Oil and Gas News Briefs
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Canada has more questions about LNG project and salmon habitat
http://www.vancouversun.com/business/Federal+review+Pacific+NorthWest+halted+second+time/10881407/story.html

(Vancouver Sun; March 11) - A federal review of the proposed Pacific NorthWest LNG project near Prince Rupert, B.C., has been halted again, as Canada's Environmental Assessment Agency seeks more information on its effects on sensitive salmon-rearing habitat. This second stop in the review could delay a decision on the project by the federal agency until July or August. The project already has provincial approval.

It could also delay a final investment decision by Malaysia's state-controlled Petronas, the lead player in the multibillion-dollar liquefied natural gas export project. Petronas had said it would make a final investment decision before the end of last year, but recently said the decision would come in June. The assessment agency said it sent a letter to Pacific NorthWest LNG on Feb. 23, seeking more information to determine whether the project is likely to cause significant environmental effects.

"The information requested pertains to the project's potential effects on sediment transport and hydrodynamic changes, and associated effects to fish and fish habitat at Flora Bank, near the Skeena River," said spokeswoman Karen Fish said in a written statement. Hydrodynamic changes refer to water movements in the ocean. Flora Bank contains eelgrass beds considered critical habitat for juvenile salmon. The bank is just off Lelu Island, where the project will be built adjacent to Port Edward in northwest B.C.

LNG price calculations not all the same, Australia consultants explain
http://www.platts.com/latest-news/natural-gas/sydney/australian-lng-projects-can-weather-oil-price-27198232

(Platts; March 11) - Australia's crop of new LNG projects appear capable of weathering current low oil prices and are expected to generate free cash flow as long as oil is over $45 per barrel, Australia-based consultancy EnergyQuest said this week in its latest report. That's especially true because LNG prices in long-term contracts in Asia, while linked on a Btu-basis to oil prices, do not instantly reflect current low oil prices. There is a time lag in those LNG price calculation, EnergyQuest said.

Normally, it takes two to four months for the Japanese government's calculation of average oil prices to reflect movements in global crude prices, depending on where the oil comes from and how it is procured. In addition, LNG contracts might have other mechanisms that result in time lags, according to EnergyQuest. The consultancy cited the Chevron-operated Gorgon project in Australia, where the reference is the average oil price for the previous year, and Qatar, which uses a five-year moving average.

"Once the LNG plant and pipeline are built, the marginal costs are relatively low," EnergyQuest said, pointing to the Origin Energy-operated Australia Pacific LNG project in Queensland. "(Origin) defines a breakeven price as being at steady operations and after all opex, sustaining capex, project finance interest and principal repayments and discretionary exploration and appraisal," EnergyQuest said. "It says it will generate free cash flow for distribution to shareholders at prices above $40 to $45 per barrel of oil."

Chevron says Gorgon will start LNG production before year's end
http://www.smh.com.au/business/chevrons-gorgon-to-ship-first-lng-cargo-by-yearend-20150311-140oan.html

(Sydney Morning Herald; March 11) - Chevron will ship its first LNG cargo from the $54 billion Gorgon project before year's end, adding that the monster venture would be "nicely profitable" despite the drop in crude oil prices. Incoming head of upstream Jay Johnson said gas would arrive at the plant being constructed on Barrow Island off the Western Australia coast "any day" to fire up the first gas-turbine generator. First production would be in the third quarter, and the first exports by the end of the year.

Gorgon, the biggest resources project ever built in Australia, was originally expected to begin production before Dec. 31 last year but its schedule has slipped while the budget has surged from an initial $37 billion when approved by its partners in September 2009. Construction is more than 90 percent complete, while Chevron's second LNG project in Australia, Wheatstone, which is scheduled to start up in 2016, is 57 percent complete.

Last year's oil price collapse raised fears that Gorgon and some other new LNG projects in Australia would not be economic, given that sales prices for LNG in Asia are linked to crude oil. But Johnson noted that Chevron's two ventures will produce over decades and he is enthusiastic about cash generation. After this year's start-up of the first liquefaction train at Gorgon, the second and third LNG trains are to start production next year. ExxonMobil and Shell each owns 25 percent of the project.

Gas arrives at Gladstone LNG in Australia; commissioning underway
http://www.miningaustralia.com.au/news/first-gas-reaches-santos-glng

(Australian Mining; March 11) - Natural gas made it to Santos' Gladstone LNG plant on Curtis Island in Australia on March 9, marking a significant milestone that will enable full commissioning of the $18.5 billion project. The gas will be used to fuel high-voltage power generation for the plant, which will include two gas liquefaction trains. Santos expects the plant to liquefy its first shipment of natural gas in the second half of 2015.

Santos vice president for downstream GLNG Rod Duke said contractors had completed almost all of the construction required for initial production, and that LNG plant commissioning was "progressing strongly." He added, "Santos GLNG is over 90 percent complete and on track for first LNG in the second half of 2015."

Last year Santos completed a range of project milestones including hydrotesting of the LNG storage tanks, completion of the major gas field processing facilities, and drilling of 119 coal-seam gas wells to feed the plant.

U.S. LNG export projects challenged if oil below $50-$60, adviser says
http://fuelfix.com/blog/2015/03/11/cheap-brent-adds-risk-to-planned-lng-investments/

(Houston Chronicle; March 11) - Cheaper international crude will pose a significant challenge to liquefied natural gas export projects across the United States, according to an analysis by PricewaterhouseCoopers. In a presentation made at a University of Houston Bauer College of Business event, Svetlana Valonis, PwC's director of energy advisory, said most export projects would need $60 global oil to be comfortable and at least $50 to make money. Most of the LNG sold worldwide is priced against oil.

"We believe these projects need at least $50 a barrel to go forward," Valonis said, adding that for many even "at $50 it's kind of questionable." That relatively low bar may rise as companies face stiff competition from other LNG exporters and struggle to secure billions in capital, she said. Several companies have announced plans to take cheap U.S. gas and ship it to higher-priced markets abroad. But the profitability of those projects has been threatened recently as global crude oil prices have fallen sharply.

As oil prices have fallen, so has the margin that LNG projects hope to capture by selling U.S. gas. Several estimates have placed the cost of liquefying gas and shipping it to Asia at between $7 and $12 per million Btu, Valonis said. Processing and transporting it to Europe can cost between $6 and $10. Crude prices are widely expected to rebound by 2017-2018, though a long-term price remains unclear. But even if prices rebound, Valonis said, uncertainty may convince investors their money is best spent elsewhere.

Yamal LNG signs to move winter cargoes through Belgium port
http://www.tankterminals.com/news_detail.php?id=3073

(Press release; March 9) - Yamal Trade, a subsidiary of Yamal LNG, which is developing a gas export project in Russia's Arctic, and Fluxys LNG have signed a 20-year contract for transshipment of up to 8 million metric tons of LNG per year at the port of Zeebrugge, Belgium, to support year-round deliveries from the Yamal project to Asia-Pacific markets, Fluxys LNG said March 6 in a press release.

During the Arctic summer, Yamal LNG plans to send cargoes to Asia-Pacific markets via the Northern Sea Route using ice-class tankers. In the winter, when the northern route is closed with ice, the tankers will deliver their cargoes to the Zeebrugge LNG terminal where Fluxys LNG will provide services to load the liquefied natural gas onto conventional vessels for delivery to Asia-Pacific markets via the Suez Canal.

Fluxys Belgium is the independent operator of the natural gas transmission grid and storage infrastructure in Belgium. The company also operates the Zeebrugge LNG terminal. The $27 billion Yamal LNG project is under construction, with its sponsors talking of first deliveries in 2017. The volume covered in the shipping deal with Fluxys represents about half of Yamal's total annual capacity at full development.

Egyptian demand for LNG likely to push prices higher in Europe
http://www.reuters.com/article/2015/03/11/egypt-europe-lng-idUSL5N0WC4HT20150311

(Reuters; March 11) - Europe is likely to attract fewer liquefied natural gas shipments than previously expected this summer as Egypt gears up to become the region's top-paying importer, traders said, potentially increasing gas prices in northwest Europe. While analysts still expect more LNG to land in Europe this year than in 2014, forecasts will be tempered by increased competition with Egypt, signaling tighter supplies at a time when Dutch authorities move to limit production from Europe's biggest gas field.

That may force prices higher in Europe as utilities look to refill depleted inventories, analysts said. A year-long demand slump in Asia has triggered a rush of LNG cargoes to typically overlooked European ports the past two months, raising expectations that more will come. "The start-up of new production in Australia and Papua New Guinea, with three more due to start in Australia this year, should mean that more flexible production from Qatar gets diverted into Europe," an analyst at a European utility said.

But with Egypt beginning LNG imports in April with roughly 31 cargoes due this summer at price premiums to Europe, some traders are working to re-route supplies. Trafigura, Vitol and Noble Group have arranged to supply about 50 cargoes to Egypt over the next two years, with a further six cargoes from Algeria this summer. Trafigura's 33-cargo commitment to Egypt will be met largely by Qatari production, traders said. The remaining Egyptian supply will likely come from nearby Atlantic production plants.

Germany may be moving toward strict rules on fracking
http://www.lngworldnews.com/german-gas-industry-fears-strict-fracking-rules/

(LNG World News; March 10) - Germany's Ministry of Environment is preparing a framework that would put in place strict environmental audits including a ban on oil and gas drilling in water-conservation areas. According to a Reuters report, the law will be discussed by the end of March and reportedly will be just short of a complete ban on hydraulic fracturing in Germany.

Environmental concerns over fracking are strong in the country and Germany's oil and gas association said the new rules, which would allow fracking only below 9,800 feet in well depth, would also exclude some conventional gas deposits. Gernot Kalkoffen, president of Germany's oil and gas association, said the rules need to form a reliable framework for gas production, stressing it is a question of covering Germany's energy demand in the future.

Germany imports 37 percent of its total gas supply from Russia, while the country's own gas reserves covered just 12 percent of total gas needs. The proposed rules would damage the competitiveness of German technology, said Martin Bachman, head of exploration and production at Wintershall, the largest oil and gas producer in Germany. He said the credibility of German technology would be damaged as no German company could be able to use it on home soil.

Alberta restricts fracking in response to earthquakes
http://calgaryherald.com/business/energy/ewart-man-made-earthquakes-send-shock-waves-through-oil-industry

(Calgary Herald columnist; March 11) – The earthquakes that rattled the northern Alberta town of Fox Creek earlier this year have revealed a fault line for the oil and gas industry that looms as a challenge to the future of fracking. It's become increasingly evident that oil field activity is contributing to the growing seismic hazard in many oil and gas areas in North America. Yet even as the Alberta Energy Regulator became the latest agency to set restrictions on fracking, the scope of the risk is difficult to assess.

The public's fear is easy to understand. Few acts of nature are as unpredictable and potentially catastrophic as shaking of the earth. The thought of companies inadvertently generating earthquakes that could unleash that scale of destructive energy is bound to unnerve people. Concerns over water consumption and groundwater contamination have prompted the biggest backlash to date over the fracking revolution in Canada and the United States. Fears over artificial earthquakes has only added to the opposition.

The Alberta regulator is investigating dozens of tremors in December and January around Fox Creek. The largest, on Jan. 22, reached 4.4 on the Richter scale and was felt in the town of 2,000. Alberta has now followed regulators in B.C. and Oklahoma to restrict fracking when seismic activity is recorded. "The subsurface order is an interim measure until we fully understand seismic events in this zone and their potential connection with hydraulic fracturing operations," an Alberta regulator said last week.

OPEC official says investment cuts could hurt future oil production
http://www.wsj.com/articles/opec-chief-says-cartel-is-hurting-u-s-shale-producers-1425842462?KEYWORDS=OPEC

(Wall Street Journal; March 8) - OPEC's top official said March 8 the cartel's decision to continue pumping oil in the face of collapsing prices is hurting the U.S. shale-oil industry and that a global investment pullback could lead to a shortage that will push the market upward again. "Projects are being canceled, investments are being revised, costs are being squeezed," said Abdalla Salem el-Badri, secretary general of the Organization of Petroleum Exporting Countries, at the Middle East Oil and Gas conference in Bahrain.

"If we don't have more supply, there will be a shortage and the price will rise again," he said. Other top officials at the conference said they would continue pumping oil despite the low prices caused in part by a glut of U.S. shale oil. Brent crude, the global benchmark, was trading at about $60 a barrel March 6, almost half its price of last July — but officials in places such as Kuwait say they can live with that.

"We are very lucky oil prices did not drop to $20," said Kuwait Oil Minister Ali al-Omair.

Statements from OPEC's leaders have been closely watched since November, when the petroleum cartel decided to keep producing oil at the same level rather than cut back to spur prices upward. The group's next meeting is in June in Vienna.

Goldman Sachs says $40 U.S. oil likely near-term
http://www.reuters.com/article/2015/03/09/crude-prices-goldman-sac-gr-idUSL4N0WB1MN20150309

(Reuters; March 8) - Oil prices will reverse their recent gains as global crude inventories begin to increase again, with U.S. crude likely to drop as low as $40 a barrel in the near-term, Goldman Sachs said. Oil prices rose by almost a third between January and February on the back of Middle East supply disruptions, strong winter demand and high refinery margins. That followed a rout that saw price falls of around 60 percent between June 2014 and January this year.

But Goldman said global crude inventories will rise, pushing down the U.S. benchmark crude price to $40 a barrel, levels last seen at the peak of the global financial crisis in late 2008, early 2009. The benchmark stood at around $49.40 March 9. "While we continue to forecast a strong demand recovery in 2015, we believe that sequentially weaker activity, the end of winter and the end of potential restocking demand, will lead to a sequential deceleration in demand-growth as we enter the spring," the bank said.

The bank also said it expects Asia demand for oil to decline in 2015 "as stronger industrial production is offset by the continued switch to LNG for power generation and the impending start-up of the two Sendai nuclear reactors in Japan." A two-thirds drop in Asia LNG prices is making the fuel cost-competitive against oil in the industrial power sector.

New, sturdier oil tanker cars rupture in latest derailments
http://www.wsj.com/articles/train-wrecks-hit-tougher-oil-railcars-1425861371?mod=WSJ_hp_RightTopStories

(Wall Street Journal; March 9) - In a string of recent oil train derailments in the U.S. and Canada, new and sturdier tanker cars built to carry a rising tide of crude across the continent have failed to prevent ruptures. These tank cars, called CPC-1232s, are the new workhorses of the soaring crude-by-rail industry, carrying hundreds of thousands of barrels a day. But the four recent accidents are a sign that the new cars are still prone to rupture in a derailment, possibly increasing momentum for new rules to reduce risks.

In the past month, there have been derailments of crude-carrying trains in West Virginia and Illinois, plus two in Ontario. Each train was hauling the new tank cars, which weren't able to prevent the oil from escaping, leaking into one river and exploding into several giant fireballs. "These new type of cars were supposed to be safer, but it's obvious these cars are not good enough or safe enough," said Claude Gravelle, a Canadian lawmaker who represents the Ontario area where two recent derailments occurred.

The robustness of tanker cars has become a major focus of efforts to improve the safety of shipping crude by rail. Such shipments have soared from about 21,200 barrels a day in 2009 to 1.04 million barrels by the end of 2014, according to government statistics. Some of the oil trains are about a mile long. As the shale boom gathered speed, the safety of growing crude shipments by rail has attracted greater scrutiny in the U.S. and Canada, especially after a 2013 derailment in Quebec that claimed 47 lives.

Winter deliveries end at North American LNG import terminals
https://uk.finance.yahoo.com/news/lng-import-binge-ends-no-222908315.html

(Reuters; March 9) - U.S. and Canadian liquefied natural gas import terminals that took in twice as much of the fuel this winter as last year are now seeing the binge end as warmer temperatures are predicted until the spring begins, Reuters data showed. No tankers were at or moving toward any of the 11 LNG import terminals in the United States or the one in Canada, according to the Reuters Interactive Map.

The countries imported almost twice as much liquefied natural gas this winter (almost 48 billion cubic feet of gas) compared with last year as U.S. Northeast power generators bought more fuel to keep their power plants running through the cold winter months. A year ago, brutal cold weather in the U.S. Northeast caused record natural gas price spikes and forced some power plants to shut for lack of fuel as generators scrambled to outbid each other for scarce supplies.

Gas prices so far this winter (November-March) were about 40 percent lower than a year ago after power generators, learning lessons from last winter, stocked up on extra oil and gas from domestic and overseas sources before the weather turned cold. Most of the LNG imports this winter came through the Canaport terminal in New Brunswick and terminals located in the Everett, Mass.-area, due primarily to buying from power generators and others in New England.