Oil and Gas News Briefs
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PetroChina plans 1.8% increase in natural gas imports in 2015

http://af.reuters.com/article/commoditiesNews/idAFL3N0WY3V120150402?sp=true

(Reuters; April 2) - PetroChina plans to import only slightly more natural gas this year than in 2014 due to slower demand growth and higher domestic production, a person with direct knowledge of the matter said. China's largest gas producer and importer plans to bring in 1.426 trillion cubic feet of gas in 2015, compared with 1.401 tcf last year, an increase of 1.8 percent against the 13 percent growth seen in 2014.

China, one of the world's top five gas users, recorded the slowest demand growth last year in more than a decade for the cleaner-burning fuel, as an easing economy cut into demand from the industrial and transportation sectors. PetroChina's 2015 procurement plan came after it reported a $5.65 billion loss in marketing imported gas last year as the cost of the mostly pipeline gas from Turkmenistan, and liquefied natural gas from Qatar and Yemen, were higher than what the state energy firm could charge at home.

The loss, however, was $1.11 billion smaller than in 2013, PetroChina said in its earnings report last week. "PetroChina's gas import business is still losing money. The slower import rise is due to a combination of demand not growing as fast as before and more supplies coming from domestic gas fields," said the source. PetroChina operates three LNG receiving terminals on China's east coast, and brings in pipeline gas from Turkmenistan, Uzbekistan and Myanmar.

Gazprom likely to delay ‘Power of Siberia’ line to China until 2022

http://af.reuters.com/article/commoditiesNews/idAFL6N0WZ35W20150402

(Reuters; April 2) - Russian natural gas producer Gazprom plans to complete construction of the 2,500-mile “Power of Siberia” gas pipeline to China in 2022, the company said April 2, indicating a likely delay in the project. Gazprom had previously said it planned to start selling gas to China via the pipeline in 2019. The project was announced in May 2014, amid much fanfare between the two countries.

Sources told Reuters last month that the Power of Siberia line may be put off until Moscow completes a separate, less ambitious project to send gas from existing fields to China through a less expensive project farther west in Russia. The Power of Siberia line would serve new gas fields in Russia’s Interior, delivering supplies to eastern China. In revealing details of its 840 billion ruble ($14.8 billion) investment plan for 2015, Gazprom said it aims to spend just $500 million on the Power of Siberia line this year.

China cuts some natural gas prices to encourage demand

http://english.cntv.cn/2015/04/02/VIDE1427915397363397.shtml

(China Central Television; April 2) - China officially ended its two-tier natural gas pricing system April 1 when it cut a big slice of wholesale gas prices for non-residential users, looking to encourage increased use of the fuel while the country also introduces more market-oriented elements in gas pricing. The country had been operating under a system where gas purchases in excess of past consumption volumes were charged at a higher price to discourage excessive use.

Analysts say the price drop on that increased consumption will encourage more businesses to turn to the cleaner fuel. "Due to slower economic growth and increases in natural gas pricing, enthusiasm to utilize natural gas has been low. Companies are sensitive to gas pricing. … Electric power generated from natural gas costs significantly more than that from coal," said Wang Xiaokun, natural gas analyst of SCI International.

"More companies will use clean energy as a result," said Liu Yijun, professor of China University Petroleum. The two-tier system was originally put in place to encourage efficiency. But with the official plan now to double China's gas supply capacity between 2014 and 2020, merging the two pricing tiers appears to make good sense, especially at a time of lower oil prices which are driving down the cost of imported LNG into China.

Report says U.S. competition, low oil prices hurt B.C. LNG projects

https://www.lngworldnews.com/cedigaz-looking-into-canadas-lng-export-potential/

(LNG World News; April 3) - Canada has the potential to become a major liquefied natural gas exporter, but none of the more than 20 projects proposed for the West and East coasts have reached an investment decision. Competition with U.S. brownfield projects — adding liquefaction and export capability to existing import terminals — have limited the commercial appeal of many Canadian projects relying on oil-indexed LNG prices. Meanwhile, low oil prices have hit their profitability and lead to postponements.

Cedigaz, an international association for natural gas, issued a report "Waiting for the Next Train? An Assessment of the Emerging LNG Industry in Canada," discussing the potential for the country to export LNG. British Columbia projects appear to be especially capital-intensive. Indeed, many of those projects are planned on greenfield sites and, unlike their U.S. competitors, have to bear the additional cost of upstream development in remote areas, with all the necessary transport infrastructure.

Similarly, the cost of feed gas is a major uncertainty for B.C. projects, mainly sourced from yet-to-be-developed unconventional plays in Western Canada. Cedigaz modeled a

B.C. plant (12.8 million metric tons of capacity per year) and computed the total cost of LNG delivered to Japan, with three scenarios designed to reflect cost uncertainties. Base-case assumptions show that LNG in Japan would need to equal $11.80 per million Btu to recover all costs. The low- and high-cost scenarios range from $8.60 to $16.10.

Chevron pulls out of shale gas project in Australia

http://www.bloomberg.com/news/articles/2015-03-31/chevron-s-exit-signals-delays-in-unlocking-australia-s-shale

(Bloomberg; March 31) - Chevron's decision to pull out of a natural gas project in Australia after a plunge in oil prices is a signal it's going to take even longer for the nation to realize its shale ambitions. Tapping Australia's shale oil and gas was already challenging due to high drilling costs and the remote locations of its fields, with significant production not expected for at least several years. An almost 50 percent drop in the price of crude over the past year makes it harder.

"The pace will be considerably slower than anyone would have forecast 18 months to two years ago," said Geoffrey Cann, Australian director of oil and gas for consultancy Deloitte, in Brisbane. Languishing oil prices are stalling efforts to replicate the U.S. shale boom globally. Big producers ConocoPhillips, Hess and Statoil have already beaten Chevron out the shale door in Australia.

Just two years ago, Chevron agreed to pay as much as $349 million to join Beach Energy in its first shale investment in Australia. The country has the seventh-biggest potential shale gas resources and sixth-biggest shale oil resources in the world, the U.S. Energy Information Administration estimated last year. Although Australia's shale basins will get pushed back on the list of priorities for companies, explorers will probably get some benefit from declining costs amid the downturn in prices, Deloitte's Cann said.

Environmentalists pursue lawsuit against U.S. loans for Australia LNG

http://www.law360.com/california/articles/639402/ex-im-bank-flouted-esa-by-funding-lng-project-enviros-say

(Law360; April 3) - The U.S. Export-Import Bank clearly ignored the risks to endangered species and sensitive habitat when it pumped $4.8 billion into two Australian liquefied natural gas projects near the Great Barrier Reef, a trio of environmental groups said April 2, urging a California federal judge to grant them a quick victory in their lawsuit against the bank.

In a motion for summary judgment, the Center for Biological Diversity and its allies said the bank shirked its duties under the National Historic Preservation Act and Endangered Species Act, with "real consequences" for one of the world's most diverse ecosystems.

Impacts from the Australia Pacific LNG and Queensland Curtis LNG projects could include lower water quality; ship strikes on marine mammals; destruction of mangrove and sea grass habitats; and industrialization of a mostly pristine area, the groups said.

In 2012, the Ex-Im Bank approved $2.95 billion in loans to the Australia Pacific project, the bank's second biggest loan at the time. It followed later that year with a $1.8 billion loan for the Queensland Curtis project, according to court filings. The plants are located near each other on the Queensland coast in northeast Australia. U.S. companies supplied a lot of the equipment and services for the plants' construction. The Ex-Im Bank helps finance overseas sales if the work benefits U.S. companies and workers.

New German law will ban most hydraulic fracturing for shale gas

http://in.reuters.com/article/2015/04/01/germany-fracking-idINL6N0WY1QO20150401

(Reuters; April 1) - German Chancellor Angela Merkel's cabinet signed off on a draft law April 1 that effectively imposes a ban on hydraulic fracturing for shale gas. Opposition to fracking is strong in densely populated Germany due to concerns over the risk of contaminating drinking water. "Protecting health and drinking water are top priorities. For this reason, we want to restrict fracking as far as possible," Environment Minister Barbara Hendricks told a news conference.

The new law, which now goes to parliament for approval, will impose a ban on fracking for shale gas and only allow scientific test drilling under strict conditions to assess the risks and environmental impact. The law could allow commercial shale gas fracking in exceptional cases from 2019, but only after successful test drilling and the approval of a special committee. An industry lobby group described the new conditions as "completely over the top."

Last year, gas imports from Russia accounted for 37 percent of German supply. Only 12 percent of Germany's needs were covered by its own reserves, down from almost 20 percent a decade ego. The law will allow fracking for deep "tight" gas, a technology that has been used for decades in Germany. But even this type of fracking will be subject to stricter rules and environmental audits. Opposition to fracking is strong in Germany, as 79 percent of those surveyed in 2013 were in favor of strict environmental rules.

Mexico needs more U.S. natural gas for power generation

http://www.argusmedia.com/News/Article?id=1017055

(Argus; April 1) - Industry insiders view access to abundant, low-cost U.S. natural gas through expanded pipelines on both sides of the border as critical to the modernization of Mexico's electric industry. Gas-fired generation represents about 40 percent of Mexico's current 66-gigagwatt generating fleet, and the energy ministry expects gas to account for more than half of an estimated 40 gigawatts of new generation that may be needed to meet Mexico's rapidly growing appetite for electricity over the next decade.

Regulators have been working quickly to dismantle the country's power monopoly utility, the Federal Electricity Commission, and to introduce market rules early next year to inject competition into the sector with a goal of reducing power prices that have hurt Mexico's industrial productivity. As groundbreaking as the current energy reform effort is, access to shale gas may be the most important change in the grid modernization, director of the Wilson Center's Mexico Institute Duncan Wood said.

"Mexico has suffered a deficit of gas and could not import enough to satisfy national demand," Wood said at the Gulf Coast Power Association meeting in Houston March 31. Pipelines to carry U.S. gas into Mexico will help solve the problem. "That may be the single biggest factor that is changing Mexico's electric sector." North American providers in recent years have proposed or built six major pipeline projects to move U.S. gas into Mexico. U.S. pipeline exports into Mexico are not subject to the same scrutiny as LNG.

New joint-venture pipeline will send more U.S. gas into Mexico

http://www.tulsaworld.com/business/energy/oneok-partners-constructing-pipeline-to-connect-natural-gas-from-west/article_1f8b55ab-5610-52f9-a84d-be094c7693cc.html

(Tulsa World; April 3) - ONEOK Partners has entered into a joint venture to construct a pipeline that will export natural gas from the Permian Basin in West Texas to Mexico. The Roadrunner Gas Transmission pipeline is a 50-50 joint venture between ONEOK Partners and a subsidiary of Mexico City-based Fermaca Infrastructure. The pipeline will extend from ONEOK's gas pipeline system in Coyanosa, Texas, to a new international connection at the U.S. and Mexico border near San Elizario, Texas.

The project, at $450 million to $500 million, will include about 200 miles of new, 30-inch diameter pipe. The line is designed to move up to 570 million cubic feet of gas per day into Mexico's growing markets. The access to upstream supply basins in West Texas and the Mid-Continent will add location and price diversity to markets in Mexico, said Terry K. Spencer, president and CEO of ONEOK Partners.

Increased market access will also help Mexico's national electric utility replace fuel oil-based power plants with less expensive and more environmentally friendly gas-fueled power plants, Spencer said. The project is expected to be completed in three phases, from 2016 through 2019.

Navigant predicts U.S. gas production at 110 bcf a day in 2035

http://finance.yahoo.com/news/u-natural-gas-supply-expected-091500997.html

(Navigant press release; April 1) - According to the “North American Natural Gas Market Outlook, Year-End 2014,” published by Navigant’s energy practice, U.S. natural gas supply is expected to increase from 72 billion cubic feet per day in 2015 to nearly 110 bcf a day by 2035. The only possible constraint is the rate of infrastructure development in producing regions, the consulting firm said.

“Supply-side growth continues to drive most other aspects of the natural gas industry in North America,” said Gordon Pickering, a director with Navigant’s energy practice. “This strong supply basis is giving rise to a new chapter of the gas industry, with the culmination of a half-decade of LNG project development and the beginning of a new, global market for natural gas.”

U.S. natural gas demand is expected to grow steadily through 2035, particularly for electricity generation, reaching around 90 bcf a day annually by 2035, the report said, with the balance of U.S. production available for export.

Coal-to-gas power plant to break ground in Texas this year

http://fuelfix.com/blog/2015/04/01/odessa-coal-to-gas-power-plant-to-break-ground-this-year/

(Houston Chronicle; April 1) - A new power plant in West Texas that could transform coal into cleaner-burning natural gas is poised to break ground later this year, an executive in charge of the project said at a conference in Houston April 1. The project, on a 600-acre site in Odessa, uses coal as a feedstock for a 400-megawatt power plant. But instead of burning the coal, the plant uses a chemical process to first strip it of carbon, sulfur and mercury.

The result, project leaders say, is a hydrocarbon that can fuel the power plan but burns even cleaner than natural gas — even though it was derived from coal. The extra carbon dioxide that gets stripped away will be sold to Whiting Petroleum, which can pump it underground for enhanced oil recovery to help coax more hydrocarbons to the surface.

“We’re not actually burning coal; we’re unlocking hydrocarbons,” said Jason Crew, CEO of Summit Power, the Seattle-based company behind the Texas Clean Energy Project. The U.S. Department of Energy has awarded the project $450 million in federal grants. The department hopes that by investing in the project, it will learn more about both the technology and finances of the operation and eventually have a model that can be used elsewhere, allowing coal to be used more cleanly.

Lenders to cut back financing of debt-laden shale oil producers

http://calgaryherald.com/business/energy/shale-oil-companies-facing-credit-crunch

(Bloomberg; April 1) - Lenders are preparing to cut the credit lines to a group of junk-rated U.S. shale oil companies by as much as 30 percent in the coming days, dealing another blow as they struggle with a slump in crude prices, according to people familiar with the matter. About 10 firms are having trouble finding backup financing, said the people familiar with the matter, who asked not to be named because the information hasn't been announced.

April is a crucial month for the industry because it's when lenders are due to recalculate the value of properties that energy companies staked as loan collateral. With the assets in decline along with oil prices, banks are preparing to cut the amount they're willing to lend. That will only squeeze companies' ability to produce more oil. "If they can't drill, they can't make money," said Kristen Campana, a New York-based partner in Bracewell & Giuliani's finance and financial restructuring groups. "It's a downward spiral."

The companies are among speculative-grade energy producers that were able to load up on cheap debt as crude prices climbed above $100 a barrel. The borrowing limits are tied to reserves, the amount of oil and gas a company has in the ground that can profitably be extracted based on its land holdings. With oil prices plunging below $50 from last year's peak of $107 in June, some small producers are now fighting to survive.

Canadian official says LNG projects could hire laid-off oil workers

http://www.theglobeandmail.com/news/british-columbia/laid-off-oil-workers-could-turn-to-building-bc-lng-terminals/article23730835/

(Globe and Mail; Canada; March 31) - Job cuts due to the slump in oil prices have opened the door for energy companies to recruit workers to build proposed liquefied natural gas export terminals in British Columbia, said Canada's Natural Resources Minister. Greg Rickford met this week with officials from Shell-led LNG Canada and Petronas-led Pacific NorthWest LNG, two hopefuls in the LNG quest in B.C. He also met with TransCanada, which is looking to construct the pipelines for the two projects.

There has been a wave of layoffs in Alberta as oil prices languish below $50 a barrel, with thousands of employees losing their jobs. Each major B.C. LNG project would require thousands of workers, but the goal of filling most of the job vacancies within B.C. is threatened by shortages of skilled labor. One option is bringing in foreign workers. The resources minister agreed with LNG proponents that matching suitable Canadian workers with job openings will be one of the top priorities in B.C.'s fledgling LNG sector.

"It was brought obviously to our collective attention that some of the downturns in the oil sector have created opportunities to solve labor shortages, that is, there are pools to draw from right now," Rickford said March 31. "This is a long-term opportunity," Rickford said. "We've got to mobilize and ensure we have the labor supply, the infrastructure."

None of British Columbia's LNG hopefuls have announced an investment decision to proceed with construction, though the province is hopeful of getting an answer soon.

India cuts the price paid to domestic natural gas producers

http://www.bloomberg.com/news/articles/2015-03-31/india-cuts-domestic-gas-price-by-8-as-global-energy-costs-fall

(Bloomberg; March 31) - India has cut the price paid for locally produced natural gas by 8 percent to $4.66 per million Btu for six months beginning April 1 as global energy costs slump. Rates had been set at $5.05 since November. Though good for buyers, the reduction will squeeze the profit margins for producers, curbing their appetite for investments needed to raise output. Prime Minister Narendra Modi has said he wants to cut India's dependence on imported energy to 50 percent by 2030 from 77 percent now.

"If prices continue to fall for long, it will reflect on investments by producers," said Dhaval Joshi, of Emkay Global Financial Services in Mumbai. "This will pinch the producers, although it's good for consumers." BP last year wrote off $770 million from its stake in an undersea Indian gas block, while Canada's Niko Resources is seeking to sell its stake in the same project because of uncertainty about long-term pricing.