Oil and Gas News Briefs
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Propane supply glut pushes down prices to 13-year low

(Wall Street Journal; June 25) - Propane is tanking. The U.S. benchmark price for the gaseous byproduct of oil production has plunged 18 percent this year. Driving the selloff is a supply glut that some analysts said could hold down prices for years. Production of propane has surged to an all-time high as companies that tap oil and gas from shale formations have sought to boost their revenue by targeting fields with big reserves of propane and similar fuels used to heat homes, make chemicals and fire up grills.

This month, propane prices tumbled to a 13-year low. Prices in Western Canada, a key producing region, turned negative in May for the first time on record, meaning that producers paid buyers to take propane. Producers "have reached the limits of demand … in the North American market," saidMatthew Adams,portfolio manager for the Franklin Natural Resources Fund. The drop in propane prices is the latest example of how the years-long boom in U.S. energy output continues to upend markets.

The nation's propane stockpiles are rising so fast that some traders said there is a chance that available storage could run out before winter, when inventories usually decline. Supplies of propane and propylene, a related product, are at their highest level for this time of year since the 1970s. The decline in wholesale prices is already trickling down to consumers, who are starting to see lower prices. "It's a great year for the consumer … and hopefully a good two or three," said a Pennsylvania distributor.

Oil supply glut filling up tankers worldwide

(Wall Street Journal; June 26) - The oil tanker market is heating up, a development some analysts say is a warning that signals further price declines for crude. Oil producers and traders are rushing to lease tankers while they scramble to find buyers for the crude, effectively turning the ships into floating storage facilities. But an increasing number of waterborne oil cargoes have nowhere to go. The oil-supply glut has worsened since OPEC earlier this month decided to maintain crude-output levels.

A recent rebound in oil prices has stalled amid copious supplies worldwide, and many market watchers are bracing for the resumption of a selloff that sent Brent crude, the global benchmark, tumbling to a six-year low in January. "There's a lot of crude oil that's trying to find a home, so that's good for the tanker market," said Olivier Jakob, managing director of Petromatrix, a consulting firm based in Switzerland. But "that limits the potential for a crude-oil rally and puts pressure on the price."

Ships also are embarking on longer voyages than in past years, as sellers go farther afield to find buyers. That means fewer ships are available at any one time, which also has contributed to the upward pressure on tanker rates. Nigeria is proceeding with monthly tanker loadings even when cargoes from previous months' auctions remain unsold, according to Morgan Stanley. Meanwhile, vessels recently chartered by a state-owned company in China and trading house Vitol are being used to store crude at sea.

Legislation would protect LNG projects in B.C. from any new taxes

(Prince George Citizen columnist; BC; June 25) - British Columbia's special legislative session set to start July 13 will focus on just two things: Pass a bill that represents the provincial government's final legal outline of how the liquefied natural gas industry might proceed, and publicly release the terms of the fiscal project-development agreement under which the front-running venture, the Petronas-led Pacific NorthWest LNG, could take shape.

One of the key terms of the legislation is a virtual guarantee that any of the provincial taxes and royalties that could apply to LNG projects will remain unchanged for at least 23 years. One of the cardinal parliamentary principles is that governments can't bind future governments to particular decisions. But the B.C. government has been desperate to achieve the long-term fiscal certainty that Pacific NorthWest LNG wants before it would make an investment commitment.

The government recognizes that any future legislature or government could change the terms. But there's a catch: Pacific NorthWest would be protected against any increases. Taxes or other government costs might increase, but the company would be entitled to a rebate of the higher costs. That effectively casts current rates in stone. This would apply to the LNG tax, natural gas tax credit, carbon tax changes specific to LNG, and any changes to the greenhouse-gas emission standards that would cost the company.

First Nation lists 'must haves' to support LNG project near Vancouver

(Squamish Chief; Squamish, BC; June 27) - The Squamish Nation has laid out its top five conditions that it wants met before it will give its nod to the proposed Woodfibre LNG export facility in Squamish, about 40 miles north of Vancouver, B.C. Those who support the liquefied natural gas industry in B.C. will likely say the First Nation has given a qualified yes, and those in the no camp will say it is a strong no, with an "unless." Either way, the Squamish Nation is having its say on the $1.7 billion LNG project.

"Call them the Top Five," said Squamish Nation lawyer Aaron Bruce in a news release June 27. "Bottom line here is that Squamish Nation will simply not approve the Woodfibre LNG proposal unless all of these conditions are addressed and resolved — to the Squamish Nation's satisfaction."

They are: more information on the seawater cooling discharge system; the project must avoid the Skwelwil'em Wildlife Management Area; a pipeline compressor station must be relocated away from an Indian Reserve; First Nation members must have access through the project's controlled access zone to allow for the practice of aboriginal rights; and the project must obtain insurance coverage to protect Squamish Nation members in the event of an onshore of offshore accident. There are 21 more conditions.

LNG proponents pack meeting in Oregon

(The World; Coos Bay, OR: June 26) - Marshfield High's auditorium was filled by union members from across Oregon and southwest Washington looking to overwhelm the anti-LNG voices — sometimes by yelling. Oregon's Energy Facility Siting Council held two meetings June 25 to hear comments on the draft proposed order for Jordan Cove's 420-megawatt South Dunes Power Plant. The plant would provide energy for the proposed Jordan Cove liquefied natural gas export terminal.

In the draft order, the Oregon Department of Energy recommended the siting council approve the application and grant a site certificate. By the end of the night, hearing officer David Petersen said he would not leave the record open — shooting down several requests by LNG opponents to give them more time to review the 572-page draft order. Boost Southwest Oregon co-chair Mark Wall said the goal for LNG supporters at the meeting was to have the record closed.

Rows upon rows of workers, many of whom were bused in, filled the seats. They were decked out in safety vests touting their unions, and each worker's message was two-fold: 1) We need jobs; and 2) Silence the LNG opponents by closing the record. Separate from state approval for the terminal's power plant, the Jordan Cove LNG project at Coos Bay, Ore., is waiting for the Federal Energy Regulatory Commission to issue its environmental impact statement and decision on the development.

Canada sets up new nonprofit to watch over oil and gas shipping

(The Province; Vancouver; June 24) - A one-time German naval architect has the job of making British Columbia's waters safe for oil and LNG tankers. Richard Wiefelspuett is the executive director of a new nonprofit, Clear Seas — Centre for Responsible Marine Shipping. Wiefelspuett, who has studied icebreaker design and researched fast ferries, said: "We will look at mitigation measures, avoidance and prevention. And if something happens, we'll be looking at whether we have everything in place to respond to spills."

Port Metro Vancouver, a federal body that controls the waters in Metro Vancouver, two years ago asked the federal government to create a "centre for excellence." The purpose is to "ensure the balance between responsible resource development and the health of our environment and communities." The organization will be introduced July 6 in Vancouver at a launch attended by senior port officials. Its mandate extends to all Canadian waters.

Wiefelspuett promises Clear Seas will be independent of outside influence even though the federal government and industry provide major funding. He said Clear Seas will provide fact-based information, issue reports and make them available to all stakeholders, including environmentalists and First Nations. “We will provide unbiased information about all aspects of shipping. Our research will have a high degree of objectivity. Our mandate is to make it safe and reliable,” he said.

Imperial Oil, Exxon, BP defer drilling in Canadian Arctic

(The Canadian Press; June 25) - Imperial Oil and its partners are deferring plans to explore for oil in the Beaufort Sea because they need more time to study how to safely drill in harsh Arctic waters. Imperial, its U.S. parent ExxonMobil and BP are asking the federal government for a seven-year extension to their license, which expires in 2020.

"For us, it's all about giving us the time to do the work we believe necessary so that we can deliver the most technically sound and environmentally responsible program we can," said Imperial spokesman Pius Rolheiser. In a letter June 26 informing the National Energy Board of their decision, Imperial said it is suspending regulatory work and planned submissions, including a plan to meet the same-season relief well requirement.

The energy board requires companies to show they can kill a ruptured oil well in the Arctic offshore with a relief well in the same season it's drilled — a costly proposition in a region that's ice-covered much of the year. Under a best-case scenario, Imperial had initially looked to begin drilling as early as 2020, Rolheiser said. Imperial said it's not giving up on the Beaufort and will maintain an office in Inuvik, Northwest Territories, to collect ice data and find business, employment and training opportunities for locals.

Anadarko in talks with Japanese buyers for Mozambique LNG

(Reuters; June 25) - Anadarko Petroleum is in talks with the newly formed Japanese joint venture Jera — which is set to become the world's biggest buyer of liquefied natural gas — to sell long-term supply from the oil and gas company’s proposed Mozambique export project. Anadarko’s finds in Area 1 of Mozambique's offshore Rovuma Basin would feed the initial 10 million metric tons per year, $23 billion LNG export project, which the company says is due to start up by 2021.

Jera is a joint venture between Tokyo Electric Power and Chubu Electric, Japan's biggest and third-biggest utilities. It was set up in April with an aim to become the lowest-price LNG buyer in East Asia. Anadarko and Jera are in talks over a long-term gas import deal, three industry sources said.

A Jera spokesman said the venture is in talks with various firms on new supplies but could not give details on individual projects due to confidentiality agreements. Jera's bulk purchasing power could be a swing factor in decisions on LNG projects that require huge investment and large long-term contracts to ensure viability. Last year Anadarko said it had allotted two-thirds of the capacity of its Mozambique LNG project but needed more before taking a final investment decision, which is still pending.

Kenya hopes to use its own natural gas and coal to generate power

(Reuters; June 25) - Kenya aims to decide by the end of 2015 whether a gas discovery in the north of the country could fuel a power plant and also wants to start using its own coal in about six years' time for a power station being built, a senior energy official said. Kenya, which has struggled to keep the country running with a creaking and overloaded electricity system, is seeking to boost installed generation to about 6,700 megawatts by 2017 from around 2,500 megawatts now, using domestic fuels and renewables.

Among its plans, a contract for a 1,000-megawatt coal plant in Lamu on the north coast was awarded in 2014 to Kenya's Centum Investment and Gulf Energy. Initially running on South African coal, it will switch to Kenyan reserves in the future. "I would expect … by 2018 we will have the power plant running," said Joseph Njoroge, the principal secretary at the energy ministry, speaking June 24 at the construction site of Kenya's first wind power project near Lake Turkana.

Coal from Kenya's Kitui region would be used at the Lamu plant in the future, but developing the reserves and building a 155-mile railway to the plant would take about six years, he said. The government has also wanted to build a new gas-fired plant. Originally, it planned to build it at Mombasa port using imported liquefied natural gas. Njoroge said that project is on hold until the government assesses the viability of using an estimated 600 billion feet of gas reserves found in a north Kenyan exploration block.

Rosneft loses court case for access to Gazprom pipeline

(Russian Legal Information Agency; June 25) – Russia’s Fifth Court of Appeals in Vladivostok has upheld the ruling of a lower court that had rejected a Rosneft lawsuit against Sakhalin Energy’s refusal to grant it access to its natural gas pipeline, the Russian Legal Information Agency reported June 25, citing a court official. Sakhalin Energy, which is majority owned by Gazprom, is the operator of the Sakhalin-2 liquefied natural gas production plant and export terminal in the Russian Far East.

Rosneft wants access to the pipeline to reduce spending on its own LNG project in the same region. The Rosneft project, Sakhalin-1, is a partnership with ExxonMobil. Gazprom, which owns 50 percent plus one share in Sakhalin-2, turned down Rosneft’s pipeline request, saying it plans to expand its own LNG plant, which has operated since 2009.

Rosneft said it needs access to the pipeline to transport almost 300 billion cubic feet of gas per year from its fields in northern Sakhalin to its proposed LNG plant. Gazprom said its pipeline lacks the extra capacity. The Sakhalin Region Court of Appeals ruled against Rosneft in February, pointing to the prejudicial nature of the lawsuit against Sakhalin Energy.

Gazprom open to LNG projects in Iran after sanctions lifted

(Reuters; June 26) - Russia's top natural gas producer, Gazprom, may take part in liquefied natural gas projects in Iran once sanctions against Tehran are lifted, Gazprom's deputy Chief Executive Officer Alexander Medvedev said June 26. "Gazprom does not rule out its participation in these projects under certain conditions," Medvedev told reporters. "The sanctions should be lifted first."

Russia has stepped up efforts to strengthen its with Iran and announced an oil-for-goods program in which the Islamic Republic would export up to 500,000 barrels of oil per day to Russia in exchange for goods, including grain.

An abundance of condensate and natural gas liquids in Iran make Iranian LNG export projects potentially highly competitive, even as supply swells due to U.S. shale gas and big finds off East Africa. Experts say, however, it would take a decade or more for Iran to became a major LNG exporter.

Panama Canal Authority to look at feasibility of LNG terminal

(The Financial Times; London; June 26) - Not content with expanding its century-old waterway, the Panama Canal Authority is now looking at building an LNG import terminal. The authority, which administers the canal, has been awarded a U.S. Trade and Development Agency grant to help fund a feasibility study for the project, which it is considering for when the expanded canal opens next year and the waterway is expected to handle more liquefied natural gas tankers.

Jorge Quijano, the canal authority chief, said in a statement: “As we near the completion of the Panama Canal Expansion, we are eager to explore new segments such as LNG, which are now possible given our enhanced capacity to accommodate longer and wider ships.” The eight-year, $5.3 billion expansion of the 100-year-old Panama Canal is nearing completion to facilitate passage of 21st century ships that can carry more than double the loads of today's vessels.

Only four countries in the world have shale oil or gas production

(LNG World News; June 26) - As recently as last year, only four countries in the world were producing commercial volumes of either natural gas from shale formations or crude oil from tight formations: the United States, Canada and, more recently, Argentina and China. Beyond these four countries, other countries have started exploring for hydrocarbons from shale and other tight resources but are still short of reaching commercial production.

The World Shale Gas and Shale Oil Resource Assessment, produced by the U.S. Energy Information Administration and Advanced Resources International, noted large shale deposits in China and Argentina. Exploration and early drilling is underway in these countries. For the past two years, China has drilled more than 200 wells, and Argentina has drilled more than 275 wells. Each country has the potential to significantly increase production of shale gas and tight oil.

Other countries have also begun to explore shale gas and tight oil, including Poland, Algeria, Australia, Colombia and Russia. Shale oil and natural gas exploration drilling is also underway in Mexico, particularly in the country’s portion of the Eagle Ford Shale and in the La Casita formation within the Burgos Basin in northeastern Mexico.