Oil and Gas News Briefs
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Japan's nuclear restarts will affect oil and LNG imports

(The National; Abu Dhabi; Dec. 27) - Japan's latest obstacles to getting its nuclear power industry back on track will be a factor for its energy imports in 2016. The country had been making progress toward restarting its nuclear reactors after the 2011 Fukushima disaster, but the latest setback is opposition to the experimental Monju fast-breeder reactor in Tsuruga, Fukui Prefecture, where residents have sued to have its permit cancelled because of safety concerns, news agencies reported Dec. 26.

The loss of nuclear power over the last few years has cost Japan dearly in additional fossil fuel imports. Japan had to spend an additional $270 billion for fossil fuel imports in the three years after the Fukushima accident, or 58 percent more than in the three years before the disaster. The country is the world's third-largest oil importer, after the U.S. and China. So far, only two nuclear reactors have restarted.

The next test for the industry will be the Takahama plant in Fukui, where residents have played a legal cat-and-mouse game all year to keep the reactors from restarting. The operator plans to restart them at the end of January, but is still awaiting a final court ruling on an injunction. With nuclear offline, Japan's imports of liquefied natural gas reached a record 86 million metric tons last year. But the government has forecast that could drop to 62 million tons by 2030, assuming multiple nuclear plants restart.

Gazprom has little choice but adapt to changing gas market

(Bloomberg; Dec. 23) - Gazprom, the state-controlled natural gas giant, has long played a double role: as an instrument of Kremlin foreign policy, and as a major source of tax revenue for the Russian government. But things have changed. Gazprom has long been accustomed to dictating terms because of its size. In the European Union, it supplies about 30 percent of the gas. But with a 70 percent fall in profits, the company is fighting to protect its share of a market it depends on for as much as one-third of its revenue.

By 2025, the International Energy Agency says the EU will import 20 percent more of its gas than it does today, and much of that will be liquefied natural gas from the United States. It's not just America. "There will be competition between American gas, Russian gas, Algerian gas, Middle Eastern gas," Total CEO Patrick Pouyanné said in October. In response, Gazprom has dropped the bluster and threats it used with European clients in the past. Instead, the company is paying more attention to customer needs.

Gazprom has announced plans for a pipeline that would transport its gas directly to the EU — bypassing Ukraine — and is pushing to settle an EU antitrust claim that could cost it billions of dollars. But Gazprom's room to maneuver is limited. All its gas for Europe is shipped by pipeline, meaning it can't divert it to other markets, and links to China aren't expected to be built until after 2019. Meanwhile, the plunge in gas prices has begun to bite. Gazprom expects 2016 revenue from Europe will be off 16 percent, the lowest in 11 years, and its giant Siberian fields are operating far below capacity.

Tribe sues over permits for LNG plant at Port of Tacoma

(Tacoma News-Tribune, WA; Dec. 20) - The Puyallup Tribe of Indians wants the permits yanked for a liquefied natural gas production and storage plant on the Tacoma Tideflats, alleging the environmental plan for the $275 million facility on Puget Sound is deficient. The tribe filed suit in Pierce County Superior Court last week, asking that demolition permits issued by the city of Tacoma be rescinded and that the city be ordered to fix errors in its environmental impact statement for the plant before issuing more permits.

The tribe is worried that a proposed barge landing facility would expose contaminated soils, hurting fishing stocks and possibly impacting tribal marinas across the waterway. "The site is within a large and not yet cleaned up Superfund site. Extensive groundwater contamination exists within a plume that could be impacted by the construction," the suit said. A spokesman for the developer, Puget Sound Energy, said it "is confident that the city's rigorous work in reviewing the project satisfies all applicable requirements."

The city issued permits for the plant in November. Puget Sound Energy has said it would like to open the facility by 2018. Plans called for natural gas to arrive by pipeline, then be superchilled into liquefied natural gas and stored in an 8-million-gallon, concrete and steel tank. Some of the LNG would be sold as fuel for ships at the busy Washington state port — LNG is growing in popularity as a cleaner-burning fuel for ships — and the rest would be regasified and fed to the region's distribution system during peak demand.

Natural gas gaining strength in U.S. utilities, transportation sectors

(San Antonio Business Journal columnist; Dec. 23) - Natural gas has emerged as a winner in electricity generation in the United States. The U.S. Energy Information Administration reports that gas has become the cheapest source of power production. EIA figures show it costs $869 million to build a natural gas power plant capable of generating 1,000 megawatts of electricity compared to $2.72 billion for coal and $4.64 billion for nuclear.

Utilities like San Antonio's CPS Energy are turning away from polluting coal plants and switching to cleaner-burning natural gas for reliable baseload power. The municipally owned utility plans to shut down its Deely Coal Plant off Calaveras Lake in favor of the Rio Nogales natural gas plant in Seguin, which will generate a comparable amount of electricity with almost half the emissions.

Another area where gas is showing promise is in the transportation sector. Compressed natural gas, or CNG, vehicles are becoming more common in commercial and public transportation fleets. San Antonio's VIA Metropolitan Transit plans to switch over its entire fleet of 448 buses to run on cleaner-burning gas over the next five to six years. And to meet the growing demand in the transportation sector, companies are adding natural gas fueling stations in San Antonio and other locations across Texas.

Colorado gas producers support LNG export project on Oregon coast

(The Daily Sentinel; Grand Junction, CO; Dec. 26) – Western Colorado's oil and gas industry is urging local officials in Coos County, Ore., to approve plans for a liquefied natural gas export terminal on the coast, about 100 miles north of the California border. "We are excited the economies and communities of Colorado and Oregon will be linked in a new and extraordinary way," said a letter from Western Slope Colorado Oil and Gas Association Executive Director David Ludlam to the Coos County Commission.

The Coos County Commission is considering a conditional-use permit for the LNG terminal, which would liquefy natural gas from Colorado's Piceance Basin and other Rocky Mountain regions and load it aboard LNG carriers for export to Asian markets. A county hearing officer is expected to make a recommendation after Feb. 1. The LNG project has won the support of Colorado Gov. John Hickenlooper, three western Colorado counties and several chambers of commerce. In addition to waiting on its permits, the project developer is looking to secure financing and customers.

Some oil speculators are betting on even lower prices

(Bloomberg; Dec. 22) - Oil speculators are buying options contracts that will only pay out if crude drops to as low as $15 a barrel next year, the latest sign some investors expect an even deeper slump in energy prices. The bearish wagers come as OPEC's effective scrapping of its output limits, Iran's anticipated return to the market, and the resilience of production from countries such as Russia raise the prospect of a prolonged global oil glut.

"We view the oversupply as continuing well into next year," Jeffrey Currie, head of commodities research at Goldman Sachs Group wrote in a note Dec. 22, adding there's a risk oil prices would fall to $20 a barrel to force production shutdowns if mild weather continues to damp demand. The bearish outlook has prompted investors to buy put options — which give them the right to sell at a predetermined price and time — at strike prices of $30, $25, $20 and even $15 a barrel, according to data from the New York Mercantile Exchange and the U.S. Depository Trust & Clearing Corp.

West Texas Intermediate, the U.S. benchmark, is currently trading at about $36 a barrel. Investors have bought increasing volumes of put options that will pay out if the price of WTI drops to $20 to $30 next year, the data show. The number of outstanding contracts — or open interest — below $30 is relatively small. But the open interest for June 2016 put options at $25 a barrel has nearly doubled over the past week.

Texas company plans first export of U.S. crude in 40 years

(Wall Street Journal; Dec. 23) - A Texas energy company soon will load the first cargo of U.S. crude oil to be shipped overseas. Enterprise Products Partners said Dec. 23 that during the first week of January it will load 600,000 barrels of light, sweet crude produced in South Texas into a tanker at its oil terminal on the Houston Ship Channel. The announcement comes less than a week after Congress passed legislation lifting the 40-year-old ban on exporting U.S. oil.

Vitol Group, a Dutch oil-trading titan, is buying the crude, according to Enterprise. The oil will sail across the Atlantic Ocean to a Vitol subsidiary's refinery in Cressier, Switzerland, which supplies diesel and other fuels to Northern Europe, according to a person familiar with the matter.

Infrastructure companies like Enterprise have been laying the groundwork for oil exports in the past couple of years by investing in dock space at ports and storage terminals that can hold fuel destined for overseas markets. President Barack Obama signed the legislation that lifts the ban on U.S. crude exports less than a week ago. It was part of a larger omnibus federal spending bill that averted a government shutdown and offered new tax credits for renewable energy, including wind and solar.

OPEC may cut its production in 2019; forecasts $70 oil in 2020

(Wall Street Journal; Dec. 23) - OPEC predicts oil prices will rebound in coming years, and the cartel said it expects to reduce its own production by 2019. The report comes after global prices this week fell to levels not seen since 2004 amid an increasing glut. In its closely watched annual World Oil Outlook published Dec. 23, the Organization of the Petroleum Exporting Countries said it expects the price of its basket of crudes to rise to $70 a barrel in 2020 and $95 in 2040, compared with $30.74 a barrel Dec. 21.

The "need to develop oil production in more expensive areas will drive long-term oil prices higher," OPEC said in its report. Much of the recent oversupply has been caused by the production of costly reserves in the U.S. and Canada, which started to slow after oil prices fell by more than half in the past year. On top of North American competition, OPEC is facing the return of Iran exports after sanctions are lifted on Tehran next year.

The organization said it expects to cut its own supply to 30.6 million barrels a day in 2019. That is more than one million barrels a day lower than its production of 31.7 million in November, which was its highest in three years. Meanwhile, the current decline in oil prices is driving up demand for oil, the report said, forecasting a rise to 97.4 million barrels a day by 2020, compared with an estimated 92.8 million this year.

Eni faces more delays in production start-up at Arctic platform

(Wall Street Journal; Dec. 22) – Eni's bid to begin pumping Arctic oil from the northern-most offshore oil platform in the world — already two years behind schedule and well over budget — has hit another snag as Norwegian regulators have requested more information about safety and other issues before they give the green light. Norway's Petroleum Safety Authority said Dec. 22 it had not yet given consent for Eni to start production at the Goliat field, located about 50 miles off the country's northern coast.

After Eni receives the authority's consent, at least another five weeks will pass to allow for any appeals before production can start. Eni said Dec. 22 it expects production to begin during the first few weeks of 2016. In September, Eni said start-up was just weeks away, and then last month it said oil would flow by the end of the year. The original plan called for start-up the end of 2013. Eni has a 65 percent stake in Goliat and operational control of the platform, while Norwegian national oil company Statoil owns 35 percent.

"There has been a lot of uncertainty related to the plans, status on equipment critical for the safety and remaining work," Norway's regulators wrote to Eni on Dec. 8. The delays are forcing Eni to wait before it begins recouping some of the $6 billion spent on Goliat. With Brent crude trading below $37 a barrel — the lowest in more than a decade — the Italian oil and gas company is already struggling to make Goliat economically viable. Several analysts put the break-even point for the platform at more than $100 a barrel.

Calgary sees economic pain from oil and gas job cuts

(Bloomberg; Dec. 22) - Crime is rising, home prices are falling and food banks are overwhelmed in Calgary as job losses spread. And the worst isn't yet over in the heart of Canada's oil patch. Some of the city's largest employers are poised to cut more jobs in 2016 as they reduce spending for a second straight year, adding to an estimated 40,000 oil and natural gas positions lost across Canada since the crude price rout began 18 months ago.

“We all know someone who has lost a job,” Mayor Naheed Nenshi said in a speech this month, lamenting the funeral-like atmosphere in the business community. Calgary had boasted one of the lowest jobless rates in Canada as oil prices rose over $100 a barrel, but is reeling after a global glut has pushed prices down by two-thirds. Shares of energy producers have fallen along with oil. While Alberta’s biggest city is benefiting from gains in tourism and transportation, its economy is still 30 percent dependent on oil and gas.

The largest 23 Canadian producers are set to spend 11 percent less in 2016, a cut of about $2.59 billion (U.S.). It follows a 32 percent cut in 2015. The impact of the energy downturn is easy to see downtown in less traffic, emptier office buildings and closed restaurants. The Calgary Stampede, an annual rodeo with events throughout the year, suffered its own round of cuts last month after losing funding and site bookings. “My new job is finding a job,” said Kevin Mulligan, 61, among the laid-off Stampede workers.

Bad weather delays LNG deliveries, forces Beijing to conserve gas

(Bloomberg; Dec. 27) - Beijing has ordered offices to cut heating to as low as 57 degrees Fahrenheit in response to a natural gas shortage resulting from import delays by PetroChina. Gas supplies have dwindled in northern China as heavy fog and wind delayed unloading tankers carrying liquefied natural gas imports meant to satisfy peak winter demand, said PetroChina’s parent, China National Petroleum Corp.

Heating in public buildings including offices, malls and supermarkets in the capital was curtailed and authorities are working with PetroChina to restore deliveries as soon as possible, Beijing authorities said Dec. 26. Northern China is feeling the lowest temperatures in 64 years, leading to an increase in gas consumption, according to CNPC. It was 21 degrees Fahrenheit in Beijing on Dec. 27.

"The cold weather and difficulties in delivering LNG imports at the Tangshan terminal played a big part in causing the recent supply shortage," Liu Guangbin, an analyst with SCI International, a Shandong-based researcher, said by phone. "I expect the tightness to continue for a month or so as the coldest time for northern China is yet to come."