Oil and Gas News Briefs
Compiled by Larry Persily
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Japan restarts first nuclear reactor since nationwide shutdown

(Bloomberg; Aug. 9) - Japan is rejoining the group of nations using atomic power as it sweeps aside public opposition and fires up one of the reactors shuttered for safety upgrades after the Fukushima nuclear disaster more than four years ago. Kyushu Electric Power will begin bringing online the No. 1 reactor at its Sendai facility Aug. 11, starting power generation as early as Aug. 14, and returning it to normal operations next month, the company said in a statement.

Two of its reactors on Japan's southern island of Kyushu are the first to pass tougher safety checks set by the Nuclear Regulation Authority, the agency created after the Fukushima disaster, and to overcome legal challenges. "The Sendai restart is obviously a very big positive for the industry overall and for Kyushu in particular," Polina Diyachkina, an analyst at Macquarie Group in Tokyo, said by phone Aug. 10. "Going forward, the restarts approval process will be smoother and faster."
The Sendai restart follows years of evolving safety standards and government approvals in the face of public opposition and court battles as one of the world's richest countries and biggest energy users struggled with how to power its future. Kyushu Electric Power aims to restart a second reactor by the middle of October. There is still strong opposition to nuclear power in Japan. A newspaper's public survey published this month showed 57 percent of respondents were not in favor of restarting Sendai.

Petronas decision on LNG project in B.C. could be complicated

(Asian Pacific Post; Aug. 12) – Though British Columbia Finance Minister Mike de Jong's recent visit to Malaysia yielded some optimistic reports that Malaysia's Petronas and its partners might soon begin construction of their liquefied natural gas project in northern B.C., Malaysia's increasingly turbulent politics and weakening economy could factor into the decision. Project developers also are waiting for the Canadian federal government's environmental approval and resolution of First Nations' concerns.

Kong Ho Meng, a senior oil and gas analyst at UOB Kay Hian Securities in Kuala Lumpur, said there is investor risk in the project. "The perception in Malaysia is that Canada is expensive for business," he said. "In addition to high tax rates, oil and gas companies face strong environmental and aboriginal opposition. These hurdles are making it difficult for Petronas to make the final investment decision." Meanwhile, he said, Petronas faces the same stress of low oil prices as private companies but is under greater pressure as a state-owned firm to invest locally and reduce spending abroad.

Additionally, Petronas has the role of protecting the commodities-dependent country's financial stability. Most Malaysians remember how speculators destabilized their country by crashing the economy in the Asian Financial Crisis of 1997-98. And a major financial scandal involving Prime Minister Najib Abdul Razak in an alleged theft of $700 million of state funds could be a factor. As happened during the last two major financial crises in 1998 and 2008, Malaysia's foreign-exchange reserves fell quickly. "Capital flight is a huge concern now," Kong said. "This could influence Petronas decision."

Analysts say Iran wants in on global LNG business

(The Edge (Qatari business magazine); Aug. 12) - According to analysts, if the historic deal struck July 14 to lift sanctions on Iran in exchange for curbs on its nuclear program make it through the U.S. Senate, competition for Qatar in its key liquefied natural gas export market is set to become dramatically stiffer. Qatar is currently the world's leading LNG supplier, though Iran's gas reserves are larger.

"The heads of Iran's oil and gas industries have already made it very clear that they want to push up oil and gas production dramatically, and that they regard exploiting the global LNG market as a key priority," said Jeremy Stretch, chief strategist for CIBC in London. Iran's plans to build capacity for LNG exports at half the level of Qatar remain on track, according to a recent statement from Alireza Kameili, managing director of the state-run National Iranian Gas Co.

Getting into the LNG export business, however, would require tens of billions of dollars in investments. "The Russians and the Chinese already have extensive interests in Iran, and have made it clear that they wish to invest as much as they are allowed to going forward, and the Europeans have been lining up in the Oil Ministry in Tehran for many months now looking to funnel investment and get a foot back in Iran," said Christopher Cook, director of global energy consultancy at Wimpole International in Edinburgh.

Environmental groups ask Commerce Department to ban LNG exports

(The Hill; Aug. 12) - Three environmental groups have formally petitioned the Obama administration to immediately ban all exports of natural gas. The request mainly challenges liquefied natural gas exports, spurred by the domestic oversupply from unconventional drilling techniques such as horizontal drilling and hydraulic fracturing.

"Exporting natural gas worsens global warming, harms local communities, raises domestic energy prices and benefits only multinational fossil fuel corporations," Bill Snape, senior counsel at the Center for Biological Diversity, said of the petition his group filed with Friends of the Earth and Greenpeace. "If the Obama administration's really serious about addressing the climate crisis, it has to rein in the gluttonous natural gas industry," Snape said in a statement.

The formal petition to the Department of Commerce could lead to a lawsuit if the agency does not act in a way that the groups want. LNG exports have been the subject of bipartisan praise in recent years as a way to compete with other global energy giants, such as Russia, and provide United States allies with an alternative source.

Cheniere sells up to 26 LNG cargoes to European energy company

(UPI; Aug. 12) – EDF, largely owned by the French government, has signed up for as many as 26 liquefied natural gas cargoes from Cheniere Energy's export terminal under construction at Sabine Pass, La. EDF announced the cargoes will run through 2019; the plant is expected to start up later this year. EDF operates 120 gigawatts of generation capacity worldwide, much of it in Europe, mostly nuclear but with some gas-fired power stations. Its U.K. affiliate also distributes gas to residential and commercial customers.

Most of the output from the Sabine Pass liquefaction plant has been contracted out to long-term, higher-volume customers, but Cheniere held back a limited amount of capacity for smaller sales. Its sales to EDF are expected to start next year, with deliveries to a receiving terminal in northern France. The LNG price will be linked to a natural gas pricing index in continental Europe, according to Cheniere. That index has been around $7.50 per million Btu this summer.

FERC hearing on Texas LNG projects draw supporters, opponents

(San Antonio Express-News; Aug. 11) - Business leaders from surrounding communities turned out to show their support for three proposed liquefied natural gas export plants on the Brownsville Ship Channel at the southernmost tip of Texas, touting the potential boon to the area economy, even as a chorus of local residents voiced concerns over the possible environmental and safety impacts of the projects, such as toxic flares and wildlife habitat loss.

The Federal Energy Regulatory Commission held a public meeting Aug. 11 in Brownsville as an early step in its environmental review of the projects. "This project will obviously help the economy and create jobs," said Julian Alvarez, president and CEO of the Rio Grande Valley Partnership, a regional chamber of commerce.

While all three developers pledge to build safe facilities that comply with regulations, some valley residents said the plants nonetheless are concerning. About 50 protesters held signs calling for residents to oppose the projects. Don Hockday, 72, a retired biologist and Port Isabel native, said aside from the environmental concerns, unsightly storage towers could hurt the tourist industry in his small coastal town opposite South Padre Island. "We're trading out our horizon for the LNG plant," he said.

LNG plant to open this year for local market at Dawson Creek, B.C.

(Alaska Highway News; Fort St. John, BC; Aug. 10) - While British Columbia's big liquefied natural gas export projects remain in limbo, a small LNG plant could be up and running in Dawson Creek by the end of the year. An AltaGas official told Alaska Highway News on Aug. 7 that the company aimed to begin operations at its new plant by no later than the end of the year. Dawson Creek is in central B.C., near the Alberta border.

The $17 million (U.S.) plant could be the first of an AltaGas network of LNG facilities spread across northern British Columbia. The plant would produce about 20,000 gallons of superchilled natural gas a day. The facility will consist of modules on skids that will be installed in an industrial area north of Highway 97. Unlike the 19 larger facilities proposed for B.C.'s West Coast, the AltaGas project is aimed at domestic customers, chief among them the oil and gas industry, as a replacement for diesel fuel.

Calgary-based AltaGas Chief Financial Officer Deborah Stein told the Alaska Highway News the company sees regional LNG as a pilot project. As such, the company decided to try to move forward without a firm list of customers. "Because it was a pilot project, we were prepared to take that financial risk," Stein said. If fully developed, the company's plans for the province could include small plants for local markets in Fort Nelson, Port Edward and Terrace.

Jamaica plans to convert power plant to run on LNG

(Jamaica Gleaner; Aug. 9) - The Jamaica Public Service Co. has signed an agreement for the long-awaited supply of natural gas to the island. The company announced it has signed a deal with U.S.-based New Fortress Energy for the supply of gas to Jamaica, after receiving approvals from the Jamaican government and the Office of Utilities Regulation. Under the agreement, New Fortress Energy will provide JPS with liquefied natural gas for its 120-megawatt power plant in Bogue, St James.

The plant, which was first put into service in 2003, is being converted to run on gas instead of more expensive diesel. "This is a historic moment for JPS and for Jamaica," said company CEO Kelly Tomblin. "JPS has worked since 2012 to procure gas as part our fuel-diversification strategy." The U.S. Energy Department Aug. 7 approved LNG exports to non-free-trade nations, which includes Jamaica, by New Fortress Energy, an affiliate of American LNG Marketing, a global investment management firm.

Fortress is building a small liquefaction plant at a rail yard in Medley, in Miami-Dade County, Fla., to serve transportation customers and the Caribbean and Central American markets. The plant will be capable of producing 8.25 million cubic feet a day of natural gas as LNG. JPS said it can do its work and be ready to start accepting LNG cargoes — loaded in 40-foot-long tanks delivered by ship — in early 2016.

Gas pipeline company offers grants in Oregon towns along route

(The World; Coos Bay, OR; Aug. 10) - Williams is accepting online applications for its Williams Pacific Connector Gas Pipeline Community Grant Program, established to benefit Oregon communities in which the proposed Pacific Connector gas line would be constructed and operated. Grants up to $5,000 per funding cycle will be awarded to organizations based on community need and grant criteria. Funds can be used to provide environmental benefits, economic development benefits or community benefits.

Eligible applicants could include emergency/first-responder support; youth or senior services; education programs; economic development; enhancement of open spaces and park land for recreational enjoyment; enrichment of wildlife habitats; promotion of environmental education; purchases of property for preservation of wetlands and wildlife habitat; and purchases of property to access public lands, water resources, scenic and wildlife views, and for enhancement or development of active recreational areas.

Priority will be given to community projects located in the four counties affected by the proposed 232-mile pipeline, which would feed gas to the proposed Jordan Cove LNG export terminal at Coos Bay, Ore.

IEA forecasts global oil glut to last through 2016

(Bloomberg; Aug. 12) - The global oil glut will last through 2016 as the strongest demand growth in five years and the start of supply cutbacks fail to clear the surplus, according to the International Energy Agency. Record inventories will expand even as consumption growth doubles in 2015 and supplies outside OPEC contract next year for the first time since 2008, the IEA predicted. Stockpiles won't be diminished until the fourth quarter of next year, or even later if sanctions on Iran are lifted, the agency said.

"While a rebalancing has clearly begun, the process is likely to be prolonged as a supply overhang is expected to persist through 2016 — suggesting global inventories will pile up further," the Paris-based adviser to 29 nations said in its monthly report. Oil slumped to a six-year low near $40 a barrel in New York on Aug. 11 as OPEC members maintain their output to defend market share, U.S. production holds its own against falling prices, and concerns grow that China's economy is becoming less stable.

World oil use will expand by 1.6 million barrels a day this year to average 94.2 million barrels a day, the IEA said, with demand climbing to 95.6 million barrels a day next year. But the global oversupply will average 1.4 million barrels a day in the second half of this year, straining available storage capacity, before easing to about 850,000 barrels a day in 2016, the IEA estimated. "The IEA is turning more positive as they finally realize that demand will stay strong," Giovanni Staunovo, an analyst at UBS Group.

OPEC's July oil production highest since 2012

(Wall Street Journal; Aug. 11) - The return of crude oil prices below $50 a barrel is testing the unity of OPEC, which on Aug. 11 posted near-record levels of production even as low prices ratchet up pain for its members. In its monthly oil-market report, the 12-nation cartel of some of the world's biggest oil producers said members pumped 31.51 million barrels a day in July — its highest level since May 2012 and representing an increase of 101,000 barrels a day over the previous month.

That is more than 1.5 million barrels a day above the group's stated output ceiling of 30 million barrels — a level OPEC endorsed at its last gathering in June. In the past, OPEC has bolstered prices by restraining output. But in the current downward price spiral, the group has kept pumping, a move aimed at protecting market share instead of prices. The strategy comes as a flood of new oil — including U.S. shale output and new OPEC production — has led to an oversupplied market and sharply falling prices.

That has caused strain inside OPEC. On Aug. 10, two of its most vulnerable members, Libya and Algeria, said they would back an emergency meeting of the group — and a reversal of the group's decision to maintain production. Those calls were rejected by Persian Gulf countries that wield outsize power in OPEC — Saudi Arabia, Kuwait and the United Arab Emirates. "There is no need for a meeting. The prices are at the same level" as in January when OPEC didn't see any reason to gather, a Kuwaiti official said.

Despite lower prices, Norway produces near record volume of gas

(Bloomberg; Aug. 10) - European natural gas traders have one more reason to be bearish: Norway is overproducing, and output at the nation's biggest field is poised to reach an eight-year high. Europe's second-largest supplier pumped more gas than forecast in five of the first six months this year, Norwegian government data show. Output from the Troll field is set to climb 23 percent to 1.2 trillion cubic feet in the year through September, according to an estimate by U.K.-based Eclipse Energy Group.

Norwegian output is rising amid a global oil and gas glut that's pressuring prices and cutting profit for companies including Troll's operator Statoil. Brent crude is trading close to the six-year low it reached in January, and gas prices in the U.K., a European benchmark, are at the weakest for this time of year since 2009. "The more oil prices weaken, the more important revenues from gas exports become," said Ira Joseph, executive director of international gas at Pira Energy Group.

Norway produced almost 2 tcf of gas in the first half of 2015, 8.3 percent more than government forecasts in January. Production for the full year is forecast at 4 tcf, just shy of the record year in 2012. Output at Troll is expected to reach its highest level since 2006-07. "There is no price incentive to defer production until summer 2016, so Troll is producing at a higher rate and is on course to use up all of its 'banked' production from previous years," said Jan Bygdevoll, a government senior reservoir engineer.

U.S. review of Keystone XL pipeline nears end of its 7th year

(The Associated Press; Aug. 11) - For years, the White House has had a quick comeback about its pending decision on the proposed Keystone XL pipeline: Talk to the State Department. Under a George W. Bush-era executive order, oil pipelines crossing the U.S. border require a presidential permit, setting off a government-wide review that the State Department coordinates. President Barack Obama, in no rush to anger either side in the debate, has deflected criticism about the long-delayed decision by arguing his administration is merely carrying out his Republican predecessor's directive.

But an Associated Press review of every cross-border pipeline application since 2004 shows that the Keystone review has been anything but ordinary. Since April 2004, when Bush signed his order, the federal government has taken an average of 478 days to give a yes or no to all other applications. A couple of complex projects waited two or three years for approval. TransCanada, which is hoping to build the 1,179-mile line to move oil sands production to Gulf Coast refineries, first applied in September 2008.

Keystone has emerged as a political flashpoint, elevated into a proxy battle over climate change and U.S. energy policy. Republicans and industry have pushed for approval, but environmentalists say it would promote dirty oil sands and risk spills. The administration has declined to say what's taking so long, or to offer insight into its deliberations, other than to promise a decision before Obama leaves office. It’s been more than 16 months since the State Department's 30-day public comment period closed. The department has not disclosed whether any federal agencies have objected to the pipeline.

TransCanada exploring options to anticipated Keystone rejection

(The Canadian Press; Aug. 8) - The company involved in the controversy-plagued Keystone XL oil sands pipeline has begun planning its response to an anticipated rejection of the project by President Barack Obama. In public statements, TransCanada is expressing hope Obama might still approve the pipeline, which over the course of its years-long delay has become an irritant between the U.S. and Canadian governments.

But people close to the project say the company has become all but convinced a rejection is imminent based on signals the White House is sending publicly and privately — and it's now considering the next move. One possible response is a challenge under the North American Free Trade Agreement to recoup damages from the U.S. government. Another is immediately re-filing a permit application with the U.S. State Department before the 2016 presidential election.

One source said the company is consulting lawyers on the mechanics of a NAFTA challenge, and weighing the legal and political impacts. He said the main suspense is how Obama will make his announcement — quietly, in a mid-summer Friday afternoon statement, or boldly from a platform like his upcoming Aug. 31 trip to a climate-change conference in Alaska. "There's a broad acceptance that the decision's been made," he said, adding that White House staffers had suggested a rejection is coming.

Bechtel revokes leave as it prepares for union protests in Australia

(Australian Financial Review; Aug. 10) - A protest march planned by five major trade unions over Australia's free-trade agreement with China has set on edge management at Bechtel, which has revoked leave and urged supervisors to ensure "full attendance" at the huge Gladstone LNG construction site Aug. 17. In an email to supervising managers Aug. 7, Bechtel's deputy site manager for Gladstone LNG, Rod Beach, said it was "in the best interests" of the project to "require full attendance to get stuff done."

The move comes as the $18.5 billion (U.S.) LNG venture is only weeks away from the start of production at the first of two liquefied natural gas production units being built at Curtis Island in Gladstone harbor. The Curtis Island site was threatened with strike action last year, with industrial action only narrowly averted after workers approved a new agreement on the third attempt. Gladstone LNG is a joint venture of Australia's Santos, Korea Gas, Malaysia's Petronas and France's Total.

The Construction, Forestry, Mining and Energy Union, the Electrical Trades Union, the Maritime Union of Australia, the Australian Manufacturing Workers' Union and the Australian Workers' Union have called on supporters to meet Aug. 17 in central Gladstone for a protest march against the China agreement. Unions have been rallying against the agreement for the past several weeks, claiming it will kill jobs for Australian workers and jeopardize economic benefits.