Business

Kinder Morgan Seeks to Expand CO2 Business in Clean Energy Push

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29 March 2021, 18:22 BST
Updated on 30 March 2021, 11:00 BST

- Pipeline giant plans to invest in carbon capture technology
- CO2 is "growth vehicle, not a dying business:" Kinder Morgan

Oil storage tanks are seen at dusk at the Kinder Morgan Inc. fuel terminal in Wilmington, California.
Photographer: Bing Guan/Bloomberg

Pipeline giant Kinder Morgan Inc. plans to expand its carbon-capture business, joining the ranks of major oil and gas companies capitalizing on clean energy investing.

Fueled by a push to eliminate greenhouse gas emissions, carbon capture and renewable energy projects are sprouting up alongside Kinder Morgan's massive network of pipelines crisscrossing the U.S., and the midstream operator sees the potential for new business opportunities. Through a unit launched earlier this month, Kinder Morgan will invest in technology and partner with companies on carbon capture, biofuels and hydrogen projects, among other initiatives.

"What we're trying to do is augment and supplement that business and grow that side of the business by capturing, transporting and providing carbon sequestration services," said Jesse Arenivas, the president of Kinder Morgan Energy Transition Ventures, in an exclusive interview with Bloomberg. "We see our CO2 business as a growth vehicle, not a dying business."

Energy companies including Occidental Petroleum Corp., Halliburton Co. and NextDecade Corp. have already formed ventures in the past year dedicated to the transition to low-carbon energy following growing pressure from investors to address climate change and develop new corporate strategies focused on sustainability. Climate scientists have long considered carbon capture as essential in meeting climate goals, but high costs have typically slowed the adoption process.

Carbon dioxide is not a new business for Kinder Morgan. The company transports about 1.5 billion cubic feet per day of naturally-occurring carbon dioxide through its largest CO2 pipeline from a geological formation in Colorado to the Permian Basin of West Texas, where it is used to boost the productivity of oil wells. It uses the CO2 for its own drilling projects and also sells it to others. In 2019, Kinder Morgan was said to consider a sale of its carbon dioxide unit, but ultimately decided to keep the unit.

Carbon Capture Investing

"We were always a marketer, transporter and user of CO2, and now we're looking to invest upstream in the form of carbon capture," said Arenivas, who has overseen the company's carbon dioxide segment for more than six years.

Kinder Morgan expects its CO2 business segment, including enhanced oil recovery in the Permian Basin, to account for about 7% of earnings before depreciation and amortization, or EBDA, this year. Arenivas said the energy transition ventures unit and its carbon capture services have the potential to add new customers and partners, ranging from oil and natural gas well operators to power plants and industrial sites.

“We certainly concede that you’re going to have a different power generation mix in the future,” said Arenivas. “Renewables will play a larger role as we move forward, but we’ll continue to do what we do, which is transport the end product to a very energy-thirsty market.”

While technologies such as drawing carbon dioxide directly from the air or adding ducts and processing equipment to smoke stacks remain too expensive for widespread adoption and commercial use, Arenivas said new innovations and tax credits could change that.

“The Biden administration understands that the current incentive structure is not going to get us to the goal of carbon reduction and use,” Arenivas said. “We expect that there will be expanded programs and they will be needed to facilitate most of the newer technologies.”

– With assistance by Gerson Freitas Jr