Oil and Gas News Briefs
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LNG exports could increase price volatility in U.S. gas market

(Bloomberg; July 29) - After years of languishing in a shale-induced coma, the U.S. natural gas market is waking up. Seasonal price swings will intensify as the country begins shipping liquefied natural gas cargoes to Asia and Europe later this year, says Bank of America, RBC Capital Markets and Wood Mackenzie. While that's good news for traders yearning for volatility and profits, it could be bad news for consumers.

LNG exports will help prices rebound from the slump caused by the U.S. pumping record amounts from shale formations. Growing domestic winter demand is already causing spikes and trading volumes in futures markets have rebounded to the highest level in three years. Average retail natural gas prices also will rise with LNG exports, according to Bloomberg New Energy Finance. "Connecting U.S. natural gas prices into the global market could result in wider spreads at home," said Francisco Blanch, the head of commodities research at Bank of America in New York.

Cheniere Energy will start up its LNG export terminal this year in Louisiana, the first ever in the Lower 48 states. Four more U.S. plants are under development. Demand growth, including LNG, will lead to more seasonal price volatility, said Breanne Dougherty, a gas analyst at Societe General in New York. LNG exports might remove enough supply from the market that volatility will rise during particularly cold winters, said Michael Mitton, director of the commodity investor team at BNP Paribas in New York.

Nigeria wants to climb back to 10% share of global LNG market

(Reuters; July 29) - Nigeria Liquefied Natural Gas Co. expects to take delivery of four LNG carriers before year-end and an additional two more next year, its chief executive said, positioning the state-backed gas exporter to expand its share of the growing market. NLNG signed agreements with South Korea's Samsung Heavy Industries and Hyundai Heavy Industries in 2013 to acquire six LNG carriers, costing more than $1.2 billion, to boost its fleet of 23 ships.

It had tapped the South Korea Export and Import Bank and other lenders to fund construction, CEO Babs Omotowa said. Nigeria, with the world's fourth-biggest LNG plant, wants to capture more of the growing global demand for LNG by expanding its market share to more than 10 percent — a spot it last held in 2008 — from 7 percent now, Omotowa said, without giving a time frame.

"With our growth projects Train 7 and Train 8, we hope to expand our capacity by 40 percent and take us back to over 10 percent," he said, referring to its production lines.

NLNG, owned by Nigerian state oil firm NNPC, Shell, France's Total and Italy's Eni, has the capacity to produce 22 million metric tons of LNG a year. The company was set up 15 years ago for export. It has long-term contracts with Spain's Repsol, France’s GDF Suez, Britain’s BG Group, Italy's Enel and Portugal's Galp — and sells on spot markets.

Anadarko not looking to sell share of Mozambique LNG project

(Reuters; July 29) - Anadarko Petroleum has no interest in selling down its stake in a planned liquefied natural gas project in Mozambique, the company's chief executive said July 29, following talk of international interest in the African country's gas reserves. The Houston-based company's desire to sell some of its interest in the project "approaches zero," CEO Al Walker told investors on a conference call to discuss second-quarter earnings.

Anadarko would like to be the operator of the multibillion-dollar LNG project, and reducing its stake would put that status into question, Walker said. There has been talk of intense interest in Mozambique's gas reserves from national oil companies and the world's largest private oil companies. Anadarko has a 26.5 percent stake in the Area 1 license in the Rovuma Basin offshore Mozambique with an estimated 75 trillion cubic feet of gas resources.

The company’s partners in the proposed LNG project include Japan’s Mitsui, Indian oil and gas companies, and Mozambique’s national oil and gas company. The venture is working toward a final investment decision. Anadarko has said it expects to make that decision before the end of the year.

FERC approves floating LNG import terminal for Puerto Rico

(LNG Global; July 27) – The Federal Energy Regulatory Commission July 24 issued an order granting authorization to Excelerate Energy to build and operate the proposed Aguirre Offshore GasPort Project in Puerto Rico. The $350 million import terminal would consist of a floating storage and regasification unit, moorage and a subsea pipeline to deliver the gas onshore. The facility would provide fuel to a 1,500-megawatt power generating complex that is being converted from oil to natural gas.

Excelerate said it will continue to work with FERC and cooperating agencies in preparation for the start of construction. Construction is estimated to begin the first quarter of 2016, with an in-service date of the second quarter of 2017, according to the company.

FERC starts work on reviews of three more LNG hopefuls

(The Herald; Brownsville, Texas; July 28) - The Federal Energy Regulatory Commission on July 23 issued notices of intent to prepare environmental impact statements for three liquefied natural gas projects proposed for the Port of Brownsville, Texas: Annova LNG, Rio Grande LNG and Texas LNG. The projects are among more than three dozen U.S. Gulf Coast LNG export plants in varying stages of development, including FERC-led environmental reviews and Department of Energy consideration of export applications.

All three companies want to build plants along the Brownsville Ship Channel.

Colorado governor supports LNG export project in Oregon

(Denver Business Journal; July 28) – Colorado Gov. John Hickenlooper says a proposed LNG export terminal in Coos Bay, Ore., could help western Colorado's economy, and he has asked federal officials to approve it quickly. The Jordan Cove Energy Project, backed by Calgary-based Veresen, needs an environmental impact statement for the terminal and also for a pipeline connecting the terminal to the Ruby Pipeline that moves gas from Colorado and Wyoming to the California-Oregon border.

Hickenlooper's July 22 letter to U.S. Energy Secretary Ernest Moniz and Cheryl LaFleur, chairwoman of the Federal Energy Regulatory Commission, said the Jordan Cove project "is of specific interest" to Colorado's Western Slope. While Western Colorado holds a lot of natural gas, the area's economy has slumped in recent years due to a wealth of gas produced from competing fields in the Eastern U.S., such as the Marcellus Shale basin in Pennsylvania.

The resulting glut in the U.S. market means Colorado's gas needs new markets — and a way to access those markets. "The project terminal is the only LNG facility on the West Coast that would directly link Colorado to new energy markets," Hickenlooper said in his letter. "Approval and construction of the Jordan Cove facility will open international markets and economic opportunity for rural northwestern Colorado communities."

Marcellus Shale gas production at 16.5 bcf a day in July

(U.S. Energy Information Administration; July 28) - The productivity of natural gas wells in the Marcellus Shale and the neighboring Utica Shale is steadily increasing because of ongoing improvements in precision and efficiency of horizontal drilling and hydraulic fracturing, according to a report by the U.S. Energy Information Administration. Since January 2012, gas production in the Marcellus and Utica regions has accounted for 85 percent of the increase in overall U.S. gas production.

The July report noted that average new-well production per rig in the Marcellus region (Pennsylvania and West Virginia) was 3.2 million cubic feet of gas per day in January 2012, almost tripling to 8.3 million cubic feet a day in July 2015. Total Marcellus production was 6.3 billion cubic feet per day in January 2012, jumping to 16.5 bcf a day in July 2015, the EIA said. In the Utica (Ohio), total gas production climbed from 150 million cubic feet a day in January 2013 to 2.6 bcf a day in July 2015.

India defers delivery of high-priced Qatari LNG

(The Economic Times; India; July 28) - India has deferred taking delivery of at least 20 shiploads of expensive liquefied natural gas from its main supplier Qatar and wants a big rate cut on its contracted cargoes. India's 25-year contract for 7.5 million metric tons a year of Qatari LNG (about 360 billion cubic feet of gas a year) is indexed to a moving average of global oil prices. Although oil has fallen in the past year, India's contract rate is calculated on a five-year average, delaying any drop in the cost of Qatari LNG.

The price of LNG from Qatar comes close to $13 per million Btu for India, compared to $7 to $8 on the spot market. With few takers for high-priced LNG, India has "deferred taking deliveries of 20 to 21 cargoes so far in 2015 calendar year," a source said. In a full year, the 7.5 million tons of LNG would fill 120 cargoes. "Price is an issue," the source said, adding that the high price has led to users in the fertilizer and power industries finding cheaper alternate fuels such as naphtha and fuel oil.

"The contract is a take-or-pay wherein the buyer has to take the contracted volume every calendar year or pay for it," India's LNG importer, Petronet, said. "But the contract also provides for a flexibility that gives the buyer (the option) to defer taking 30 percent of the supplies in a year. These volumes can be taken at any time during the duration of the contract," the source said. Qatar has not yet responded to India's price-cut request.

Cheniere looks to get into European LNG market

(Reuters; July 28) - Cheniere Energy plans to deliver liquefied natural gas to Central and southeastern Europe within a few years, a move that would loosen Russia's energy grip on the region, sources told Reuters. The Houston-based LNG plant operator, which is gearing up to launch Western European operations this year, is eyeing an expansion into Eastern Europe, said sources close to either Cheniere or governments and companies in the region.

Speaking on condition of anonymity, they said Cheniere was looking at bringing a floating LNG regasification terminal to Croatia. The company, which did not reply to emailed questions, is building two LNG export terminals on the U.S. Gulf Coast. "Central and Eastern Europe will become accessible soon," said one source familiar with Cheniere's plans. "The problem right now is that markets exist in places where there is no (import) infrastructure. But that can be solved within two to three years.

"LNG would allow these countries to participate in the fully global gas market," the source added. "Cheniere's goal is not to squeeze out the Russians but to allow for a good mix on the market." Building an LNG import terminal has long been discussed in

Croatia and has won the backing of the United States, which is keen on helping the region diversify away from almost complete reliance on gas deliveries from Russia.

Crowley adds more LNG tanks to its Caribbean delivery fleet

(Gas World; July 20) - In response to high customer demand, Crowley Maritime has acquired 16 additional ISO tanks for its Carib Energy group that will be used to supply, transport and distribute U.S.-sourced liquefied natural gas to customers in Puerto Rico, the Caribbean and Central America. The 40-foot-long insulated tanks can each hold 10,700 gallons of LNG. The tanks are loaded on ships at the company's Jacksonville or Port Everglades, Florida, shipping terminals for transport to customers.

In 2014, Crowley's Carib Energy was granted a 20-year Department of Energy export license for the supply, transportation and distribution of LNG to non-free-trade agreement countries in the Caribbean, Central and South America. The licensing permits Crowley to export up to 14.6 billion cubic feet of gas per day as LNG — roughly the equivalent of 480,000 gallons.