Oil and Gas News Briefs
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Petronas issues conditional approval for LNG project in B.C.

(Globe and Mail; Canada; June 12) - An international consortium June 11 committed to building a liquefied natural gas terminal near Prince Rupert, B.C., as long as the project receives federal environmental approval and a provincial tax deal. Pacific NorthWest LNG, led by Malaysia’s state-owned Petronas, said conditional approval is a crucial milestone. After waffling last year and even threatening to cancel the project, the group is striving to start construction by the end of 2015 and launch exports to Asia in 2019.

Petronas and its Asian partners stipulated that two conditions must be met. “The final investment decision will be confirmed by the partners of Pacific NorthWest LNG once two outstanding foundational conditions have been resolved,” the consortium said. “The first condition is approval of the project development agreement by the Legislative Assembly of British Columbia, and the second is a positive regulatory decision on Pacific NorthWest LNG’s environmental assessment by the government of Canada.”

The Canadian Environmental Assessment Agency began its review of Pacific NorthWest LNG in April 2013, with the latest delay focused on the project’s potential impact on nearby salmon habitat. The developers also must deal with opposition from the Lax Kw’alaams Band, which is particularly concerned with salmon habitat issues.And the project needs B.C. lawmakers to endorse a long-term deal providing certainty on royalties and taxes that the government signed with the developer last month.

TransCanada will start work on gas line to serve Petronas LNG plant

(Reuters; June 12) - TransCanada said June 12 it expects to start construction this year on a gas pipeline to British Columbia's Pacific Coast worth at least $5 billion (Canadian), following a conditional go-ahead by a Petronas-led consortium for what could be Canada's first LNG export terminal. The line would connect the prolific Montney gas field near Fort St. John in northeastern British Columbia to the Pacific NorthWest LNG terminal planned for Lelu Island on the Pacific Coast near the port of Prince Rupert.

The conditional go-ahead for the liquefied natural gas terminal is a rare win for TransCanada, which has struggled in recent years to rally support for its crude oil pipeline projects, including the long-delayed Keystone XL line to move oil from Alberta to the U.S. Gulf Coast. The Calgary-based pipeline company has bet big on Canada's nascent LNG industry, with deals to build more than $11 billion in natural gas pipelines to serve proposed export projects on the country's West Coast.

A consortium led by state-owned Malaysian energy company Petronas said June 11 it will move ahead with its Pacific NorthWest LNG project on the conditions that it is approved by Canada's environmental regulator and that provincial lawmakers approve a tax and royalty deal negotiated by the B.C. government. TransCanada said it plans to put the 560-mile Prince Rupert line into service as early as 2019.

TransCanada wins OK for $1.7 billion B.C. gas pipeline

(Reuters; June 11) - The Canadian government has approved TransCanada's proposed 187-mile, $1.7 billion (Canadian) North Montney Mainline natural gas pipeline to link natural gas fields in northeastern British Columbia with a Pacific Coast LNG export terminal. The North Montney line would feed into a second new pipeline, the 560-mile, $5 billion Prince Rupert Gas Transmission Line, which together would serve the Pacific NorthWest LNG project proposed by state-owned Malaysian energy company Petronas.

The federal natural resources department announced the North Montney approval June 9. In April, Canada’s National Energy Board recommended that the North Montney line, which has interprovincial connections, be approved subject to 45 conditions, including those to related to engineering, aboriginal consultation and environmental impact.

The North Montney and Prince Rupert lines are vital to the Pacific NorthWest LNG project and its plans to export natural gas from Canada to energy-hungry clients in Asia.

First Nations, B.C. government continue LNG debate

(Vancouver Observer; June 12) - A day after a Malaysia-led consortium announced conditional approval for an LNG plant near Prince Rupert, B.C., provincial Natural Gas Development Minister Rich Coleman was asked how it could go ahead after the local Lax Kw’alaams band had rejected a $1-billion offer to support the development. He replied that "virtually all" of the First Nations affected by the project support it. But Grand Chief Stewart Phillips of the Union of British Columbia Indian Chiefs is not buying that.

“The answer is no,” he told the Vancouver Observer. “If the Clark government and Petronas (the energy giant controlling the project) intend to disregard, disrespect and ignore the rights and interests of Lax Kw’alaams and other indigenous groups, they will be looking at a multitude of court challenges.”

“Lax Kw’alaams and coastal communities completely depend on salmon and all of the resources of the sea,” Phillips said. “It was a choice between $1 billion and the complete obliteration of their ability to continue harvesting wild salmon and all of the bounty of the sea on a sustainable basis.” Despite that opposition, Coleman said his relationship with First Nations communities is “great” in relation to the project. “I’m actually confident that the First Nations will (sign). … We’ll continue to work with them on their issues.”

FERC delays final EIS for LNG project on Oregon coast

(Portland Oregonian; June 11) - A final federal decision on the controversial Jordan Cove liquefied natural gas project in Coos Bay, Ore., has been delayed once again. The Federal Energy Regulatory Commission had been scheduled to release the project's final environmental impact statement June 11. That would have started the 90-day clock for supporters and opponents to comment on the environmental, safety and economic impacts of the 230-mile gas pipeline, liquefaction plant and 400-megawatt power plant.

FERC now says the U.S. Department of Interior and Bureau of Land Management require additional information to determine how an alternative route for a section of the Pacific Connector Pipeline would affect its lands. FERC now expects to issue the document at the end of September, and decide on final authorization by the end of December after taking public comments and making any necessary revisions.

Jordan Cove's owner, Calgary-based Veresen, has yet to secure any buyers for the terminal's LNG capacity, though FERC's pending decision could be a key factor in those negotiations. The developer’s business plan calls for LNG plant customers to pay for liquefaction of U.S. and Canadian gas piped to the coastal facility. Veresen is not a gas producer or trader, just the LNG plant and marine terminal operator.

Cheniere looks to expand its LNG export business

(Houston Chronicle; June 11) - Cheniere Energy plans to expand its liquefied natural gas empire, adding two additional production units in Corpus Christi, Texas, and partnering with a Houston-based LNG company to build smaller projects in Louisiana. Cheniere announced June 9 it has filed paperwork seeking federal approval to add two more liquefaction trains to its LNG export terminal in Corpus Christi, where Cheniere instructed contractor Bechtel last month to start work on the first two production trains.

Cheniere also has agreed to team up with Parallax Enterprises to complete two mid-scale projects already under development in places close to pipelines and deep-water access. Parallax unveiled Live Oak LNG on the Calcasieu Ship Channel in southwestern Louisiana earlier this year, and in April acquired Louisiana LNG on the Mississippi River south of New Orleans. The projects each would have two smaller trains with a capacity to produce 2.5 million metric tons of LNG per year.

If the federal government approves the two Parallax projects, Cheniere expects to start construction by 2017 and could begin producing the first LNG as early as four years later, the company said. With construction of the first trains at its Sabine Pass, La., export terminal slated to finish later this year, Cheniere is on track to open the first plant to ship LNG from the continental United States. Unlike Cheniere’s Sabine Pass and Corpus Christi plants, Parallax’s strategy has been focused on smaller LNG projects.

Japan’s environment ministry objects to growing use of coal

(Reuters; June 12) - As concerns mount over greenhouse gas emissions, Japan's environment ministry is pushing back on the growing use of coal to generate power after the Fukushima nuclear disaster led to the costly shutdown of the nation's reactors. Environment Minister Yoshio Mochizuki said June 12 he will submit an objection to the powerful industry ministry over plans for a 1.2-gigawatt coal-fired plant to be built by Electric Power Development and Osaka Gas.

Japan's Ministry of Economy, Trade and Industry has been promoting the use of coal to save money over imports of expensive liquefied natural gas. The coal-fired plant in western Japan is the first such project subject to a government environmental assessment since Japan mapped out its target to cut carbon dioxide emissions by 26 percent from 2013 levels by 2030. The industry ministry will look into the project and the minister will issue his opinion by June 28, an official said.

The environment minister also called for the power industry to come up with a framework to help it trim carbon dioxide emissions in line with the government's target "as soon as possible.” The move comes amid increasing criticism by environmental groups and other countries as Japan burns record amounts of coal and plans a wave of new power stations using the fuel as it struggles to revive its nuclear industry.

BG Group executive sees demand growth shifting to China and India

(Platts; June 10) – The worldwide market for liquefied natural gas will expand rapidly over the next several years, Andrew Walker, BG Group vice president of global LNG, said June 9 at a conference in Houston. "It's driving globalization in terms of geography, and also globalization in terms of market structure," Walker said of U.S. LNG exports coming online. "Continued growth in demand will mean the industry will need another 100 million tons of capacity in place by 2025," he said.

Asia, which historically has been the largest market for LNG, "is going to continue to be a big deal" in terms of demand in coming years, Walker said. However, the growth in the Asian market for LNG will shift from the traditional demand centers in the developed industrial nations of Japan, Korea and Taiwan to emerging markets in India, China and the nations of Southeast Asia. "China, already a big market for LNG, is growing quite rapidly and will emerge as the second biggest market after Japan by 2020,” he said.

European imports of the fuel also are expected to increase from current levels. The decline in European LNG imports seen in recent years has "reached the valley" and the downward demand trend has begun to reverse, he said. "We're not seeing a flood of volumes into Europe just yet, but we're seeing volumes getting back to the level seen in 2010 by about 2020.”

Western sanctions force Rosneft to delay Arctic oil exploration

(Reuters; June 11) - Russian state oil producer Rosneft will be forced to postpone drilling a second well in the Kara Sea for at least two more years, three sources told Reuters, as a result of Western sanctions over the Ukraine crisis. The delay will be a blow to Rosneft, which is key to President Vladimir Putin's goal of lifting output and securing Russia's energy dominance by exploring the Arctic, where Moscow is thought to have some of the world's most plentiful oil resources.

Rosneft, the world's top listed oil firm by output, drilled a first exploration well known as Universitetskaya-1 last year in the Kara Sea, which is part of the Arctic Ocean, with the help of partner ExxonMobil which provided the rig. But the project is now on hold because Exxon had to suspend cooperation under the sanctions. Rosneft had already pushed back the start of drilling of a second well from 2015 for lack of a rig.

Sources familiar with Rosneft's plans say the work in the Kara Sea will now have to be pushed back even further because sanctions have cut off access to specialized equipment as well as Western sources of funding. "The current economic and external conditions are such that it is more likely that there will not even be any drilling in 2017," said one of the sources. Exploration in the Kara Sea is difficult because of the severe weather conditions that make drilling possible for only about two months a year.

IEA says continued OPEC production threatens oil-price rally

(Bloomberg; June 11) - The International Energy Agency said this year's oil-price rally is under threat as OPEC's biggest members pump record amounts of crude. "The fact remains that OPEC will produce one million barrels a day in the second half of this year more than is required," Ole Hansen, head of commodity strategy at Copenhagen-based Saxon Bank, said by e-mail.

Oil's recovery from a six-year low has slowed amid speculation that global production will expand as prices rebound, prolonging the surplus. The Organization of Petroleum Exporting Countries last week decided to maintain its volumes as it defends its market share. Saudi Arabia, the world's largest crude exporter, boosted output to a record 10.25 million barrels a day last month from 10.16 million in April, according to the IEA.

"Barring unforeseen outages, OPEC is likely to keep pumping at around 31 million barrels a day during the coming months as Middle East producers sustain higher rates to preserve market share," the report said. The IEA boosted its 2015 estimates for global oil demand by 320,000 barrels a day from last month's report to 94 million barrels a day. Momentum for demand growth will probably ease somewhat in the second half of this year, partly due to a deterioration in economic prospects for developed countries.