Oil and Gas News Briefs
Compiled by Larry Persily
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Gas pipeline operator wants to change direction to move gas liquids

http://www.courier-journal.com/story/tech/science/environment/2015/04/09/new-pipeline-plan-draws-fire-across-kentucky/25532167/

(Courier-Journal; Louisville, KY; April 10) - Workers were welding a weak spot on Kentucky's latest controversial pipeline when physician James Angel approached the crew, saying the maintenance accentuated his fears about a Texas company's plans for the natural gas pipeline that crosses his farm. Under those plans, Kinder Morgan's line would be converted to carry natural gas liquids in steel pipe buried seven decades ago. Instead of moving gas north, the line would move liquids south.

"If that line ruptures, it would kill me," he said. "It would poison our (community's) water supply. It's a threat to everybody I take care of in this county." Kentuckians across the commonwealth are voicing similar concerns this spring as Kinder Morgan's Tennessee Gas Pipeline becomes the second pipeline company in two years to make a play to move valuable natural gas liquids from fracking zones in Ohio and Pennsylvania across Kentucky to the nation's petrochemical hub in Louisiana and Texas.

Natural gas liquids are separated at the well site and can include ethane, propane and butane, used to make plastics, rubber, solvents, antifreeze and refrigerants. They are more dangerous than natural gas because they pose not only an explosion risk but also an asphyxiation risk, said Samya Lutz, outreach coordinator with the Pipeline Safety Trust, a safety advocacy group. Kinder Morgan spokeswoman Melissa Ruiz said the pipeline can be converted to safely carry natural gas liquids.

http://uk.reuters.com/article/2015/04/13/russia-novatek-lng-idUKL5N0X90E320150413

(Reuters; April 13) - Russian gas producer Novatek hopes to secure $5 billion from global export credit agencies for its Arctic liquefied natural gas project Yamal LNG by mid-year, chief executive Leonid Mikhelson said.
Speaking in a northern port where the facilities for Yamal LNG are being built, Mikhelson and the head of French partner Total were upbeat about financing, which has been complicated by Western sanctions imposed on Russia over Ukraine.
Novatek, the major shareholder in Yamal LNG and co-owned by Gennady Timchenko, an ally of President Vladimir Putin, was placed under U.S. sanctions last year, limiting its access to global financing.

But Moscow has vowed to make sure Yamal LNG goes ahead. The project is key to Putin's drive to maintain Russia's energy dominance and for plans to carve out a greater share of the frozen sea-borne gas market for Russia.
"Today, the intentions expressed by the export agencies are valued at $5 billion," Mikhelson told reporters in the northern port of Sabetta, some 1,325 miles northeast of Moscow.
Patrick Pouyanne, chief executive of Total which owns a 20 percent stake in Yamal LNG, said they had also been in talks with Chinese institutions to raise between $10 and $15 billion.
"If not for sanctions, the financing for the project would have been done already," Pouyanne said.
Novatek owns 60 percent in the $27 billion Yamal LNG project, alongside Total and China National Petroleum Corp.
The first production unit, with annual capacity of 5.5 million metric tons, is due to be launched in 2017. Peak production of 16.5 million tons a year is expected to be reached in 2021.
Apart from bank financing, Novatek has secured 150 billion roubles ($2.8 billion) from Russia's rainy day National Wealth Fund. Novatek received the first tranche of 75 billion roubles in February and hopes to get the rest this quarter.
The Russian company has also been in talks to sell 9 percent in Yamal LNG to raise funds.
Mikhelson said the company aimed to complete the talks before securing funds on the international market for Yamal LNG. He declined to name potential buyers of the stake.
Mark Gyetvay, Novatek's chief financial officer, has said Asia-based companies were interested in acquiring the stake.
Putin has urged Russian companies to increase output of LNG and try to double their global market share by 2020 from around 4.5 percent now.

http://economictimes.indiatimes.com/industry/energy/oil-gas/ongc-oil-india-and-bharat-petroluem-to-invest-6-billion-in-mozambique/articleshow/46905179.cms

(The Economic Times; India; April 13) - State-run ONGC, OIL and BPCL will in the next four years invest $6 billion in developing a giant gas field off the Mozambique coast and converting the fuel into LNG for export to nations like India, Oil Minister Dharmendra Pradhan said today.
ONGC Videsh Ltd, the overseas arm of Oil and Natural Gas Corp., Oil India and a unit of Bharat Petroleum Corp. together hold 30 percent interest in Rovuma Area-1, which is estimated to hold recoverable gas reserves of up to 75 trillion cubic feet.
"We have invested more than $6 billion so far (in the Mozambique field) and another $6 billion will be invested by 2019 to develop Rovuma Area-1 field," he said here.
An estimated $18.4 billion will be required to bring first set of discoveries in Rovuma Area-1 on to production and convert that gas into liquefied natural gas for ease of shipping to consuming nations like India.

OVL's share would be $2.944 billion. Pradhan, who returned from a two-day visit to the African nation last night, said the first LNG from the block is targeted for 2018-end or early 2019.

The project with capacity to produce 20 million tonnes of LNG annually would be the world's largest LNG export site after ExxonMobil-run Ras Laffan in Qatar.

OVL had in 2013 bought Videocon's 10 percent stake in the Rovuma Area-1 for $2.475 billion. It followed this up by acquiring another 10 percent stake in the same field from Anadarko Petroleum Corp of the US for $2.64 billion. The 10 percent stake of Videocon was split in 60:40 ratio with OIL.

"I had a very successful tour to Mozambique... we are getting full cooperation from the Mozambique government for early development and monetisation of Rouvma Area 1," he said.

Pradhan said the block consortium is talking to Indian buyers like state gas utility GAIL for selling LNG.

"If it fetches more money (to us) by selling the LNG then and there itself, we will opt for that. But if it is beneficial to bring the gas to India, we will certainly look at that option," he said.

Rovuma Area-1 Offshore Mozambique Block (Block Area 1) is located along the coasts of northern Mozambique and southern Tanzania in the Indian Ocean. It has a total area of more than 10,000 square kilometres in water depths ranging 900 metres to 1,600 metres and about 30-60 kms from shore.

Woodlands, Texas-based energy-exploration company Anadarko is the operator of the block with 26.5 per cent stake while a unit of BPCL has 10 per cent interest. Other partners in Area 1 include Mitsui with 20 per cent stake, ENH (15 per cent) and PTTEP (8.5 per cent).

So far, seven gas fields have been discovered in the block. Of these, three fields - Lagosta, Windjammer and Barquentine (collectively called the Prosperidade field) - extend into the adjacent Block Area-4 where Italy's ENI with a 70 per stake is the operator.

The others - Atum, Golfinho and a small field Tubarao, are independent fields lying fully in Block Area-1.

Sources said the consortium is looking at developing the independent fields first.

Pradhan said, during his visit to Mozambique on April 9 and 10, he met Prime Minister Agostino Rosario and Foreign Minister Baloi. He also had a meeting with his counterpart, Minister of Mineral Resources & Energy Pedro Couto.

"Rovuma Area-1 is the largest investment of India in any single hydrocarbon asset abroad," he said.

http://www.reuters.com/article/2015/04/13/us-bg-shell-australia-idUSKBN0N40IN20150413

(Reuters; April 13) - Some of Australia's biggest manufacturers fear a planned $70 billion takeover of BG Group by Shell could potentially worsen what they see as a lack of competition in the country's eastern gas market.
Manufacturing Australia, a lobby group whose members include world no.2 explosives maker Incitec Pivot and steel maker Bluescope Steel, warned that gas users seeking long term contracts were facing higher costs due to a limited number of suppliers.
The group has yet to decide whether to make a submission to a review of Shell's bid that will be carried out by Australia's competition watchdog.
"It's an issue that does raise some concern," Manufacturing Australia executive director Ben Eade told Reuters. "It's certainly not going to increase competition in a market where we think what we need is more suppliers than less."
Concerns about soaring gas prices in eastern Australia have come to a head with the start of exports from three liquefied natural gas plants plants in Queensland, including BG's Queensland Curtis plant which opened late last year.
A report last year by Deloitte Access Economics found that manufacturing output could shrink by as much as A$120 billion ($91 billion) by 2021 due to rising gas prices as LNG exports ramped up.
Estimates of gas price rises have been based on assumptions that Australia's LNG exports would fetch $14-16 per gigajoule (GJ), although spot LNG in the Asia Pacific is trading at around $7 LNG-AS following the collapse in oil prices.
"It's not necessarily about price. We believe there's a great lack of competitive rivalry in the gas production market," Eade said.
The Australian Competition and Consumer Commission said on Monday it would begin an inquiry into the competitiveness of wholesale gas prices and the structure of the industry.
The inquiry, due to be completed by April 2016, will be run separately and over a longer timeframe than the merger review, a commission spokeswoman said.
The review of the gas industry in eastern and southern Australia comes amid concerns raised by big manufacturers that suppliers are hoarding gas for export, and offering only limited amounts at high prices for domestic users.
"What we want to see is encouragement and incentives for a second tier of gas producers to be able to enter the market," Eade said.
Shell Chief Executive Ben van Beurden said last week the BG deal would face anti-trust scrutiny but was unlikely to lead to forced asset sales. Shell and BG together own gas reserves in eastern Australia and offshore Western Australia as well as stakes in LNG plants on both sides of the country.

http://www.lngindustry.com/liquefaction/13042015/Lake-Charles-LNG-awarded-draft-EIS-579/

(LNG Industry; April 13) - The Federal Energy Regulatory Commission has prepared a draft environmental impact statement for the Lake Charles Liquefaction project.

The project, proposed by Trunkline Gas, Lake Charles LNG and Lake Charles LNG Export, will be located in Calcasieu Parish, La.
Trunkline requests authorization to construct, install, and operate new natural gas pipeline facilities; modify certain compressor and meter stations; and abandon one compressor unit in the states of Arkansas, Mississippi, and Louisiana.
Lake Charles LNG and Lake Charles LNG Export jointly request authorisation to site, construct and operate new liquefaction facilities adjacent to an existing LNG terminal, and to construct and operate certain facility modifications at the existing terminal. The new liquefaction facilities will have a design production capacity of 16.45 million tpy.
The draft EIS assesses the potential environmental effects of construction and operation of the project in accordance with NEPA. The FERC has concluded that approval of the proposed project would have some adverse environmental impact, however most would be reduced to less than significant levels with the implementation of the companies' proposed mitigation and additional measures recommended by the FERC.

http://www.bloomberg.com/news/articles/2015-04-13/novatek-aims-to-reduce-stake-in-arctic-lng-project-by-mid-year

(Bloomberg; April 13) - OAO Novatek, the largest shareholder of a project to build a liquefied natural-gas plant in Russia's Arctic, plans to accelerate the sale of a stake in Yamal LNG as U.S. sanctions limit the project's financial options.
Novatek, which has been in on-and-off talks to sell about 9 percent out of its 60 percent stake in Yamal LNG since 2013, intends to complete the negotiations by mid-2015, the company's chairman, Leonid Mikhelson, told reporters at the plant's future site near the Arctic Kara Sea. Total SA and China National Petroleum Corp. are already shareholders.
"We are aiming to complete the talks before opening external financing," Mikhelson said, declining to name the potential buyers. "We don't look into reducing Novatek's stake below controlling."
U.S. energy sanctions introduced last year targeted Novatek and its subsidiaries, blocking the companies' access to long-term U.S. financing and threatening the $27 billion Yamal LNG project. Novatek had held talks with Asian companies over buying 9.9 percent in the project, yet after the Russian government agreed to provide financial support to the project Mikhelson said he saw no need to continue the negotiations.
Novatek, Total and CNPC expect to start output at the LNG plant in 2017 and bring it to the full capacity of 16.5 million tons a year in 2021. Total and CNPC hold 20 percent each in the project.
Limited Options
U.S. sanctions have limited Novatek's options to find a new shareholder in Yamal LNG, Andrey Polischuk, an oil and gas analyst at Raiffeisenbank, said by phone from Moscow.

“Given the sanctions, there are few options for Novatek,” he said. “The company may be holding talks with investors from India, China or, less likely, from Vietnam.”
Polischuk didn’t rule out that the Russian state may offer additional support to the LNG project by buying the minority stake through a state-owned financial institution.
The sanctions have prevented the full financing of the Yamal LNG project even as construction continues at the project.
“If we did not have this question of sanctions, the financing would have been done already,” Total Chief Executive Officer Patrick Pouyanne told reporters at the plant’s site.
External financing is set to cover around 65 percent of Yamal LNG’s total capital costs, Mikhelson said, confirming earlier media reports. The project’s shareholders have already invested over $10 billion in the project, he said.
“The Chinese side is expected to provide the larger part of the necessary project financing,” Mikhelson said.
Chinese Investors
Total, jointly with Novatek and CNPC, is holding talks with Chinese investors to raise $10 billion to $15 billion for the project, Pouyanne said, clarifying an earlier report by the Wall Street Journal.
European and Asian export credit agencies may provide $5 billion for the LNG project, with French institutions looking to lend about $3 billion of the total, according to Mikhelson and Pouyanne.
Should the first train of the LNG plant come online in 2017, the project is set to repay the loans in the 2020s and the 2030s, Mikhelson said.
The Russian government in December approved 150 billion rubles ($2.85 billion) in funding from the National Wellbeing Fund.
The Yamal LNG project targets mainly Asian markets, with around 96 percent of future output already sold under long-term contracts.
Total has no plans to buy an additional stake in Yamal LNG or in Novatek, in which the French company holds 18.2 percent, Pouyanne told reporters.
“We have a big involvement in Russia, through Novatek, through Kharyaga, through Yamal LNG and Termokarstovoye, and we consider it’s a good stake for the time,” Pouyanne said.
Total holds 40 percent in the onshore Arctic Kharyaga project and, jointly with Novatek, develops Termokarstovoye, in which it holds 49 percent.
Total, which initially planned to increase its stake in Novatek to 19.4 percent, stopped buying the Russian company’s shares in July as relations between Russia and Europe worsened over the crisis in Ukraine.
Russia currently exports about 10 million tons a year of liquefied gas from the Sakhalin-2 plant in the Far East, the country’s only LNG facility majority-owned by gas producer OAO Gazprom.

http://af.reuters.com/article/energyOilNews/idAFL5N0XA0SB20150413

(Reuters; April 13) - New supply from the United States could help double Europe's imports of liquefied natural gas (LNG) starting around 2020, while supplies are likely to remain steady until then, a BG Group executive said on Monday.
Europe imported just 33 million tonnes of LNG in 2014, far below its import capacity of 100 million tonnes per annum (mtpa), as traders diverted cargoes to higher-paying Asian markets.
But a recent slump in Asian demand has raised hopes that Europe may attract more cargoes into its under-used import terminals, Andrew Walker, BG vice-president of global LNG supply, told the Flame gas conference in Amsterdam.
Walker said European terminals should see inbound volumes rise to 2010 levels by the turn of the decade on new U.S. and Australian supplies.
Europe imported around 65 mtpa of LNG in 2010, according to a slide presented by Walker.
"There will be no huge flood of volumes coming back to Europe in the next few years, probably it will be more or less like last year give-or-take seasonal variations," he said.
"The ebb and flow of volumes will benefit Europe at times but some of those times could be quite short," Walker said.
Walker said that Asia continues to show signs of LNG demand growth despite a recent slowdown and will remain the predominant buyer.
But European LNG imports are also up on last year's levels as Chinese demand slows and cheaper coal curbs South Korean buying.

http://www.platts.com/latest-news/natural-gas/tokyo/japans-power-utilities-2014-15-lng-use-rise-to-27302301

(Platts; April 13) - The use of LNG by 10 major Japanese electricity utilities hit a record 56.6 million mt in the fiscal year ended March 31, up 0.9% from a year ago, in the absence of nuclear output for a whole year for the first time since 1966, the Federation of Electric Power Companies of Japan said Monday, April 13.
Their consumption of coal slipped 0.1% from a year earlier to 59.9 million mt but was still the second highest annually.
The power utilities used 278,706 b/d of crude/fuel oil in fiscal 2014-2015, April to March, down 33.3% from a year earlier.
The electricity generated from thermal power plants by the key utilities was 649,227 GWh for the year, down 3.5% from a year ago and the fourth consecutive year-on-year fall, the FEPC said.
Lower power generation was partly attributed to the weather.
A cooler summer dampened the demand for air-conditioning between July and September while a warmer winter lowered heating demand over January to March, an FEPC official said.
Japan has had no nuclear output for the last 18 months.
The last nuclear power plant went offline when Kansai Electric shut its two 1.18-GW Ooi nuclear reactors for maintenance in September 2013.

The 10 utilities bought about 59 million mt of LNG for fiscal 2014-2015, edging up 0.6% from a year earlier.
In March, their LNG use fell 2% year on year to 4.6 million mt, but coal consumption was 5.51 million mt, the highest for the month.
Their use of crude/fuel oil stood at 338,205 b/d, down 24.9% from a year ago.
The key power utilities generated 55,671 GWh from thermal power plants in March, down 5.7% year on year.

http://fuelfix.com/blog/2015/04/13/lake-charles-lng-gets-early-environmental-approval/

(Houston Chronicle; April 13) - The Federal Energy Regulatory Commission’s environmental staff has offered Energy Transfer’s Lake Charles LNG an early environmental approval.
The commissions’ environmental staff said Friday in a draft environmental review that the project could be done without significant negative environmental effects. The finding is a sign that the Lake Charles project may clear the environmental hurdle when FERC commissioners make a final decision on the project in November.
First though, FERC staff will have until June to hear comments on its draft study and until August to issue its final environmental impact study. That environmental statement will be considered by FERC commissioners when they make their final decision on the project.
Lake Charles LNG has already crossed the other major hurdle for LNG export projects. The venture, in 2013, received conditional permission from the Energy Department to export natural gas to countries that don’t have free trade agreements with the U.S.
The project is headed by subsidiaries of Energy Transfer Equity L.P. and Energy Transfer Partners L.P., both members of the Dallas-based Energy Transfer family of midstream companies.
The Lake Charles LNG project was originally slated for construction in 2015 and first exports in 2019. However, after a FERC permitting delay, Energy Transfer said in a recent statement that the final investment decision for the project had been moved to 2016.
Lake Charles is expected to come online one liquefaction train at a time, with six month intervals between each of the three trains. Each liquefaction train has a planned capacity to produce 5.48 million tons per year of liquefied gas.
By the time the project is expected to be fully online, Lake Charles will be one of several competing export facilities. Oil and gas companies have proposed dozens of liquefied natural gas export terminals as U.S. gas prices have fallen far below international prices.

http://af.reuters.com/article/energyOilNews/idAFL5N0XA3OL20150413

(Reuters; April 13) - Trading margins on spot liquefied natural gas (LNG) cargoes may whittle down to a matter of cents rather than dollars once all new contracted U.S. supply comes on stream later this decade to overwhelm forecast demand, E.ON's head of LNG trade said.

Luis Sanchez was speaking in a panel discussion with trading managers from BP, and GDF Suez at the Flame gas conference in Amsterdam on Monday.

Another option is that trading companies will be competing to incur the least painful loss on trades, let alone a profit, contrasting with the reputation for high-margin trading LNG has earned in recent years.

"Once the United States reaches that point where it exports all the 65 million tonnes they have coming, those times of reloading a cargo from Spain and making a dollar (per million British thermal units) profit will be done," Sanchez said.

LNG prices are in dollars per mmBtu. Currently spot prices are trading at around $7 per mmBtu.

"The next few years will be pure competition for a few cents," he said, referring to the profit margin on trades.

"Those (U.S.) volumes have been committed, they will come and they will need to find their place in the market," at a time when demand in the world's biggest LNG market Asia slows, he added.

But new North American supply should also boost trading liquidity and efficiency because U.S. cargoes will be fully divertible, giving traders the flexibility to manage and react to global supply and demand trends.

The bulk of existing LNG shipments are restricted to specific destinations under static long-term contracts, which account for 80 percent of total trade. Spot trade accounts for the rest.

Andree Stracke, chief commercial officer at Germany's RWE Supply & Trading, expects to see spot LNG trading assume up to a 45 percent share of total trade by 2020, he told Reuters.

Gaining access to LNG import terminals in north-west Europe's liquid gas markets as a place to offload volume is increasingly seen as a crucial step in managing oversupply.

http://www.bloomberg.com/news/articles/2015-04-13/tanker-s-odyssey-shows-lng-market-going-local-as-prices-converge

(Bloomberg; April 13) - The tanker British Sapphire just finished its own version of Homer’s Odyssey.

BP Plc’s vessel, capable of holding 155,000 cubic meters of liquefied natural gas, set sail from Trinidad in mid-February in search of the highest price on world markets. It headed for Asia, changed course toward Europe when it was halfway to the Cape of Good Hope, and then sailed back toward the Caribbean. It docked in the Dominican Republic after completing a 9,000-mile, month-long trip that left it 800 miles from its starting point, and unloaded, signals from the ship compiled by Bloomberg from IHS Maritime data showed.

Unlike the crude oil market, gas trading will split into three regional markets by 2020, with no more than 10 percent to 20 percent of cargoes moving between them, according to Alan Whitefield, managing director of industry consultant AW Energy Solutions in London. British Sapphire's journey is explained by converging global prices for LNG that have made it cheaper for users to buy closer to home.

"LNG will be more available," Per Christian Fett, director of Fearnley LNG, an Oslo-based shipbroker, said April 7 by e-mail. "The market will see less long haul and more swapping of cargoes," he said, referring to the practice of traders exchanging shiploads to minimize transport costs.

Three Regions

Whitefield said the three regional markets for LNG, which is gas chilled to minus 160 degrees Celsius (minus 256 Fahrenheit) to shrink it 600 times, are the Atlantic basin including the U.S. Gulf Coast, the Caribbean, South America and Europe; a Pacific area centered on Japan and a Middle Eastern region that includes India.

The shift comes as charter rates declined to the lowest level since 2010. The 34 vessels delivered last year, the most since 2009, took the global fleet to a record 421 tankers, according to the April 8 annual report of the International Group of LNG Importers, or GIIGNL, a Paris-based lobbying group.

After leaving the Dominican Republic, the empty British Sapphire sailed to Trinidad in the middle of March before going to Nigeria to pick up LNG. It is now anchored off Brazil, the shipping data show. Robert Wine, a BP spokesman in London, declined to comment on the tanker or the company's LNG operations.

Portfolio Play

For global operators such as BP, the journey may have been a so-called portfolio play, whereby traders swap cargoes to limit long journeys, according to Malcolm Johnson, a Guildford, England-based faculty member of The Oxford Princeton Programme, an energy training provider.

Diversions for uncommitted cargoes may be attractive for various reasons, including volatile spot prices in different regions and lower charter rates, Johnson, who spent more than 30 years at Royal Dutch Shell Plc in gas jobs, said by e-mail March 23.

LNG prices in Asia dropped 52 percent in the past year amid more supply and milder weather, with the premium to Europe narrowing to 3.6 percent in the week to April 6 from as much as 68 percent in December 2011, according to assessments by New York-based World Gas Intelligence of cargoes for delivery in four to eight weeks.

‘More Challenging’

“It will be more challenging for traders from this year,” Hiroki Sato, Chubu Electric Power Co.’s general manager at the fuels department and head of LNG business, said in an interview March 4 in Singapore. “Traders cannot divert the European volumes to Asian markets” without the risk of incurring a loss, while portfolio players can still do so to optimize their shipping operations, he said.

Asia-Pacific buyers got more than half their supply last year from outside the region, according to GIIGNL. Deliveries to Asia, which accounts for 75 percent of global demand, rose every year since Japan’s Fukushima nuclear disaster in 2011 led to the closing of reactors. Increased use in Asia gave rise to shipments from Europe of previously imported cargoes.

Asia will keep driving demand, and tankers will sail from west to east, Steve Hill, president of BG Group Plc’s global energy marketing and shipping unit, said March 4 at a market outlook presentation. Demand growth in Asia outpaced global growth of 1 percent last year, according to GIIGNL.

Reloads Slow

The elevated demand in Asia gave rise to re-exports of previously imported cargoes from Europe. Because of contractual restrictions on diversions at sea, ships would make the journey from Qatar to Spain before sailing back empty. Other tankers would then pick up fuel for destinations as far away as Japan, meaning LNG was traveling thousands of miles more than if it had gone directly to Asia.

Re-exports have slowed as the Asian premium shrank, with just seven tankers scheduled to reload in Spain this year through May, compared with 28 in the same period of 2014. Since November, none of the exports from the Iberian country, which accounted for 60 percent of reloads last year, have left the Atlantic basin.

“If your market doesn’t have the need for the gas, it doesn’t matter how cheap it is, it’s not going to go there,” Keith Bainbridge, managing director of consultant CS LNG in London, said in an interview in London Feb. 24. “It has to go to the next market that needs it. At the moment it comes to Europe.”

http://www.reuters.com/article/2015/04/13/lithuania-lng-russia-idUSL5N0XA2YY20150413

(Reuters; April 13) - Lithuania is considering allowing its liquefied natural gas import terminal to re-export LNG to global markets during summer when local demand declines, the facility's operator said on Monday.

The Independence terminal, which opened last year, was built to reduce Lithuania's total reliance on pipeline supplies from Russia's Gazprom, by giving it access to global LNG supplies.

Since the terminal opened, Gazprom has cut the price of gas supplies to Lithuania by 20 percent to maintain market share, while Lithuania has signed a deal to buy LNG from Norway's Statoil.

Mantas Bartuska, CEO of Klaipedos Nafta, which operates the terminal, told Reuters that Russia's price cut has prompted the industry and the government to consider amending Lithuanian regulations that prohibit the re-export of imported LNG.

"This means that (unlike previously) LNG is no longer slightly more expensive than the Russian pipeline gas, which creates an opportunity to reload some cargoes in summer," Bartuska said.

Litgas, the state-run gas trading arm of Lithuanian energy holding company Lietuvos Energija, signed a five-year LNG supply deal with Statoil late last year for 540 million cubic metres of gas annually.

If the regulations are changed, the terminal could reload Norwegian LNG cargoes and re-sell them for profit to other buyers, Bartuska said.

http://uk.reuters.com/article/2015/04/14/papua-oil-idUKL4N0XB24420150414
(Reuters; April 14) - Papua New Guinea's National Petroleum Company (NPCP) said it is looking to raise billions of dollars to help fund new oil and gas projects, as the South Pacific country battles a sharp slump in forecast revenue from a plunge in prices for the commodities.

NPCP holds a 16.6-percent stake in the PNG LNG project, which operator ExxonMobil Corp wants to expand, and has rights to take up to a 20-percent stake in the Elk-Antelope fields, the country's largest undeveloped gas resource.

While prospects for new liquefied natural gas developments globally have been hammered by the fallout from a 50-percent drop in oil prices since last June, projects in Papua New Guinea are seen as vital to the country's economy.

"We are getting a financial adviser on board to work out the structure," Robert Acevski, chief financial officer at NPCP, told Reuters by telephone on Monday.

"Eventually, we'll go to the market to raise debt on top of our equity to participate in new projects."

The projects, which have yet to be finalised, involve multinational firms such as Total SA, Exxon Mobil, Santos and Oil Search. Total operates the Elk-Antelope fields.

Funding an expansion of PNG LNG and any Elk-Antelope development will require NPCP to contribute billions of dollars in the next three years, so it makes sense for it to raise debt well before it needs the money, two industry executives said.

"There was a big increase in revenue that was on the cards only nine months ago, all predicated on the LNG revenue, which is of course drastically reduced. It's an issue facing the whole country," said Greg Anderson, executive director of the PNG Chamber of Mines and Petroleum.

An adviser is expected to be appointed within weeks, with the fund raising to kick off later this year or in 2016, Acevski said.

The financing would include "plain" U.S.-denominated debt. The official said it was too early to give an exact amount, but said it would be in billions of dollars.

Papua New Guinea has a debt rating of B-plus from Standard and Poor's and B1 from Moody's. Its economy expanded by 8.4 percent last year, making it one of the fastest growing in the world.

http://af.reuters.com/article/investingNews/idAFKBN0N50NC20150414

(Reuters; April 14) - Egypt will import around $3.55 billion worth of liquefied natural gas (LNG) in the 2015-2016 financial year, an official at state-owned Egyptian General Petroleum Corporation (EGPC) said on Tuesday.

Egypt moved closer to easing its chronic power shortages this month with the arrival of a floating import terminal marking the start of imports of super-cooled LNG.

Egypt has exported LNG in the past, but the new terminal will allow the country to begin imports.

"The cost of the LNG that will be imported during 2015-2016 will be around $3.55 billion," an EGPC official told Reuters by phone, speaking on condition of anonymity.

The Egyptian financial year starts in July.

The EGAS state gas board has agreed to import 35 LNG cargoes from Russia's Gazprom over five years.

This year and next it has agreed to take 33 cargoes from Trafigura [TRAFG.UL], 9 from Vitol [VITOLV.UL], 7 from Noble and 6 from Algeria's Sonatrach.

Energy is politically sensitive in Egypt, where dissatisfaction with persistent power cuts has sparked protests that have helped topple two leaders in four years.

Rising consumption and falling production has turned the country from an energy exporter to a net importer.

http://www.bloomberg.com/news/articles/2015-04-14/it-ll-take-more-than-yemen-s-lng-shutdown-to-blunt-supply
(Bloomberg; April 14) - There’s so much liquefied natural gas set to hit global markets this year that it’ll take more than the shutdown of Yemen’s only plant to threaten supplies.

As rebels seized army positions outside the nearby city of Balhaf, Yemen LNG Co. halted production and exports at its 6.7 million metric ton-a-year facility because of a “degredation of the security situation,” according to a statement on its website Tuesday. Its customer, Korea Gas Corp., and consultants including EnergyQuest and Manaar Energy Consulting, said that’s unlikely to disrupt the markets. Yemen accounts for about 2.2 percent of the world’s liquefaction capacity, data from the International Group of LNG Importers show.

The cost of LNG for delivery to Northeast Asia has slumped by more than half over the past year amid a collapse in oil prices and as supplies swell. About 12 million tons of the supercooled gas will start this year, the most since 2011, with more to flow in 2016, Bank of America Merrill Lynch predicted in a report earlier this month.

“We import about 2 million tons annually from Yemen but it doesn’t seem like the shutdown will have a big impact on supplies,” Song Kyu Cheol, a Daegu-based spokesman for Korea Gas Corp., known as Kogas, said by phone on Tuesday.

Yemen LNG declared force majeure, a legal clause meaning circumstances beyond its control make it impossible to meet contractual obligations. Clashes between Shiite Muslim Houthi rebels and a Saudi Arabia-led coalition of predominantly Sunni Muslim nations have worsened the security situation.

Price Drop

LNG prices in Asia are poised to average below $10 per million a British thermal unit in 2015 for the first time in four years. Benchmark crude, to which prices for long-term LNG contracts are linked, slumped almost 50 percent last year as the U.S. pumped at the fastest rate in almost three decades, exacerbating a global glut.

Prices for spot LNG shipments delivered to Northeast Asia in the following four to eight weeks fell 6.5 percent to $7.15 per million British thermal units, New York-based Energy Intelligence said April 8 on the website of its World Gas Intelligence publication.

“The market is well supplied,” Graeme Bethune, chief executive officer of EnergyQuest, said by phone on Tuesday. “It depends on how long the Yemen LNG plant shutdown lasts but you wouldn’t expect it to have any significant impact on the market.”

New Supplies

The LNG market will probably remain “very oversupplied” in the second half of this year and in 2016, Bank of America analysts including Francisco Blanch said in a report on April 2. Prices for cargoes to Asia may temporarily drop below $6 a million Btu in the latter half of 2015 as new supply from regions such as Australia start flowing into the market, according to the report.

“Yemen is just a sideshow given the expected new LNG supplies coming this year from the U.S. and Australia,” said Mohamed Ramady, an associate professor at King Fahd University of Petroleum and Minerals in Dhahran, Saudi Arabia. “What I’m watching is Australia because some of the large producers there are scaling back and that could affect the market.”

Yemen LNG processes and exports gas from the Marib area, according to the company’s website. The project has three long-term sales contracts with GDF Suez SA, Kogas and Total SA.

Total is the biggest shareholder in the project, with a stake of almost 40 percent, according to the website. Others include Hunt Oil Co. and SK Innovation Co., the website shows.

“You’d need something more major to happen,” Robin Mills, an analyst at Dubai-based Manaar Energy, said by phone. “We’re heading into summer so Japan and Korean demand are down and it will be a relatively easier time for the market to absorb this.”

http://uk.reuters.com/article/2015/04/14/idUKL4N0XB1IJ20150414

(Reuters; April 14) - Yemen's liquefied natural gas (LNG) plant said on Tuesday it has declared force majeure due worsening security and has halted all production at the plant.

"Due to further degradation of the security situation in the vicinity of Balhaf, Yemen LNG has decided to stop all LNG producing and exporting operations and start evacuation of the site personnel," the company said in a statement on its website.

As a result, it has declared force majeure to its various stakeholders, it added.

Last week, sources told Reuters that fighting had forced the plant to take one of its production units, or trains, off line.

http://www.reuters.com/article/2015/04/14/cheniere-lng-investment-idUSL5N0XB2BJ20150414

(Reuters; April 14) - Cheniere aims to take a final investment decision on its planned Corpus Christi liquefied natural gas (LNG) export project in the United States within the next 30 days, undeterred by weak oil and gas prices worldwide.

Ramzi Mroueh, vice-president of origination at Cheniere International, said Cheniere had agreed financing for Corpus Christi and sealed a $9.5 billion engineering, procurement and construction contract with engineering firm Bechtel.

"We expect to sell another 2 million tonnes (of LNG supply from the project) by the end of the year," he said.

Cheniere is already building the United States' first LNG export plant at Sabine Pass, Louisiana, which is due to come on stream towards the end of the year.

A final decision on an additional two production trains at Sabine Pass LNG export project in the United States this year, specifically trains five and six, Mroueh said.

The moves suggest that weak oil and gas prices are failing to dent the boom in U.S. LNG export projects, spurred by massive gas supply growth from shale drilling in recent years.

"There is still strong interest in the market for our product despite slowdown and low oil prices," he said.

"We will be the biggest LNG producer in the Atlantic ... with 40 million tonnes of annual production," once Sabine Pass and Corpus Christi are built, he added.

A near halving in oil prices since June 2014 had stirred unease about the future competitiveness of U.S. LNG, since Asian production plants sell their supply at oil-linked prices.

Asian buyers of U.S. LNG may opt to leave their export capacity unutilized at times when oil-indexed LNG from other sources looked cheaper.

In those instances buyers will still incur a liquefaction fee levied by Cheniere, roughly equivalent to $10 million per cargo, even if no exports take place.

"There will be some periods when that liquefaction fee will not be recovered, but over a 20 year period it will be," he said, although much will depend on the oil price.

The onset of U.S. LNG output will bring totally flexible supply, divertible at the buyers behest, into the hands of a large number of players that will make trading within the Atlantic very efficient and liquid, he said.

"The U.S. will be a major player in the LNG industry, it will have a profound change in how LNG is traded. We think there is more to come," Mroueh said.

https://uk.finance.yahoo.com/news/bp-seeks-lng-buyers-finance-120542426.html
(Reuters; April 14) - BP said it would be tough to proceed with financing for a planned third LNG train at its Tangguh project in West Papua, Indonesia, without buyers for the remaining 1.3 million tonnes of annual output from the production plant.

Prospects for new liquefied natural gas (LNG) developments globally have been hammered by the fallout from a 50-percent drop in oil prices since last June. The situation in Asia is set to get worse as two LNG projects in Australia come onstream this year, crowding an already amply supplied market.

"There is still 1.3 million tonnes per year (mtpa) that has not yet (been sold)," said Dharmawan Samsu, country head at BP Indonesia, noting that so far the firm had only found buyers for 2.5 million tonnes of expected output from Train 3.

Without buyers for the remainder it would be "difficult to proceed" with financing the third train project, which is currently expected to be completed by 2020, Samsu said on Tuesday.

BP will review its final investment decision for the $12 billion Train 3 project after a so-called Front End Engineering Design has been completed at the end of 2015 or early 2016, Samsu said.

"We're not looking at difficulties in funding, but more at the economics of the project," he said, declining to comment further on pricing.

Earlier, Samsu said Japan's Kansai Electric Power Co. had agreed to purchase 1 mtpa from Train 3, adding to the 1.5 mtpa committed to Indonesia's state electricity utility PLN.

A total of 7.6 mtpa of LNG from the first two Tangguh trains had been fully committed, he said.

Tables have turned for gas producers in Asia, where little over a year ago, producers including BP were busily renegotiating contracts to take advantage of surging demand.

The start-up of Chevron's giant 15.6 mtpa Gorgon LNG plant in Australia in mid-2015, followed by Santos' 7.8 mtpa Gladstone facility, will add to oversupply, potentially pushing spot prices below $6 per million British thermal units (mmBtu) from $7 per mmBtu at present, some analysts say.

Other partners in the Tangguh project in Bintuni Bay include China National Offshore Oil Corp (CNOOC (NYSE: CEO - news)), Mitsubishi Corp, Inpex, Sumitomo Corp and Mitsui& Co Ltd.

http://www.platts.com/latest-news/natural-gas/london/lng-unlikely-to-replace-russian-gas-flows-to-21284970

(Platts; April 14) - Russia will continue to provide competitive natural gas deliveries to Europe until mid-2020 and there is a limited possibility that other sources including LNG supplies, will offset Russian imports significantly, participants at the Flame conference in Amsterdam said Tuesday.

In the wake of the Russia-Ukraine crisis that began last year, the European Commission had promptly provided an updated energy strategy report, seeking measures to diversity energy sources in Europe to increase security of supply. The report mentioned LNG supply as one of the key additional sources of non-Russian gas into Europe.

"With NBP and spot LNG in Asia being on par, we are seeing an increase of LNG berthing in Europe, and this should become the new normal," Thierry Bros, senior European Gas and LNG analyst at Societe Generale. But "Russia and Norway have the market power in Europe," he said.

Looking at the supply and demand picture, Russia remains the lowest cost producer for Europe until 2020 at $6.00/MMBtu (Eur16.60/MWh), and it will not allow US LNG to berth in Europe, according to the analyst. US LNG supplies to Europe indexed to Henry hub prices are estimated at more than $10/MMBtu (Eur27.70/MWh) including all costs, he said.

"Gazprom is unlikely to swing production below the 2014 level to accommodate the US LNG, unless transit via Ukraine is stopped," said Bros. Russian production currently stands at about 110 Bcm.

Jonathan Stern, senior research fellow at the Oxford Institute for Energy Study, said that in the short term Europe is unlikely to see more gas coming from other sources such as North Africa, the eastern Mediterranean and via the southern corridor. Although those regions have the potential reserves, they are constrained by political and economic issues. "The 10 Bcm exports of Israeli gas as LNG via Egypt are possible post-2020, but this will depend on both economics and politics," Stern said.

http://shipandbunker.com/news/am/504152-bc-ferries-game-changing-lng-bunkers-will-save-us-millions

(Ship & Bunker; April 15) - The president and chief executive of **B.C. Ferries** Tuesday told local media that liquefied natural gas (LNG) is a "game changer" for the firm, which operates 35 vessels in 17 classes throughout that province's coastal waters.

Mike Corrigan made the remark in the wake of the April 10 construction start of the second of three new B.C. Ferries LNG-powered vessels at **Remontowa Shipbuilding S.A.** in **Gdansk, Poland**, a project worth **$165-million**.

The ferry is expected to be delivered in October of 2016 and will replace the 51-year-old **Queen of Nanaimo.**

The three intermediate-class vessels will have the ability to use low-sulfur diesel in addition to LNG, and this combined with two Spirit-class ferries currently being converted to LNG is expected to save the Corporation millions in fuel costs, according to Corrigan.

"Obviously, liquefied natural gas is our game-changer," he said.

Construction on the first intermediate-class vessel began in January with anticipated delivery in August of 2016; construction of the third ferry will begin early July for delivery in February of 2017.

Each ferry will be 351 feet long, carry 145 vehicles and 600 passengers, and be in service for approximately 40 years.

Corrigan remarked that the new vessels "will not only reduce our impact on the environment, but will also bring us one step closer to standardizing our fleet for better inter-operability on all our routes. Having these new ferries that are the right size for their routes will create greater efficiencies and save costs."

In February **FortisBC** announced it had agreed to supply BC Ferries with 300,000 gigaJoules of LNG per year for the next 10 years.

http://www.bloomberg.com/news/articles/2015-04-15/anadarko-may-sign-mozambique-gas-supply-deals-in-coming-months
(Bloomberg; April 15) - Anadarko Petroleum Corp. may soon close sales accords enabling it to this year authorize a Mozambican project that has the potential to make the nation a top-three liquefied natural gas exporter, a company official said.

Anadarko may close the supply deals “in the coming months,” John Peffer, Mozambique country manager for the Woodlands, Texas-based company, said at a conference Wednesday in Maputo, the capital. If government approvals are won in time, a final investment decision can be made and “production in 2019 is doable,” he said.

Anadarko and its partners in the project off the southern African nation’s north coast estimate there is 75 trillion cubic feet of gas to exploit, enough to make the country the biggest LNG supplier after Qatar and Australia in the next decade. While Mozambique has kept a deadline of 2018 for its first exports, Rome-based Eni SpA, which also has rights to a gas field off the country’s coast, has said that goal would be challenging as building an LNG plant can as long as six years.

Anadarko’s Area 1 and Eni’s Area 4 in the Rovuma Basin off Mozambique’s north coast together hold technically recoverable reserves of 120 trillion cubic feet, according to industry consultant Wood Mackenzie. LNG is gas chilled to liquid to allow its transportation to customers by ship.

A final investment decision depends on converting non-binding “heads of agreement” that the Anadarko-led project has in place for 8 million metric tons a year of gas with customers in Japan, China, Thailand and Singapore into a sales contract, a presentation Peffer gave Wednesday showed.

Anadarko and the government also need to reach agreement on details of a law drafted to cover the gas projects and passed by the country at the end of last year, Peffer said. Mozambique’s passage of the law was “a huge milestone for the project” and has elicited “positive reactions from both the buyer and the lender community,” Peffer said.