Oil and Gas News Briefs
Compiled by Larry Persily
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Low prices, slowing demand bad news for LNG hopefuls, say analysts
http://www.oilandgas360.com/lng-outlook-in-limbo/

(Oil & Gas 360; March 20) – Low oil prices have clouded the future of liquefied natural gas projects globally, along with tightened margins and slowing demand. In an Oil & Gas Journal webcast titled "Global LNG: Adjusting to New Realities," James Jensen, president of Jensen Associates, and James Bowe Jr., partner of King & Spalding's global energy practice, offered their take on a global LNG market that has been thrown for a loop in the midst of the new commodity environment.

"We've entered a golden age for consumers given the availability and prices of natural gas," Bowe said. LNG producers are now struck with a difficult conundrum: Move forward in a very volatile market or shelve the projects, possibly for good. The high premium of LNG prices overseas has evaporated. The decline of oil has weighed on the LNG markets worldwide and driven down prices in Asia. LNG spot prices for Korea and Japan have declined by nearly 40 percent since August 2014.

The price shock has put some early-stage projects on the skids, and several projects in Australia are facing uncertainty due to the skyrocketing construction costs that have become "completely out of control," Bowe said. According to a May 2014 report by KPMG, 10 out of 12 LNG projects worldwide (most in Australia) are either behind schedule or have exceeded their preliminary budget by as much as 50 percent.

"Canada is just holding its breath right now," said Bowe, who believes "the ship has sailed" for capital-intensive projects in B.C. Jensen agreed, even though the province has sweetened the pot by lowering taxes. "I believe B.C. had a very unrealistic view on how profitable an LNG project could be," Jensen said. As for Alaska, which has had a project stuck in neutral for decades, "LNG exports in Alaska are 20 years away — they were 20 years away when I first joined the business in 1982," Bowe said.

Nuclear restarts, slow economy cut into South Korea's LNG demand
http://www.platts.com/latest-news/natural-gas/seoul/dismal-outlook-for-lng-in-s-koreas-power-market-27227039

(Platts; March 20) - South Korea's LNG demand for power generation is expected to continue falling as power plants turn to cheaper fuel like coal and the government pushes its pro-nuclear policies, the head of state-run power distributor Korea Power Exchange said March 20. "LNG demand for electricity generation would further decrease because more and more gas-fired power plants are staying idle due to high prices of LNG compared with coal and nuclear," KPX Chairman Yoo Sang-Hee said.

Operating rates of gas-fired plants fell to 50.8 percent in 2014 from 61.3 percent in 2013 and 64.7 percent in 2012, Yoo said. "This means that half the gas-fired plants were shut last year. … The rates are expected to further slip to 44.8 percent this year, 33.9 percent next year, 23.7 percent in 2019 and as low as 16.8 percent in 2022," he said.

He attributed the lower rates to South Korea aggressively trying to minimize fuel costs. Coal-fired power plants and nuclear reactors run by the state power utility provide electricity as base-load generation. When power demand grows, KPX purchases more power from state-run and private generators that use expensive fuel like LNG and oil. But electricity reserves have been on the rise in recent years as many nuclear reactors restarted after safety checks and as demand remained sluggish due to a slow economy.

Total seeks billions in Chinese financing for Yamal LNG

http://www.wsj.com/articles/total-seeks-10-billion-to-15-billion-in-chinese-financing-for-russian-project-1427093833

(Wall Street Journal; March 23) – Total is seeking the equivalent of up to $15 billion in Chinese financing to fund its expansion in Russia, its chief executive said, as U.S. sanctions complicate the French oil giant's big bet there. Total CEO Patrick Pouyanné also said the company expects oil-price volatility to continue through 2015 as supplies, driven partly by rising U.S. production, outstrip demand. "I think the price will not stabilize," he said. "Volatility is in the commodity business."

Low oil prices and sanctions on Russia are among many challenges facing Pouyanné. The 51-year-old former refining chief took over as CEO in October following the death of Christophe de Margerie in a plane crash. Total is betting on Russia despite U.S. sanctions that aim to cut off Russian companies' access to the U.S. financial system. Pouyanné said he was seeking the equivalent of $10 billion to $15 billion in Chinese financing for the $27 billion Yamal liquefied natural gas project in the Russian Arctic.

"You have a strong willingness to build the project financing" from Chinese financial institutions, he said. "It's not an easy task, to be clear. We would have preferred to do it with dollars." Pouyanné said he aimed to have a financing agreement by the middle of 2015 but didn't say which Chinese institutions might be involved. Total, Russia's Novatek and China National Petroleum Corp. are partners in Yamal LNG, which is under construction. Majority owner Novatek says it is scheduled to start up by 2018.

Port of Corpus Christi gives final approval to LNG project

http://www.bizjournals.com/sanantonio/news/2015/03/20/cheniere-energy-gets-green-light-for-port-of.html

(San Antonio Business Journal; March 20) – Cheniere Energy could start construction later this spring on its $12 billion liquefied natural gas export terminal in the Port of Corpus Christi, Texas. The port's board of directors voted March 17 to approve the project's use of the ship channel. Cheniere received Federal Energy Regulatory Commission approval Dec. 31 to build and operate the plant and is waiting for Energy Department approval for LNG exports to the big markets of non-free-trade countries.

Corpus Christi Port Director John LaRue said construction could start within 60 days and the plant could be online within three years — though Cheniere has yet to make a final investment decision on the project. Designed for three trains, the plant is expected to have a nameplate capacity of up to 15 million metric tons per annum (about 2 billion cubic feet of gas per day). LaRue said the plant would take gas from the Eagle Ford Shale region just south of San Antonio and liquefy it for shipment worldwide.

If Cheniere receives export approval and starts construction, it would be the company's second LNG project on the U.S. Gulf Coast. Its plant at Sabine Pass, La., is under construction and scheduled to start shipping cargoes by the end of the year. Unlike Sabine Pass LNG, which is adding liquefaction and export capabilities to an existing import plant, the Corpus Christi project would be a "greenfield" project requiring construction of storage tanks and marine facilities in addition to the liquefaction trains.

New Interior Department rules tighten standards for fracking

http://www.wsj.com/articles/fracking-rules-unveiled-by-obama-administration-1426865795?mod=WSJ_hp_LEFTTopStories

(Wall Street Journal; March 20) - The Interior Department issued comprehensive rules March 20 for hydraulic fracturing, seeking to set a national standard for controversial drilling practices that have helped fuel the domestic oil and gas boom. The regulations, in the works since 2012, were criticized by oil and gas companies as too onerous and by environmental groups for not going far enough. Two groups representing oil and gas companies filed a lawsuit to block the rules just minutes after they were announced.

The new regulations directly apply to oil and gas drilling on federal lands, which account for just 11 percent of the gas and 5 percent of the oil the U.S. consumes, according to the Interior Department. Most hydraulic fracturing occurs private or state land, but states and companies could move to bring their rules in line with the federal standards. "There is a lot of fear and public concern, particularly about the safety of groundwater and the impact of these operations," Interior Secretary Sally Jewell said.

The rules take aim at sources of water contamination from oil and gas drilling. Energy companies will be required to test the quality of the cement work designed to prevent gas from seeping outside a well, and adhere to stricter standards for storing toxic fluids left over from drilling. The rules place more stringent requirements than originally proposed on storing toxic fluids recovered from a well after fracking. The federal government also said it would require companies seeking drilling permits to provide more information about existing wells nearby.

Majors pull away from shale exploration in Europe, Russia and China

http://www.wsj.com/articles/oil-giants-break-their-picks-trying-to-crack-non-u-s-shales-1426735258

(Wall Street Journal; March 19) - After spending more than five years and billions of dollars trying to re-create the U.S. shale boom overseas, some of the world's biggest oil companies are starting to give up amid a worldwide collapse in crude prices. Chevron, ExxonMobil and Shell have packed up nearly all of their hydraulic fracturing wildcatting in Europe, Russia and China. The reasons vary from sanctions in Russia, a ban in France, a moratorium in Germany and poor results in Poland to low crude oil prices.

The result: Outside the United States, where fracking has produced a historic glut of oil, only China, Argentina and Canada have commercial shale production, the U.S. Energy Information Administration says, though America holds less than 10 percent of the world's estimated shale reserves. Europe, including Russia, and China alone have nearly triple the reserves of the U.S., according to the EIA.

A recovery in oil prices could change the equation, giving companies more room to take risky bets on shale. And bright spots for shale prospectors outside North America still exist. Regions of Argentina and Algeria appear to be "as good as the U.S.," said Faouzi Aloulou, an EIA manager who analyzes shale prospects. In Poland, small companies — the kind that led the U.S. boom — are still drilling despite their big rivals' discouraging results. ConocoPhillips is the only large oil and gas company still working in Poland.

Tanzania parliament delays work on natural gas legislation

http://af.reuters.com/article/topNews/idAFKBN0MF0TT20150319

(Reuters; March 19) - Tanzania has put on hold a much-awaited natural gas bill that was expected to be passed by parliament this month, officials said March 18, further delaying a law to govern its hydrocarbons industry. Parliament and government officials had said the east African nation planned to debate the bill in parliament this month to guide the development of its nascent gas industry. It was unclear when the bill would be taken to parliament.

Tanzania and its southern neighbor, Mozambique, are locked in a race to be first to export liquefied natural gas from Africa's eastern seaboard after huge discoveries offshore that could transform their struggling economies. Tanzania officials said they were now waiting for parliament to set a new date for debate on the gas bill. "The government is ready to take the natural gas bill for debate whenever it gets the go-ahead from parliament," said Charles Kitwanga, deputy energy and minerals minister.

"The government can't intervene in parliamentary procedures. Our job is to draft legislation and parliament sets the date for a debate, so we are waiting for further instructions from parliament," Kitwanga said.

Parent company of B.C. LNG hopeful files for bankruptcy

http://www.campbellrivermirror.com/news/296916741.html

(Campbell River Mirror, BC; March 19) - A proposed LNG production and shipping terminal at the former Elk Falls Mill site suffered a setback this week when Quicksilver Resources filed for Chapter 11 bankruptcy protection in U.S. court. The March 17 filing does not include the Texas company's Canadian operations, Quicksilver Resources Canada. Its Canadian assets include gas-rich deposits in the Horn River Basin in northeast B.C.

Quicksilver in 2013 purchased the shuttered Elk Falls Paper Mill near Campbell River, B.C., about midway on the eastern shore of Vancouver Island, for $8.6 million and announced plans to explore creation of an LNG export terminal on the site. The pulp mill ran from 1952 to 2009 at the 1,200-acre site. In July 2014, Quicksilver applied for a license to export LNG from the proposed facility.

"Any plan to develop that area as an LNG facility was always contingent upon Quicksilver Resources Canada being able to secure a partner for our Horn River Basin Integrated Project," said David Erdman, Quicksilver's director of investment relations. "We continue to seek a partner for that asset but … our efforts have not produced … a viable solution. … That's the reason we did the Chapter 11 filing." Quicksilver is at least the third energy company to file for bankruptcy this month, victims of the oil-price crash.

Squamish Nation women plan anti-LNG protest

http://www.squamishchief.com/news/local-news/anti-lng-rally-planned-for-march-29-1.1798035

(Squamish Chief; Squamish, BC; March 19) - Joyce Williams' activism was first motivated by her mother's words. "God forbid our land should totally be devastated and the children ask, 'What did you do to stop it?'" Williams said, recalling what her mother said to her. "Are we going to feel shame in saying, 'I didn't do anything?'"

Williams, from Squamish's Waiwakum village, is an organizer with the Skwomesh Action group that is planning an anti-LNG protest in collaboration with the environmental group My Sea to Sky on March 29. Skwomesh Action, consisting mostly of Squamish Nation women, formed last year in response to the Kinder Morgan Trans Mountain oil pipeline expansion and has expanded to take on the proposed Woodfibre LNG facility slated for Howe Sound near Squamish and associated FortisBC gas pipeline project.

"We are not going anywhere, this land and water is who we are, it is where we come from and we'll always fight for it," Williams said. She is satisfied with the engagement process of the Squamish Nation's chiefs and council on the LNG proposal north of Vancouver. The Nation is doing its own review of the Woodfibre LNG and FortisBC proposals and will make a decision on where it stands later this spring.

B.C. sees shortage of trained workers needed for LNG industry

http://www.journalofcommerce.com/Labour/News/2015/3/Lack-of-apprenticeship-spots-threatens-LNG-projects-1006367W/

(Journal of Commerce; March 20) - A severe shortage of apprenticeship spots to train skilled labor is threatening British Columbia's anticipated liquefied natural gas construction boom. Both the government and the construction industry need to step up, labor representatives said. Gary Herman, CEO of the Industry Training Authority of B.C., said it has become a severe problem as British Columbia faces a rapid exit of baby boomers from the labor force.

He said there are only three ways to get journeymen: "You grow your own, you poach from others or you import foreign works, which is poaching abroad," he said. Herman said employers need to step up now. Tom Sigurdson, executive director of the B.C. Building Trades, said there aren't enough apprenticeship spots. "We have applications from people who want to get into the trades that we can't accommodate because there is a shortage of apprentice positions."

Lindsay Langill, dean of trades and technology at Thompson River University, said LNG will create opportunities. "There is a need for pipefitters, ironworkers, welders, carpenters to build forming, electricians and instrumentation mechanics," he said. Langill added that LNG projects may not accept younger workers. He said some construction projects are requesting that apprentices be at least 20 years old. "They want an older apprentice, who may be more careful and cognizant of safety."

Egyptian customers sign up to buy gas from Israel

http://af.reuters.com/article/investingNews/idAFKBN0ME0U620150318?sp=true

(Reuters; March 18) - A group of private customers in Egypt has agreed to buy at least $1.2 billion of natural gas from Israel's offshore Tamar field via an old pipeline originally built to send gas to Israel. The Tamar gas field partners said March 18 that they had signed a seven-year deal with Dolphinus Holdings, a firm that represents non-governmental, industrial and commercial consumers in Egypt, calling for a minimum 175 billion cubic feet of gas to be sold in the first three years.

One energy source in Israel, however, said the total export amount in the deal could be more than three times higher, depending on demand in Egypt, which is facing an energy crisis. The supplies will pass through an underwater pipeline constructed nearly a decade ago by East Mediterranean Gas, the company that oversaw a now-defunct Egyptian-Israeli natural gas deal.

Egypt had been selling gas to Israel in a 20-year agreement, but the deal collapsed in 2012 after months of attacks on the pipeline by militants in Egypt's Sinai Peninsula. It has since been out of commission and East Mediterranean Gas is suing the government of Egypt for damages. Recent offshore discoveries such as Tamar, with an estimated 10 trillion cubic feet of gas, and Leviathan, which is more than twice as big, have turned previously import-dependent Israel into a potential energy exporter.

Egypt signs deal to buy LNG from Gazprom

http://www.platts.com/latest-news/natural-gas/singapore/russias-gazprom-to-supply-egypt-with-35-lng-cargoes-27218406

(Platts; March 18) - Russia's Gazprom has signed a contract with Egyptian Natural Gas Holding Co. to supply 35 cargoes of liquefied natural gas, Egypt's Ministry of Petroleum said March 17. Under the agreement, Gazprom will deliver seven shipments per year over five years.

The Egyptian company also has signed LNG supply contracts with other producers and traders, covering almost 60 cargoes in 2015-2016 as the country looks for new supplies to meet domestic energy needs. Local production is falling while demand is rising.

Lower-cost LNG imports present problem for India’s gas producers

http://www.bloomberg.com/news/articles/2015-03-18/india-signals-rout-cuts-odds-of-gas-rise-for-bp-reliance

(Bloomberg; March 17) - India’s oil minister signaled producers Reliance Industries and BP that they may need to wait longer for higher domestic natural gas prices as plunging global energy costs make imports cheaper. The cost of overseas liquefied natural gas for India has dropped to about $9 per million Btu delivered, curbing the government’s drive to continue boosting prices paid to local producers, Dharmendra Pradhan said.

Domestic prices, due for review April 1, were boosted by one-third to $5.60 per million Btu on Nov. 1 as an incentive to spur more local production. “If imported LNG is available at that price, how can we meet the demand from domestic gas producers for higher prices?” Pradhan said March 17. “That may not be possible now.”

While Prime Minister Narendra Modi has made boosting energy supplies a priority to curb blackouts, explorers such as Reliance Industries argue higher domestic gas prices are needed to spur investment and raise output. BP last year wrote off $770 million from an undersea Indian gas block, while Canada’s Niko Resources is seeking to sell its stake in the project because of uncertainty about the long-term pricing outlook in India.

Wyoming coal mine converts 320-ton trucks to burn LNG

http://www.gillettenewsrecord.com/news/national_world/article_45247229-c79e-5ed8-8749-df5a1c624ce1.html

(Gillette News Record, WY; March 13) - Arch Coal’s Black Thunder mine in Wyoming’s Powder River Basin started using liquefied natural gas in its haul trucks at the beginning of last year and has moved to expand the program by ordering 10 more conversions for its Komatsu 930E haul trucks. Arch last year converted two Komatsu 830E trucks, which can carry up to 244 tons of coal at a time. The 930Es that Arch plans to convert this year can haul up to 320 tons at a time, according to Komatsu.

The Black Thunder mine has a fleet of 148 haul trucks, according to Arch. It is one of the most productive coal mines in the world and has held the title of biggest in the world in the past. The fuel conversion systems don’t completely replace diesel fuel with LNG. Instead, they mix the fuels, allowing sensors and computers to set the best mix for the demands on the engines. The conversion also requires new fuel tanks on the trucks.

Not much Brent left in Brent oil-price benchmark

http://www.wsj.com/articles/preparing-for-a-brent-benchmark-with-no-brent-oil-1426780155

(Wall Street Journal; March 20) - It was once a behemoth, a massive North Sea oil field whose importance to the world crude market was summed up by its name atop the global benchmark price: Brent. Today, the Brent field, northeast of Scotland’s remote Shetland Islands, is all but tapped dry. It produces about 1,000 barrels a day in a global market of 93 million daily barrels. In a few years, the Brent benchmark — a crucial metric for global oil prices — will contain no actual Brent at all.

With aging North Sea fields running out of crude faster than predicted, changes to how the global price of oil is calculated are being accelerated, putting a spotlight on the methods used to put a value on the world’s most important commodity. Benchmarks like Brent provide a stable price point against which oil from anywhere around the world can be traded at a premium or discount.

Losing the Brent field, or even all production from the North Sea, may not change the benchmark’s name or its viability. Experts said Brent will remain an important yardstick for businesses and consumers. Airlines use the Brent futures market to hedge their exposure to oil-price fluctuations. The benchmark is used by businesses, such as refineries, to price the crude they process into gasoline and diesel, influencing prices at the pump. “Up to now, nobody has come up with any viable or credible alternative,” said Dario Scaffardi, executive vice president and general manager at Italian refinery Saras.