in natural gas. EQM, which will be the operator of the pipeline, is controlled by EQT, one of the country's top gas producers and the largest gas producer in the Appalachian Basin. EQT produces around 2.5 Bcf/d of gas, primarily from fracking operations in the Marcellus Formation in Pennsylvania and West Virginia.⁴ EQM owns and operates an extensive network of gas pipeline and storage infrastructure in the same region that primarily serves its parent company EQT.

The Mountain Valley Pipeline is intended to feed into the existing Transco Pipeline (owned by Williams) that runs roughly northeast to southwest through Virginia. That pipeline is slated to be expanded and made bidirectional so that gas can be delivered along its route between New Jersey and Texas.⁵

If federal permits are issued by the fall of 2017, EQM says the pipeline could be in service by late 2018.



1 See Protect Our Water, Heritage, Rights (POWHR) for more on the fight against the Mountain Valley Pipeline. <https://powhr.org>
2 Oil Change International, "The Mountain Valley Pipeline: Greenhouse Gas Emissions Briefing," February 2017. <http://priceofoil.org/2017/02/15/mountain-valley-pipeline-greenhouse-gas-emissions-briefing/>
3 See the Oil Change International September 2016 report, "Sky's the Limit: Why the Paris Climate Goals Require a Managed Decline of Fossil Fuel Production," for a discussion of the science behind the need to transition off of all fossil fuels by mid-century: <http://priceofoil.org/2016/09/22/the-skys-limit-report/>
4 Production data from Rystad Energy AS (March 2017)
5 Williams plans to make the Transco Pipeline bidirectional and connect it to Marcellus gas sources in northeast Pennsylvania. This project is called the Atlantic Sunrise project. If this goes through, the Transco line will deliver gas along its route in the following states: New Jersey, Maryland, Virginia, North Carolina, South Carolina, Georgia, Alabama, Mississippi, Louisiana, and Texas. The Sabal Trail Pipeline, which is currently under construction amidst opposition in Florida, will be supplied with Appalachian Basin gas via the Transco Pipeline. See <http://atlanticsunriseexpansion.com> and <http://www.line.williams.com/xhtml/MapPortal.jsf?parmMapID=1&parmZoneID=0> and <http://www.sabaltrailtransmission.com>

THE COMPANIES BEHIND THE PIPELINE

EQM is the company with the largest ownership stake and investment in the Mountain Valley Pipeline, owning 45.5 percent of the joint venture (JV). NextEra Energy, a much larger company with an array of wind, solar, nuclear, and gas investments, is the second-largest partner in the pipeline, owning 31 percent of the JV. As the chart below illustrates, Con Edison, WGL, and RGC each own significantly smaller stakes, and are thereby responsible for investing much smaller amounts of capital to build the pipeline.

Interestingly, companies affiliated with the JV partners are under contract to fill the entire 2 Bcf/d capacity of the pipeline, with EQT being the main shipper on the pipeline. This arrangement raises questions about conflicts of interest and whether real market demand exists for the project.⁶

EQM IS THE DRIVING FORCE BEHIND THE MOUNTAIN VALLEY PIPELINE

The Mountain Valley Pipeline is a central piece of both EQM's and EQT's long-term plans for growth. The companies are planning on the pipeline to serve as a key conduit to monetize EQT's gas reserves.

EQT, which accounted for 75 percent of EQM's revenue in 2016,⁸ is the primary company contracted to supply gas to the pipeline. EQT has a 20-year contract with EQM to ship 1.29 Bcf/d of gas through the Mountain Valley Pipeline, which accounts for nearly 65 percent of the project's target daily capacity of 2 Bcf/d.⁹

The Mountain Valley Pipeline is expected to be EQM's largest capital expense over the next two years. The company plans to spend roughly \$200 million on the pipeline in 2017 and will likely spend the bulk of its estimated \$1.6 billion total contribution to the project in 2018, given EQM's projected pipeline in-service date of late 2018.¹⁰

EQM Company Profile

Headquarters: Pittsburgh, Pennsylvania

President & CEO: Steven Schlotterbeck

Background: EQM was formed in 2012 by EQT to own, operate, and develop "midstream" assets in the Appalachian Basin. Midstream assets refer to gathering lines, pipelines, and storage systems used to transmit gas from wellheads to buyers.

Ownership: EQM is a Master Limited Partnership (MLP) controlled by EQT. MLPs are publicly traded limited partnerships that enjoy the tax benefits of a partnership as well as the liquidity of a publicly traded company.¹¹ MLPs do not pay corporation tax but pass their profits on to shareholders tax free. Oil and gas pipeline companies dominate the list of MLPs.¹² MLPs have general partners that control and operate the company while limited partners hold stock known as 'units.'

EQT controls EQM through its ownership of 100% of the general partner interest in its subsidiary EQT GP Holdings (EQGP). EQGP in turn owns the general partner interest of EQM along with approximately 27% of EQM's limited partner units. The remaining share of EQM's limited partner units are publicly traded.

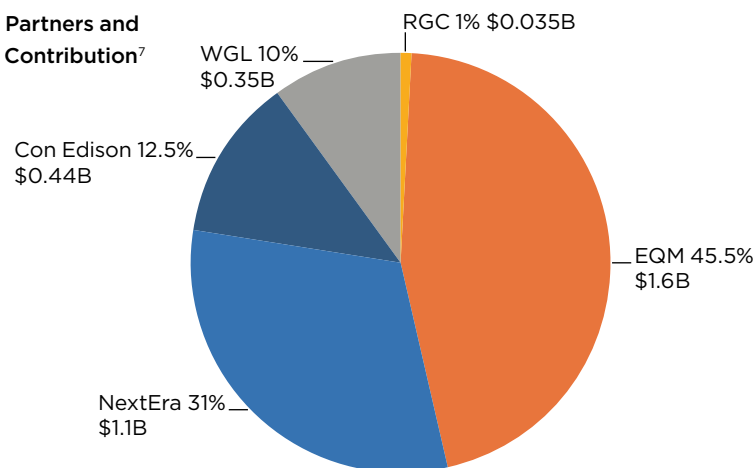
Related Gas Assets: As of Dec. 2016, EQM owned and/or operated approximately 950 miles of natural gas transmission and storage pipelines and approximately 1,800 miles of gathering lines. EQM serves EQT and additional gas producers across 24 counties in Pennsylvania, West Virginia, and Ohio.

2016 Profit: \$538 Million¹³

Estimated Capital Expense on MVP: \$1.6 Billion

Figure 1: Ownership Shares of MVP Partners and Corresponding Estimate of Capital Contribution⁷ (Billion USD)

Source: Mountain Valley Pipeline LLC website



6 Appalachian Mountain Advocates et al., "Comments on the Draft Environmental Impact Statement for the Proposed Mountain Valley Pipeline and Equitrans Expansion Project, Docket Nos. CP16-10 and CP16-13," Federal Energy Regulatory Commission Docket No. CP16-10-000, December 22, 2016, pp. 10-26. https://elibrary.ferc.gov/IDMWS/file_list.asp?document_id=14525037

7 Mountain Valley Pipeline LLC lists the ownership stakes of the JV partners on its website FAQ page at <https://www.mountainvalleypipeline.info/faqs>. Mountain Valley Pipeline LLC has previously estimated a range of \$3 to \$3.5 billion for the total cost of the project. However, both the JV website (as of March 23, 2017) and the Draft Environmental Impact Statement for the MVP issued by FERC in September 2016 list \$3.5 billion as the estimated capital expense. The estimated capital contribution listed for each JV partner is calculated based on the company's percent ownership stake in proportion to the estimated \$3.5 billion project cost. The final total capital expense, and thereby each JV partners' actual capital expense, is subject to change.

8 EQT Midstream Partners, LP, "Form 10-K Annual Report," U.S. Securities and Exchange Commission, February 9, 2017, p. 6. <https://www.sec.gov/Archives/edgar/data/1540947/000154094717000003/eqm1231201610k.htm>

9 EQT Midstream Partners, LP, "Form 10-K Annual Report," U.S. Securities and Exchange Commission, February 9, 2017, p. 9. <https://www.sec.gov/Archives/edgar/data/1540947/000154094717000003/eqm1231201610k.htm>

10 EQT Midstream Partners, LP, "Q1 2017 Results Announced for EQT Midstream Partners and EQT GP Holdings," April 27, 2017. <http://ir.eqtmidstreampartners.com/press-release/eqgqp/q1-2017-results-announced-eqt-midstream-partners-and-eqt-gp-holdings?referrer=eqm>

11 For more on MLPs see <http://priceofoil.org/2013/07/22/new-report-exposes-billions-per-year-in-additional-fossil-fuel-subsidies/>

12 MLP Association, "List of Current MLPs & MLP Funds," May 1, 2017. <https://www.mlpassociation.org/mlp-101/list-of-current-mlps/>

13 EQT Midstream Partners, LP, "EQM and EQGP Investor Presentation," February 2, 2017, p. 21. http://ir.eqtmidstreampartners.com/sites/eqtmidstream.investorhq.businesswire.com/files/doc_library/file/EQTMP-EQTGP_Investor_Presentation_February_2_2017.pdf

NEXTERA IS A SIGNIFICANT PIPELINE PARTNER – BUT MVP IS A SMALLER PIECE OF ITS BUSINESS

Compared to EQM, NextEra is a much larger, more diverse, and more complex company that operates a major utility company in Florida along with an array of energy infrastructure across the country. The Mountain Valley Pipeline is a significant but less central investment for the company.

NextEra Energy Resources (NEER) is the arm of NextEra that is invested in the Mountain Valley Pipeline. While NEER's overall energy generation mix is dominated by wind power, NEER has expanded its investment in gas power and pipelines in recent years. The company has committed to spend roughly \$3 billion to build three gas pipeline projects from 2016 through 2018, with the Mountain Valley Pipeline being the second-largest of these investments behind the Sabal Trail Pipeline.¹⁴ NextEra affiliate USG Properties Marcellus Holdings, LLC is under contract to ship gas on the Mountain Valley Pipeline.

The bulk of NextEra's roughly \$1 billion commitment to the Mountain Valley Pipeline will likely be spent in 2018 if construction moves forward as expected. For context, NEER's latest quarterly report indicates the company invested \$2.3 billion in wind projects in the first three months of 2017 alone, underscoring the fact that pipelines are a much smaller share of NextEra's overall business compared to that of EQM.¹⁵

NextEra Company Profile

Headquarters: Juno Beach, Florida

Chairperson & CEO: Jim Robo

Background: NextEra Energy (NEE) was founded in 1984. The company operates through two primary segments: Florida Power & Light (FPL), one of the nation's largest electric utilities, and NextEra Energy Resources (NEER), which owns, operates, and develops an array of wind, nuclear, solar, gas, and oil generating facilities along with a growing network of gas pipelines.

Related Gas Assets: Through its NEER arm, NextEra is a main partner in the Sabal Trail Pipeline, a 515-mile, \$3 billion project currently under construction from Alabama to Florida, and is the sole developer of the related Southeast Connection Pipeline in Florida. Like MVP, Sabal Trail will also connect with the Transco Pipeline. Additionally, NextEra owns a network of gas pipelines in Texas.

2016 Profit: \$2.9 Billion (NEER accounted for \$1.1 Billion)¹⁶

Estimated Capital Expense on MVP: \$1.1 Billion

THE OTHER PIPELINE PLAYERS

Con Edison Transmission, WGL Midstream, and RGC Midstream each have significantly smaller stakes in the Mountain Valley Pipeline, together accounting for just under a quarter of the joint venture.

Con Edison Transmission (CET) is a subsidiary of Consolidated Edison, which is based in New York and is one of the nation's largest utility companies. Con Ed is responsible for approximately \$440 million of the Mountain Valley Pipeline's cost. The company's utility subsidiary, Consolidated Edison Company of New York, which services New York City, is contracted to be a shipper on the pipeline.

WGL Midstream is a subsidiary of Washington Gas & Light, a major gas utility serving the Washington, D.C. area. In October 2016, WGL increased its stake in the Mountain Valley Pipeline to 10 percent,

and the company is responsible for roughly \$350 million of the project's total cost.¹⁷ WGL Midstream is also contracted to be a shipper on the pipeline. In January 2017, WGL announced that it had reached an agreement to be bought out by AltaGas, a company based in Canada, and hoped to close the merger by mid-2018.¹⁸

RGC Midstream is a subsidiary of RGC Resources, which is based in Roanoke, Virginia. RGC Midstream expects to spend \$35 million on the project, while Roanoke Gas, the utility arm of RGC, is under contract to ship gas on the pipeline. RGC estimates that the Mountain Valley Pipeline will account for the majority of its capital expenditures in 2018.¹⁹

¹⁴ NextEra Energy, "February/March Investor Presentation," February 27, 2017, pp. 15-20. <http://www.investor.nexteraenergy.com/phoenix.zhtml?c=88486&p=irol-presentations>

¹⁵ NextEra Energy, "Form 10-Q Quarterly Report," U.S. Securities and Exchange Commission, April 21, 2017, p. 41. <https://www.sec.gov/Archives/edgar/data/37634/000075330817000081/nee10q17.htm>

¹⁶ NextEra Energy, "Fourth Quarter and Full-Year NextEra Energy, Inc. and NextEra Energy Partners, LP Earnings," January 27, 2017. <http://www.investor.nexteraenergy.com/phoenix.zhtml?c=88486&p=EarningsRelease4Q16>

¹⁷ WGL, "WGL Midstream Acquires Additional 3 Percent Interest in Mountain Valley Pipeline," October 31, 2016.

<http://wglholdings.com/releasedetail.cfm?ReleaseID=996318>

¹⁸ WGL, "WGL Holdings, Inc. to be Acquired by AltaGas Ltd. in \$6.4 Billion Transaction," January 25, 2017. <http://www.wglholdings.com/releasedetail.cfm?ReleaseID=1009172>

¹⁹ RGC Resources, "December 2016 Investor Presentation," December 13, 2016, p. 9. <http://www.rgcreources.com/news/December%202016%20Investor%20Presentation.pdf>

WHO IS BANKROLLING THE PIPELINE?

The clearest way to answer this question is to look at who is bankrolling EQM.

Ultimately, EQM is the main driver of the Mountain Valley Pipeline as the project is clearly designed to serve EQT's gas production growth plans. The pipeline represents a more significant share of the company's overall capital expenditures when compared to the other partners. Accordingly, EQM is also the pipeline partner with the most to lose financially if the pipeline were to be delayed or blocked. In fact, a recent report by an analyst for the financial firm Janney called "pipeline delays" a key risk factor that could depress the growth of EQM's stock price.²⁰

While NextEra subsidiary NEER is also invested significantly in the project, the pipeline is a much smaller piece of the company's overall investments alongside an array of wind, solar, nuclear, and fossil fuel investments. Additionally, NextEra has access to a far greater depth and diversity of financial resources. Its credit facilities total approximately \$18 billion, including a loan agreement struck in February 2017 with the French bank BNP Paribas and the Japanese bank Sumitomo Mitsui that is worth \$7.5 billion in total.^{21 22} This massive

bilateral loan appeared to be closely linked in timing and amount to the company's plan to finance its proposed takeover of Texas utility Oncor, which is now on the ropes.²³ Meanwhile, 67 different banks participate in NextEra's revolving credit facilities, none of which are clearly connected to a specific portion of the company's upcoming capital expenditures.²⁴ No direct link has yet emerged between banks that finance NextEra and the company's specific investment in the Mountain Valley Pipeline.

WHO FINANCES EQM?

In its 2016 annual report filed with the U.S. Securities and Exchange Commission (SEC), EQM states that the company plans to finance upcoming capital expenditures, the top one being the Mountain Valley Pipeline, "primarily through cash on hand, cash generated from operations, availability under its credit facilities, debt offerings and the issuance of additional EQM partnership units."²⁸ This means that EQM does not expect to seek bank loans for the specific purpose of financing the pipeline, but rather will rely on its existing borrowing arrangements with banks and/or raise additional money by issuing more bonds (i.e. "debt offerings") and/or stock (i.e. "partnership units").

EQM's primary existing borrowing arrangement is a \$750 million revolving credit facility that the company established in February 2014 with commitments from 18 different banks. EQM can borrow up to \$750 million from this facility at a time, withdrawing cash as needed and repaying it on a revolving basis, through February 2019.²⁹ EQM has already used this credit facility to fund its involvement in the Mountain Valley Pipeline. When EQM bought out EQT's ownership shares in the joint venture in 2015, it funded the cash payment using this credit facility.³⁰

EQM turned to bonds to boost its financing as recently as November 2016, when it issued \$500 million in senior notes – a type of bond. A group of 11 banks purchased varying amounts of the notes, which are due in 2026.³¹ EQM used a portion of the money it received from this bond sale to pay down outstanding loans under its credit facility, while stating that additional proceeds could be used to fund capital expenditures.³²

The banks behind EQM's credit facility and its recent bond offering are thus the banks most closely linked to EQM's financing of the Mountain Valley Pipeline.

Two Banks with a Big Virginia Footprint are Financing RGC's MVP Investment

Roanoke-based RGC Midstream entered into a five-year \$25 million credit agreement with Union Bank & Trust and Branch Banking & Trust (BB&T) in December 2015 for the express purpose of financing its 1% stake in the Mountain Valley Pipeline. Union has committed \$15 million while BB&T has committed \$10 million.²⁵ Union is a Virginia-based bank with hundreds of branches across the state, and describes itself as "first and foremost a community bank."²⁶ BB&T, headquartered in neighboring North Carolina, ranks among the largest banks in the U.S. and also has a large footprint across Virginia.²⁷

20 Akil Marsh, "EQM: Initiating Coverage; BUY before Mountain Valley gets priced in," Janney, January 26, 2017. Accessed from Factiva.

21 Lucas Bifera, "Moody's: NextEra's need for \$20B in long-term capital a challenge, but doable," SNL Extra, March 6, 2017. <https://www.snl.com/InteractiveX/articleabstract.aspx?id=39719907&kPLT=8>

22 NextEra Energy, "Form 8-K, Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant," U.S. Securities and Exchange Commission, February 10, 2017. <https://www.sec.gov/Archives/edgar/data/753308/000075330817000009/nee8k02072017.htm>

23 Moody's Investor Service, "Moody's: NextEra Energy unaffected amidst regulators' denial of proposed Oncor acquisition," April 24, 2017. https://www.moody's.com/research/Moodys-NextEra-Energy-unaffected-amidst-regulators-denial-of-proposed-Oncor-PR_365588

24 NextEra Energy, "Form 10-K Annual Report," U.S. Securities and Exchange Commission, February 23, 2017, p. 49. <https://www.sec.gov/Archives/edgar/data/1069533/000106953315000032/a8kmidstreamintermediatebo.htm>

25 RGC Resources, Inc., "Form 8-K, Item 1.01 Entry into a Material Definitive Agreement," U.S. Securities and Exchange Commission, December 29, 2015. <https://www.sec.gov/Archives/edgar/data/1069533/000106953315000032/a8kmidstreamintermediatebo.htm>

26 See <http://www.bankatunion.com/home/about>

27 See <https://www.bbt.com/locator/state.page?stateSelected=Virginia,VA>

28 EQT Midstream Partners, LP, "Form 10-K Annual Report," U.S. Securities and Exchange Commission, February 9, 2017, p. 58. <https://www.sec.gov/Archives/edgar/data/1540947/000154094717000003/eqm1231201610k.htm>

29 EQT Midstream Partners, LP, "Form 8-K, Exhibit 10.1: \$750,000,000 Amended and Restated Credit Agreement," U.S. Securities and Exchange Commission, February 18, 2014. See Schedule 2.01(a) for the commitments of each bank. https://www.sec.gov/Archives/edgar/data/1540947/000110465914011039/a14-6009_lex10d1.htm

30 EQT Midstream Partners, LP, "Form 10-K Annual Report," U.S. Securities and Exchange Commission, February 9, 2017, p. 72. <https://www.sec.gov/Archives/edgar/data/1540947/000154094717000003/eqm1231201610k.htm>

31 EQT Midstream Partners, LP, "Form 8-K, Exhibit 1.1: \$500,000,000 4.125% Senior Notes due 2026; Underwriting Agreement," U.S. Securities and Exchange Commission, November 1, 2016. See Schedule I for the commitments of each underwriter. https://www.sec.gov/Archives/edgar/data/1540947/000110465916154915/a16-20711_4ex1d1.htm

32 Moody's Investor Service, "Rating Action: Moody's rates EQT Midstream's new notes Ba1," November 1, 2016. https://www.moody's.com/research/Moodys-rates-EQT-Midstreams-new-notes-Ba1-PR_357145

Table 1: Bank Financing of EQM

Bank	Share of Credit Facility (Million USD)	Share of Senior Notes (Million USD)	Total (Million USD)
Bank of America and subsidiary Merrill Lynch*	\$51.7	\$90	\$141.7
MUFG and Bank of Tokyo-Mitsubishi	\$51.7	\$90	\$141.7
Deutsche Bank	\$41	\$90	\$131
Wells Fargo*	\$51.7	\$35	\$86.7
PNC	\$51.7	\$35	\$86.7
SunTrust	\$51.7	\$35	\$86.7
BNP Paribas (Bank of the West)	\$41	\$35	\$76
U.S. Bank	\$41	\$35	\$76
Bank of Nova Scotia and Scotia Capital	\$41	\$35	\$76
Barclays*	\$51.7		\$51.7
Citibank*	\$51.7		\$51.7
JPMorgan Chase	\$51.7		\$51.7
Credit Suisse*	\$41		\$41
Goldman Sachs*	\$41		\$41
Royal Bank of Canada	\$41		\$41
Huntington National Bank	\$16.7	\$10	\$26.7
Canadian Imperial Bank of Commerce	\$16.7	\$10	\$26.7
Bank of New York Mellon	\$16.7		\$16.7
Total	\$750	\$500	\$1,250

*Denotes that the institution was also one of EQM's top 50 institutional shareholders, holding more than 100,000 limited partnership units as of Dec. 31, 2016.³³ Source: EQM's Revolving Credit Facility Agreement filed with the SEC on Feb. 18, 2014 and EQM's Senior Notes Underwriting Agreement filed with the SEC on Nov. 4, 2016. Some figures are rounded.

SIX 'MAIN STREET' BANKS PLAY A MAJOR ROLE

A total of 18 banks finance EQM's \$750 million credit facility and 11 of those same banks (including subsidiaries) financed the recent bond offering. As the table above illustrates, six U.S. 'main street' banks – banks that are leading providers of personal banking services in the U.S. – rise to the top. Bank of America, Wells Fargo, PNC, SunTrust, and U.S. Bank are each bankrolling EQM's credit facility and each purchased significant amounts of EQM's recently issued senior notes. The same is true of BNP Paribas, which owns Bank of the West, a major U.S. bank in the West and Midwest.

Bank of America leads the pack: the bank is providing upwards of \$141 million in financing to EQM, which equates to nearly 9 percent of the company's share of the cost of the Mountain Valley Pipeline. Wells Fargo, PNC, and SunTrust are each bankrolling EQM to the tune of more than \$86 million, while U.S. Bank and BNP Paribas follow at roughly \$76 million. Wells Fargo plays a pivotal role in the revolving credit facility by acting as lead arranger, which means it administers the loan and makes additional revenue for doing so.

It's important to note that U.S. Bank recently became the first major U.S. financial institution to commit to ending

project-level financing for oil and gas pipelines. This is a positive step other banks should follow. However, it remains unclear how, if at all, U.S. Bank intends to address its corporate-level financing for companies like EQM that are exclusively in the business of building gas pipeline infrastructure.

Two other banks based outside of the U.S. – MUFG, based in Japan, and Deutsche Bank, based in Germany – are also top bankrollers of EQM. While these banks have branches and/or subsidiaries in the U.S., they provide limited personal financial services to U.S. consumers.

Gas Pipelines and Investor Risk

In addition to the ethical issues surrounding the Mountain Valley Pipeline – climate change, habitat destruction, property rights abuse, and the threat to water – there are clear financial risks that investors must consider. Divestment from this project could be a wise financial move.

With 65 percent of the project's capacity booked by EQT, the parent company of EQM and the largest gas producer in the region, it is obvious that MVP is a supply-driven project. The other shippers are all partners in the pipeline joint venture. Therefore, market demand has not been established by actual gas customers, but rather by 'self-dealing' between the project partners and their affiliated companies.

There are fundamental issues concerning gas demand assumptions that must be scrutinized by investors and regulators alike. Gas demand for residential use (heating and cooking) has remained static in recent years even as the number of connected customers has risen. Bloomberg Finance reports that, even accounting for recent mild winters, per customer consumption has dropped over 10 percent in the past decade as the result of utility investment in energy efficiency.³⁴

Any significant growth in industrial or commercial demand for gas is likely to be contained in regions close to gas production and not in the southeast. The expectation of rising gas demand lies squarely on increasing demand from electricity generators in the southeast region. But U.S. electricity demand is also in decline, falling 1.1 percent in 2016 despite 1.6 percent GDP growth.³⁵ The fact is that space for new gas generation capacity can only come from the replacement of retiring plants, primarily coal and nuclear. But while the recent past has seen a strong correlation between retiring coal and new gas, that relationship looks increasingly weak. Indeed, the fundamentals of the power market are being turned upside down by renewable energy and technology to manage flexibility, demand response, and the digital grid, such that the risk of long-term commitment to any single energy source is greatly increased.³⁶

Wind and solar have reached grid parity with gas and coal, and cost reductions and capacity improvements in battery storage indicate that peak demand will soon be more cost-effectively met by wind and storage than by expensive gas 'peakers.'³⁷ The outlook for gas in the face of these changes is far from certain.³⁸

The southeast states that would be served by MVP rank low in terms of energy efficiency measures implemented to date.³⁹ This means that there is huge potential to cut energy demand with cost-effective policies that save consumers money. Except for North Carolina, these states have also been slow to utilize abundant renewable energy resources. However, this is starting to change with Georgia Power recently setting substantial but achievable goals for solar (1.2GW by 2021).⁴⁰

As clean energy develops along a pathway typical of technological innovation, with declining costs and increasing capacity and efficiency, it is likely to outcompete the rising cost of a depleting fossil fuel. This makes the long-term demand for gas highly uncertain and the return on capital-intensive gas infrastructure far from secure.

34 Bloomberg New Energy Finance and the Business Council for Sustainable Energy, "Sustainable Energy in America: 2017 Factbook. February 2017," Bloomberg Finance L.P., 2017, Executive Summary p. 3. <http://www.bcse.org/wp-content/uploads/2017-Sustainable-Energy-in-America-Factbook-Executive-Summary.pdf>

35 Ibid.

36 Jessica Harrison, "Record Changes and Uncertainty Reshape the U.S. Utility Industry," Power Magazine, January 1, 2016. <http://www.powermag.com/record-changes-uncertainty-reshape-u-s-utility-industry/?printmode=1>

37 Peter Maloney, "Renewables challenge natural gas plants on price in latest Lazard analysis," Utility Dive, December 20, 2016. <http://www.utilitydive.com/news/renewables-challenge-natural-gas-plants-on-price-in-latest-lazard-analysis/432700/>

38 Harry Weber and Tim Loh, "Utilities Buying Gas Pipelines Better Watch Out for Batteries," Bloomberg, November 11, 2015. <https://www.bloomberg.com/news/articles/2015-11-11/utilities-buying-gas-pipelines-better-watch-out-for-batteries>

39 American Council for an Energy-Efficient Economy, "The State Energy Efficiency Scorecard 2016," <http://aceee.org/state-policy/scorecard>

40 Dave Williams, "Georgia Power Agrees to Major Commitment to Renewables," Atlanta Business Chronicle, June 24, 2016. <http://www.bizjournals.com/atlanta/news/2016/06/24/georgia-power-agrees-to-major-commitment-to-solar.html>



Banks Face Growing Backlash Over Fossil Fuel Financing

Banks are no strangers to backlash over their financing of fossil fuel projects that threaten communities and the climate. People and organizations like Rainforest Action Network campaigned for years to pressure big U.S. banks to back away from financing mountaintop removal coal mining and new coal plants – winning commitments from banks including Bank of America, Wells Fargo, PNC, and JPMorgan Chase in recent years.⁴¹

Banks are facing mounting pressure now to end their financing of major pipeline projects following the takeoff of the “Defund DAPL” movement. As indigenous communities in Standing Rock, North Dakota resisted construction of the Dakota Access Pipeline (DAPL), people across the country and the world began targeting the major banks financing the 1,100-mile oil project.⁴² In response to public pressure, including protests at bank branches, the cities of Seattle, San Francisco, and Davis, California, have taken steps to cut ties with Wells Fargo and other banks financing DAPL.⁴³ As of May 2017, customers had reported moving personal accounts worth more than \$80 million.⁴⁴

Banks have begun to respond. The Dutch bank ING, the Norwegian bank DNB, and the French bank BNP Paribas recently sold their shares of a loan for the pipeline, and the Nordic bank Nordea reportedly banned its fund managers from investing in companies constructing the pipeline.⁴⁵ In May 2017, the Treaty Alliance Against Tar Sands Expansion and a coalition of grassroots Indigenous groups launched a broader #DefundPipelines campaign targeting the banks that provide funding to DAPL and four proposed new tar sands pipelines in the U.S. and Canada.⁴⁶

In April 2017, U.S. Bank quietly announced that it will exclude project-level financing for oil and gas pipelines from its portfolio,⁴⁷ becoming the first major bank in the U.S. to do so. This update to U.S. Bank’s Environmental Sustainability Policy came in response to ongoing pressure from groups including MN350 and Honor the Earth, and the DAPL resistance movement. U.S. Bank can and should take the next step of committing to end its corporate-level financing for companies like EQM that are solely in the business of building oil and gas pipelines.

41 See <https://www.nytimes.com/2015/03/10/business/dealbook/pnc-joins-banks-not-financing-mountaintop-coal-removal.html> and https://www.nytimes.com/2016/03/21/business/dealbook/as-coals-future-grows-murkier-banks-pull-financing.html?_r=0

42 See <http://www.defunddapl.org/> and <http://www.foodandwaterwatch.org/news/who-s-banking-dakota-access-pipeline>

43 See <http://www.npr.org/sections/thetwo-way/2017/02/08/514133514/two-cities-vote-to-pull-more-than-3-billion-from-wells-fargo-over-dakota-pipeline> and <http://sanfrancisco.cbslocal.com/2017/03/14/san-francisco-moves-to-divest-1-2b-from-companies-financing-dakota-access-pipeline/>

44 As reported on May 10, 2017 on the personal divestment tracker at <http://www.defunddapl.org/>

45 See <http://www.reuters.com/article/us-north-dakota-pipeline-banks-idUSKBN16S2U5> and <http://www.theglobeandmail.com/report-on-business/international-business/european-business/norwegian-bank-dnb-sells-its-share-of-dakota-access-pipeline-funding/article34430929/> and <https://www.law360.com/articles/910228/bnp-paribas-yanking-funding-from-dakota-access-pipeline> and <http://priceofoil.org/2017/02/13/new-york-city-could-be-next-to-disinvest-from-dapl/>

46 See <https://mazaskatalks.org/>

47 U.S. Bancorp, “2017 Environmental Responsibility Policy,” April 2017. <https://www.usbank.com/pdf/community/Environmental-Responsibility-Policy-Web-Final-April2017.pdf>

CONCLUSIONS AND RECOMMENDATIONS

A string of major banks is in line to finance the Mountain Valley Pipeline, despite the significant harm the project would inflict on the climate and communities along its path. EQM's financing reveals the clearest links to the banks behind the pipeline.

Bank of America is the U.S. 'main street' bank providing the most funding to EQM. Wells Fargo is also a top funder and plays a pivotal role as lead arranger of EQM's credit facility. Apart from MUFG and Deutsche Bank, PNC, SunTrust, BNP Paribas/Bank of the West, and U.S. Bank are next in line as significant bankrollers of EQM.

Across North America, people are increasingly targeting banks for their funding of new fossil fuel infrastructure. This briefing provides a blueprint to help people fighting the Mountain Valley Pipeline challenge the project's financing in addition to its permits.

We recommend the following actions:

- 1 Join Protect our Water, Heritage, Rights (POWHR), an association of community groups fighting the Mountain Valley Pipeline, in working to #DefundMVP. Go to <https://powhr.org/divestmvp> to learn more and get involved.
- 2 Divest your money from the Mountain Valley Pipeline: If you have a financial relationship with one of the key banks financing the pipeline, move your money and write a letter to bank management explaining why. You can find resources on banking alternatives and a sample letter at powhr.org/divestmvp.⁴⁸
- 3 For U.S. Bank customers in particular, write a letter urging the company to strengthen and extend its recent commitment to end project-level loans to oil and gas pipelines by also terminating its corporate-level financing of pipeline companies like EQM.⁴⁹
- 4 Share this information with others in your community so that people know if their bank is funding the Mountain Valley Pipeline.
- 5 Use the hashtag #DefundMVP to spread the word on social media, and follow and share updates from the #DefundDAPL and #DefundPipelines movements across North America.
- 6 Contact the [Regional Bold Alliance](#) Pipeline Fighter for more information on fighting the Mountain Valley Pipeline.⁵⁰
- 7 To learn more about the climate pollution impact of the pipeline, read and share Oil Change International's [greenhouse gas emissions briefing](#) on the Mountain Valley Pipeline.⁵¹
- 8 Join local, regional and national groups in calling for the rejection of this and other gas projects.

Other Key Organizations Fighting Mountain Valley Pipeline

Protect Our Heritage, Water, Rights (POWHR)
Bold Appalachia
Ohio Valley Environmental Coalition
Appalachian Voices
Chesapeake Climate Action Network
Virginia Sierra Club
Appalachian Mountain Advocates

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Oil Change International is a research, communications, and advocacy organization focused on exposing the true costs of fossil fuels and facilitating the coming transition towards clean energy.
Website: www.priceofoil.org Contact: info@priceofoil.org



The Bold Alliance is a network of small but mighty groups protecting land and water.
Website: www.boldalliance.org Contact: info@boldalliance.org

⁴⁸ Find additional 'move your money' resources and templates from the Defund DAPL movement at: <http://www.defunddapl.org/>

⁴⁹ Review U.S. Bank's recent update to its Environmental Responsibility Policy at: <https://www.usbank.com/pdf/community/Environmental-Responsibility-Policy-Web-Final-April2017.pdf>

⁵⁰ Carolyn Reilly, carolyn@boldalliance.org, 540-488-4358

⁵¹ Oil Change International, "The Mountain Valley Pipeline: Greenhouse Gas Emissions Briefing," February 2017. <http://priceofoil.org/2017/02/15/mountain-valley-pipeline-greenhouse-gas-emissions-briefing/>