Oil and Gas News Briefs
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Canadian agency restarts environmental review of LNG project

(Globe and Mail; Canada; Dec. 20) - The Canadian Environmental Assessment Agency has restarted its review of a proposal to export liquefied natural gas from British Columbia after a delay that lasted more than six months. Pacific NorthWest LNG, led by Malaysia's state-owned Petronas, wants to build a liquefaction plant and export terminal on Lelu Island in the Port of Prince Rupert. The consortium is striving to become the first major LNG project in British Columbia; it is one of 20 LNG plants proposed on the coast.

The agency began its review in April 2013. Since then, there have been five pauses to what industry officials originally thought might be a process that would take two years at most. The latest delay arose when the federal regulator temporarily halted its review on June 2, instructing Pacific NorthWest LNG that it needed to submit new scientific information. The Skeena Watershed Conservation Coalition and other groups have raised concerns about the risk to salmon habitat on Flora Bank, next to Lelu Island.

The agency is expected to make its decision in the spring of 2016 after it scrutinizes Pacific NorthWest LNG's plans, industry observers say. The agency restarted its assessment on Dec. 11. If all goes smoothly, the regulator could issue a draft report as early as January. That draft assessment report would be issued simultaneously with a separate document outlining environmental conditions for the project to follow. After the draft report and the conditions are released, the public would have 30 days to comment.

First Nation votes against small LNG plant south of Vancouver

(The Canadian Press; Dec. 17) - Environmental concerns appear to have dashed plans for a liquefied natural gas export project on land of a pro-development First Nation near Vancouver, the band's chief said. Of the 139 members of the Tsawwassen First Nation who voted Nov. 16 (about a 50 percent turnout of eligible voters), 53 percent opposed plans for construction of a small LNG plant on 80 acres of First Nation's land on the Pacific coast just a few miles north of the U.S. border.

Chief Bryce Williams encouraged members last month to support the plans, saying potential benefits outweighed limited drawbacks. The day after the vote, Williams said members were concerned about the environmental impacts of the project and natural gas extraction, and he was proud of how they handled the consultation process. Had the band approved the plans, the export facility might have opened as early as 2022, loading five to six carriers a month with gas delivered by pipe from interior B.C. fields.

The project would have brought money to the community, but it wouldn't have offered as many jobs as projects such as a warehouse, said Tom McCarthy, chief administrative officer of the Tsawwassen First Nation Economic Development Corp. "The ability to move forward with logistics-based activity is something that will benefit the members and future generations, really, just as well as LNG would have," he said.

FERC approves Gulf Coast LNG export plant

(Environment & Energy News; Dec. 17) - The Federal Energy Regulatory Commission Dec. 17 approved construction and operation of a liquefied natural gas export facility on the Louisiana coast. The commissioners approved the Lake Charles LNG proposal to build a liquefaction plant adjacent to the existing LNG import terminal in Calcasieu Parish, La. Lake Charles, a subsidiary of Dallas-based Energy Transfer Equity and Energy Transfer Partners, was originally granted approval in the 1970s to import LNG.

But faced with an underutilized import facility, the owners — like so many other LNG terminal owners in the U.S. — decided to add liquefaction and export capabilities to help move the country's surplus of shale gas. Though it has FERC approval, Lake Charles LNG still needs federal approval for exports to nations lacking a free-trade treaty with the U.S. Lake Charles said the $12 billion investment decision could come in 2016. BG Group would operate the plant. Five U.S. LNG export plants are under construction.

FERC staff had issued a favorable environmental review for the project earlier this year, determining that it "would result in adverse environmental impacts, but most impacts would be reduced to less-than-significant levels." The Sierra Club opposed the project, arguing it would have indirect negative effects on the environment by increasing U.S. gas production, domestic energy prices and consumption of gas overseas. The commission, however, declined to respond to all of the Sierra Club's objections.

Opponents of LNG project in Oregon argue Asia doesn't need the gas

(The News-Review; Roseburg, OR; Dec. 16) - Opponents of the Jordan Cove Energy Project, in Coos Bay, Ore., who have often fought under the banners of landowners' rights and environmental protection, have now taken aim at the LNG export project's economic viability. In a Dec. 9 complaint to the Federal Energy Regulatory Commission, a group of opponents and their representatives argued that Asia — the project's target market — is becoming less and less interested in liquefied natural gas.

LNG prices in Asia have dropped 45 percent in 2015 and 60 percent since their peak in February 2014. Japan, South Korea and China have all shown less interest in importing gas, in part due to the restart of nuclear power plants in Japan and Korea and an economic slowdown in China. It remains to be seen whether the lower prices will eventually lead to greater demand for the fuel. The project is before FERC for a decision whether to allow construction.

The complaint follows revelations that the project sponsor has not yet locked in any customers. The LNG plant developer, Calgary-based Veresen, told FERC last month it was confident that "customers will enter into binding, long-term liquefaction tolling service agreements with Jordan Cove." Negotiations with potential customers in Asia are underway, a company spokesman said.

Plans continue toward possible expansion at Russia's Sakhalin LNG

(Bloomberg; Dec. 17) - Sakhalin Energy Investment, the only liquefied natural gas exporter in Russia, has agreed to begin design work on expanding the 6-year-old plant, the joint venture said Dec. 18. The partners — Gazprom, Shell, Mitsui & Co. and Mitsubishi Corp. — are looking at adding a third production unit at the Sakhalin-2 LNG plant in the Russian Far East, just north of Japan, to raise capacity by 4.8 million metric tons to 14.4 million metric tons a year, said Miyuki Shiga, a Mitsui spokeswoman.

The design process will take about a year and the first cargo from the new unit could ship early next decade, Shiga said. The venture has awarded contracts to start the design development work. Shell, which owns a 27.5 percent stake in the project, has been discussing raising the plant's liquefaction capacity since 2013.

While the partners have agreed on a budget for the expansion, there needs to be enough gas resources to justify the new capacity and the company must finish the plans for the third unit before deciding if it will go ahead, Alexander Medvedev, Gazprom deputy chief executive officer, said in June. Finding or buying sufficient gas resources to feed the third unit has been an issue for the expansion project.

China investment fund loans $790 million for LNG project in Russia

(The Economic Times; India; Dec. 18) – China's cash-rich Silk Road Fund said Dec. 18 it will buy a 9.9 percent stake in the liquefied natural gas project that Novatek, Russia's second-biggest gas producer, is developing on an Arctic peninsula. The fund also said it would extend a 15-year loan of $790 million to finance the struggling venture. The Silk Road Fund, a $40 billion medium- to long-term investment fund, said it entered into a set of binding agreements with Novatek on Dec. 17.

The $27 billion project is struggling to raise funds due to international sanctions slapped against Russia over its role in the Ukrainian crisis. Yamal LNG is a partnership of Novatek, France's Total, the China National Petroleum Corp., and now the Chinese investment fund. The Russian government is helping with infrastructure development at Yamal — an airport, port and icebreakers. Production could start in two or three years.

The Silk Road Fund was set up in December 2014 to promote investment and financing cooperation between China and other countries.

Israel signs deal to allow development of offshore gas field

(Times of Israel; Dec. 17) - After months of intense debate and numerous bureaucratic and legislative hurdles, Israel Prime Minister Benjamin Netanyahu on Dec. 17 signed a controversial deal on newly found gas fields in the Mediterranean. The agreement paves the way for a consortium of Texas-based Noble Energy and the Israel-based Delek Group to begin work on extracting gas from the massive Leviathan field 80 miles off the coast — estimated to contain some 22 trillion cubic feet of gas. The partners are looking to export much of the gas, which is far more than the local Israeli market needs.

Activists and politicians against the deal wasted no time in vowing to take the deal to Israel's High Court, signaling that the fight was far from over. During a ceremony in an industrial zone near Beersheba, Netanyahu called the gas "a gift from God" and said the deal would pave the way to energy independence. "This plan is important to our economy because it gives us a much cheaper source of energy. … It makes us, if not an energy superpower, then definitely an important international force."

The move comes after a year of political and public opposition to the deal, which critics claim will create a monopoly in the gas market and lead to higher prices for Israeli consumers. Netanyahu disagreed. "There is no way to open up these additional gas fields without this plan," he said. Netanyahu invoked a never-before-used clause to override an antitrust ruling against the deal by declaring it an issue of national security. Under terms of the deal, Delek Group will sell down its holdings in other, smaller offshore gas fields. For the first six years, natural gas prices will be regulated in Israel.

Asia LNG spot-market prices for January delivery lowest since 2010

(LNG Global; Dec. 18) - Prices of spot liquefied natural gas for delivery to northeast Asia averaged $7.40 per million Btu for January, according to latest Platts Japan/Korea Marker data for month-ahead delivery. The marker fell 26.5 percent year over year, with thin buying interest dampening any price recovery, despite the fact that the market is now well into its traditionally stronger peak-winter demand season. At $7.40, the Japan/Korea Marker for January is at the lowest level seen for the month since 2010.

According to Platts, the Japan/Korea Marker was only a marginal 1.6 percent higher than the previous trading months' average of $7.28, with unseasonably warm temperatures and many ongoing tenders dampening spot activity.

Latest federal estimate puts Barnett Shale at 53 tcf of gas

(Bloomberg; Dec. 17) – The Barnett Shale formation in Texas contains 53 trillion cubic feet of natural gas, twice as much as previously estimated, U.S. government researchers said. The formation also contains 172 million barrels of shale oil and 176 million barrels of natural gas liquids, the U.S. Geological Survey reported Dec. 17. The estimates are for "undiscovered, technically recoverable" reserves.

The Barnett Shale is one several U.S. regions — including Pennsylvania's Marcellus Shale and North Dakota's Bakken Formation — transformed this past decade by the widespread use of horizontal drilling and hydraulic fracturing to unlock previously unreachable resources. In 2003, relying solely on vertical drilling, the USGS estimated there was 26.2 tcf of gas in the Barnett. Since then, more than 16,000 horizontal wells have helped produce more than 15 tcf of gas and 59 million barrels of oil there.

Low oil and gas prices, budget deficit cost Alberta top credit rating

(Bloomberg; Dec. 18) - Alberta has lost its top credit rating at Standard & Poor's after plunging oil and natural gas prices eroded government revenue and pushed the Canadian province into recession. S&P lowered Alberta's long-term rating to AA+ from AAA, the province's first downgrade by the rating company since 1992. Alberta has held the top rating since 2002, according to data compiled by Bloomberg.

“The downgrade reflects our assessment of Alberta's now-average economic prospects resulting from low oil prices; projected weak budgetary performances in the next two years; and moderate, but rapidly rising, tax-supported debt burden,” S&P said in a statement Dec. 18. The lower rating is the latest blow to a provincial government that has grappled with a persistent oil price slump since taking power in May.

Premier Rachel Notley's party has raised corporate and personal income taxes and pledged to take on more debt to help offset falling and gas revenues and to pay for investments in schools, hospitals and transportation. In October, the government predicted this fiscal year's budget deficit would hit a record $6.1 billion Canadian ($4.1 billion U.S.). The downgrade was expected and will have little impact on government borrowing costs because bondholders have already factored in lower oil prices, Alberta Finance Minister Joe Ceci said.

OPEC forecasts oil to remain below $100 through at least 2040

(Wall Street Journal; Dec. 18) - The Organization of the Petroleum Exporting Countries said Dec. 18 that oil prices will remain below $100 a barrel in the long term, but should bounce back from current low levels as global demand for crude will rise more than currently expected. The forecast comes as the oil cartel's members — many of which need a price of more than $100 a barrel to balance their budgets — have been grappling with free-falling oil prices.

International crude prices have fallen 15 percent in the past few weeks after an early December decision by OPEC to stand pat on its strategy of maintaining production. In extracts published Dec. 18 from its closely watched World Oil Outlook, OPEC said it now assumes the price of the reference basket of crude oil produced by its members would be $70 a barrel in 2020, rising to $95 a barrel by 2040.

The price assumptions constitute a sharp downgrade from last year, when OPEC foresaw prices for its basket at $95.40 a barrel in 2020 and $101.60 a barrel in 2040. But with oil prices now expected to be lower than previously thought, the cartel anticipates more demand for oil in the long term. OPEC has raised its estimates for medium-term demand to above 97 million barrels a day by 2020. That compares with 2015 demand of about 94.6 million, according to the International Energy Agency.

Russia boosting oil production, despite low prices

(Bloomberg; Dec. 20) - In the fight for market share among the world's oil producers this year, Russia wasn't supposed to be a contender. But the world's No. 3 producer has been pumping at the fastest pace since the collapse of the Soviet Union, adding to the flood on an already swamped market and helping push prices to the lowest levels since 2009. Russia's unexpected oil bounty this year is not due to a new Kremlin campaign, but rather dozens of modest productivity improvements across the sprawling sector.

Even pressured by plunging prices, as well as U.S. and European Union sanctions that cut access to much foreign financing and technology, Russian companies have managed to squeeze more crude out of some of the country's oldest fields. They have also brought new projects online, offsetting steady declines in the core producing region of West Siberia. In addition to improved productivity and cost-control, special tax breaks for older fields have helped.

With a rise in oil production of 0.5 percent in the first nine months of 2015, Russia hasn't boosted its flow as much as its larger rivals, the U.S. (up 1.3 percent) and Saudi Arabia (up 5.8 percent), according to Citigroup. "I know of no one who had predicted that Russian production would rise in 2015, let alone to new record levels," said Edward

Morse, Citigroup's global head of commodities research. As recently as April, not even the Russian government thought 2015 would break the record.

TransCanada bumps up estimate for 2,800-mile oil line to $15.7 billion

(The Canadian Press; Dec. 16) - TransCanada has filed an amended application for its Energy East oil pipeline project that raises the projected cost by nearly $4 billion. The Calgary-based company said the filing with Canada's National Energy Board makes nearly 700 changes to the route in response to concerns about environmentally sensitive areas for the line that would run more than 2,800 miles from Alberta to the Atlantic coast.

TransCanada already signaled last month that it was prepared to make changes to the Energy East proposal when it announced there would be no export terminal built in Quebec due to opposition over the environmental risks. At the time, the project was estimated at $12 billion, but TransCanada now estimates the price at $15.7 billion — not counting the value of existing pipeline assets that will be used for part of Energy East.

The proposed pipeline would take Alberta crude as far east as an Irving Oil refinery in Saint John, New Brunswick. It would include existing TransCanada pipeline as far east as Montreal, plus new pipeline through Quebec. The main purpose of Energy East is to build a system capable of carrying 1.1 million barrels per day from west to east. The company has emphasized the benefit of providing a domestic oil supply to Canadian refineries, but critics say the real purpose is to ship oil overseas from eastern ports.