Oil and Gas News Briefs
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U.S. House subcommittee hears about interest in moving LNG by rail

http://www.naturalgasintel.com/articles/101785-interest-growing-in-transporting-lng-by-rail

(Natural Gas Intelligence Daily; March 26) - While regulators and lawmakers wrangle with safety standards for shipping crude oil by rail, interest is growing in shipping liquefied natural gas by rail as well. At least three parties have approached the Federal Railroad Administration about authorization to ship LNG by rail, according to testimony March 25 at a House Appropriations subcommittee budget hearing.

"One of the areas we see as our next challenge will be natural gas," Timothy Butters, acting administrator of the Pipeline and Hazardous Materials Safety Administration, said at the hearing. Late last year, the Alaska Railroad Corp. submitted a request for permission to transport LNG in tanks atop flatcars to serve areas beyond the reach of pipeline supplies from Cook Inlet gas fields. The railroad said it envisions running two trains per week with each consisting of 60 to 70 LNG tanks riding atop 30 to 70 flatcars.

Union Pacific also has approached the Federal Railroad Administration about shipping LNG, according to reports. Applications to the FRA are not made public during the review process, an agency spokesman said. According to testimony at the hearing, the government already has begun to study how to ensure the safe rail transport of LNG.

Tokyo Gas will add second storage tank at LNG terminal

http://af.reuters.com/article/energyOilNews/idAFL3N0WS27J20150326

(Reuters; March 26) - Tokyo Gas, Japan's biggest natural gas utility, said March 26 it would build a second liquefied natural gas storage tank at a receiving terminal northeast of Tokyo, to meet growing demand in the area. The company expects to start using the terminal in Hitachi, with its one tank that can hold almost 5 billion cubic feet of gas as LNG, as well as a large jetty, in March 2016. Tokyo Gas will start building the second tank in 2018, with completion by March 2021, Executive Officer Satoru Sawada said.

The company did not give cost details. A major provider of natural gas to Tokyo and the surrounding regions, Tokyo Gas expects a steady shift in the industrial sector to environmental friendly natural gas from coal and fuel oil.

Official groundbreaking held at LNG export plant in Maryland

http://www.somdnews.com/article/20150327/NEWS/150329445/1075/dominion-international-partners-host-official-lng-project&template=southernMaryland

(Southern Maryland Newspapers; March 27) - During a groundbreaking ceremony March 25, Virginia-based Dominion and a partner from Japan took part in a 1,500-year-old Japanese tradition, vowing their commitment to the successful, on-time completion of the $3.8 billion liquefied natural gas export project at Cove Point, Md., by painting in one eye of a Japanese Daruma doll. After the goal of the project is met, the other eye will be filled in. The single-liquefaction-train plant is scheduled to start up in late 2017.

The work underway at the construction site didn't halt for the ceremonies. The noise of construction equipment, of trucks driving behind a tent filled with businesspeople from Japan and India as well as politicians and Dominion employees, was celebrated as a sign of progress that the export facility would be completed on time. It has been three and a half years since Dominion announced publicly it was considering adding liquefaction and export capabilities to its 1970s' underutilized import terminal.

In attendance were Japanese Ambassador Kenichiro Sasae, in addition to officials from companies in Japan and India with which Dominion has liquefaction contracts. Dominion has fully subscribed the plant's capacity under 20-year service contracts with Sumitomo, a Japanese corporation that is one of the world's leading trading companies; Tokyo Gas; and GAIL (India). "This project is especially important to the country of Japan," said Kazuhiro Takeuchi, president and CEO for Sumitomo Corp. of Americas.

Bank says Qatar can withstand lower LNG prices, competition

http://www.gulf-times.com/eco.-bus.%20news/256/details/432357/qatar-%E2%80%98better-positioned%E2%80%99-to-face-lower-lng-prices-than-other-producers

(The Gulf Times; March 26) – As the "world's lowest-cost producer" of liquefied natural gas, Qatar can "better withstand" lower prices than many of the new suppliers coming online, a new report says. "LNG from markets such as Australia and Mozambique is much more expensive to produce. The key for Qatar in the long run is to ensure it maintains market share by adapting rapidly to changing market dynamics," said Standard Chartered bank in its latest report "Global Focus."

Standard Chartered said Qatar's "sweet spot"' for pricing LNG is likely to tighten further, highlighting the challenges faced by the country. "Qatar's LNG sector faces pressure on prices for Asian buyers as a result of the slump in oil prices," the bank pointed out. "Asia accounts for almost 80 percent of Qatar's LNG exports … and while demand is likely to rise further, supported by lower prices, Qatar's ability to maintain its pricing advantage will be challenged as these markets benefit from new supply sources and lower prices."

Qatar has signed multiple long-term contracts with Asian buyers over the past three years, locking in LNG prices at attractive crude-indexed levels. For example, the contract signed between RasGas and India's Petronet is a 25-year deal based on the five-year moving average price of the Japanese Crude Cocktail of imported oil. But the drop in crude oil prices has lowered the price of new LNG contracts that Qatar is signing with key Asian buyers.

Global oil and gas majors pull back on investments in China

http://www.wsj.com/articles/oil-producers-sound-retreat-from-china-1427407192

(Wall Street Journal; March 26) - Global oil companies are unwinding some big bets they made on China — and that is bad news for Chinese companies that need their know-how. Falling oil prices have forced oil bosses to slash planned investments that now look less likely to provide good returns. Projects in China, often expensive and geologically risky, are high on the list of those to be cut.

Shell was one of the industry's biggest China proponents in recent years, pledging billions of dollars to hunt for shale gas while building up businesses to produce and sell oil products. The company is now scaling back investment in China's shale after several years of costly challenges. Shell also has scrapped a multibillion-dollar joint venture with PetroChina to export liquefied natural gas. In the past year, Houston-based oil explorers Anadarko Petroleum and Noble Energy have completed deals to sell operations in China, and Hess Corp. said it is quitting a shale-exploration deal with PetroChina.

In addition, BP said it had withdrawn from three exploratory blocks in the South China Sea. "These companies thought $100 oil was going to stay," said Gordon Kwan, regional head of Asia-Pacific oil-and-gas research at Nomura. "They have to prioritize the projects based on returns, and the projects in China tend to be lower return, other things being equal, simply because of higher costs."

Freeport LNG awards contract for third liquefaction train

http://money.cnn.com/news/newsfeeds/articles/prnewswire/DA64817.htm

(Press release; March 26) – CB&I (formerly known as Chicago Bridge & Iron) March 26 announced its joint venture with Chiyoda International, a U.S.-based wholly owned subsidiary of Chiyoda Corp., of Japan, and Texas-based Zachry Industrial, had been awarded a contract of more than $2 billion by FLNG Liquefaction 3 (Freeport LNG) for the engineering, procurement and construction of the third train of the three-train natural gas liquefaction and export facility on Quintana Island, near Freeport, Texas.

Upon completion, the three-train LNG plant will have a total capacity of almost 14 million metric tons per year of LNG. CB&I and Zachry began construction on trains one and two in November 2014, supported by Chiyoda. Freeport LNG is one of four export projects under construction in the U.S.; the others are in Louisiana (two) and Maryland.

Hawaii's electric utility sees LNG as 'bridge fuel'

http://www.civilbeat.com/2015/03/hawaiian-electric-ceo-we-will-continue-to-pursue-lng/

(Honolulu Civil Beat; March 26) - Hawaiian Electric Industries CEO Connie Lau made it clear during her closing speech March 26 at the Maui Energy Conference that the company will continue to pursue liquefied natural gas as a "bridge fuel." Just moments earlier she highlighted how "amazingly aligned" virtually everyone seems to be in terms of the end goal of getting off imported oil and transforming the energy landscape.

Lau acknowledged that people may disagree over how Hawaii gets there — and the pace. A temporary shift to LNG is definitely one of the areas in which there's disagreement, particularly over the expensive infrastructure costs and concerns over the hydraulic fracturing drilling that is used to produce much of the nation's natural gas. The electric utility, along with the state's gas utility, have both been looking at importing LNG to the islands to help cut the need for oil-derived fuels.

Lau said Hawaiian Electric Industries — which owns Hawaiian Electric Co. on Oahu, Maui Electric Co. and Hawaiian Electric and Light Co. on the Big Island — is "anxious to play its part" in renewable energy. She wants to build on the success Hawaii has had in solar energy. The state leads the country, with 12 percent of Hawaiian Electric customers powered by the sun compared to the national average of 0.5 percent.

Low oil prices slow down Hawaiian Electric's plans to import LNG

http://www.bizjournals.com/pacific/news/2015/03/26/dip-in-oil-prices-slows-hawaiian-electrics-lng.html?page=all

(Pacific Business News; March 26) - The fall in oil prices has affected a wide range of businesses, including Hawaiian Electric. The utility's plans to ship in liquefied natural gas as a replacement for oil has slowed, the CEO said. Alan Oshima last year said it had selected finalists and was close to naming an LNG supplier. But March 25, at the kickoff of the Maui Energy Conference, Oshima said the utility has yet to choose a developer, and that the drop in oil prices has slowed down the process.

During his keynote speech, he stressed the importance of LNG for Hawaii, noting that it could stabilize fuel costs as the utility continues to move toward renewable resources. Hawaiian Electric has said it received interest from at least 10 project developers. The bids were in response to a request for proposals looking for developers to supply and deliver up to 800,000 tons of LNG per year (about 38 billion cubic feet of gas) by containerized shipping for a term of up to 15 years, starting in late 2016 or early 2017.

Hawaiian Electric believes that LNG affords a unique opportunity to reduce customers' electric bills and improve environmental quality. After the container-size-load project advances, the utility envisions a possible bulk LNG import program using that could cost up to $300 million to develop, much of it to pay for a receiving terminal in Hawaii.

Prince Rupert, B.C., planning to handle needs of LNG industry

http://www.thenorthernview.com/news/297301991.html

(The Northern View; Prince Rupert, BC; March 25) – Prince Rupert, B.C., Mayor Lee Brain is releasing details of the "LNG Go Plan" to get the city ready to meet the boom that could come with a liquefied natural gas industry. "There needed to be a coordinated effort because a lot of these proponents need the same thing to happen for them to be able to work here, particularly our airport. We also have a dump that needs a new cell to handle industrial waste and … (we need) our dam upgraded and waterlines … fixed up."

"Prince Rupert could be a model for how to host a rapid-growth situation," Brain said. "Once there is a final investment decision you have about a year to ramp up and in that year we could have all of those ducks in a row. We could be a community other places call to ask how we did it." The first phase, the mayor said, is a new plan for how people reach the airport — which is accessible only by ferry. Engineering work is underway to look at options to reach the airport, which is on an island in front of town.

Brain said housing will play a big role in preparing for LNG. Discussions have already taken place with social services groups, two housing committees have been formed and the city has hired a statistician to create a survey that will outline what is needed. A draft of the plan will be completed shortly, with a final report planned for July 1.

Pakistan receives first LNG imports; will not disclose price

http://nation.com.pk/national/26-Mar-2015/govt-refuses-to-reveal-qatar-lng-price

(The Nation; March 26) - The Pakistani government said the country's first shipment of imported liquefied natural gas will start flowing into Pakistan's gas distribution system March 31. Minister for Petroleum and Natural Resources Shahid Khaqan Abbasi shared with National Assembly members March 25 some details about the import of Qatari LNG but failed to satisfy opposition lawmakers on questions about the price paid Qatar.

The minister said the first shipment of more than 2 billion cubic feet of gas as LNG would arrive March 26 aboard a floating storage and regasification vessel, which would feed the fuel into Pakistan's pipeline system. Abbasi said it was decided in the agreement that issues related to LNG pricing would not be discussed openly before its finalization. A parliamentary committee to work out LNG rates and terms may also be set up, he added.

He said the Pakistan State Oil Co. would negotiate on a government-to-government basis with Qatar. Lawmakers kept asking about the price agreement with Qatar but received the same response — that it was still not decided. Under the deal, Qatar agreed to supply 500 million cubic feet of gas per day for 15 years.

India's LNG importers stuck with high-priced, long-term contracts

http://www.livemint.com/Industry/15sMOzPJ66vJrvEJyGa0hO/Importers-worry-as-buyers-eye-cheap-spot-gas.html

(Live Mint; India; March 24) – Lower global liquefied natural gas prices have started hurting India's LNG importers locked into higher long-term prices as their customers discover it's cheaper to shop in the spot market instead. India's biggest LNG importers — Petronet LNG and GAIL (India) — buy from Qatar's RasGas mostly under long-term agreements at prices linked to a five-year average of crude oil prices.

Even though crude oil has crashed in the past year, they were high for most of the past five years, keeping the benchmark high and the contract price for LNG high, too. Apart from creating losses at Petronet, expensive long-term LNG contracts prevent India's gas-fueled power plants from producing electricity and keep the government's energy subsidy bill elevated as it compensates fertilizer producers that use costly gas.

"Our long-term imported LNG price will come down eventually," said Petronet CEO A.K. Balyan. "But it will take a lot of time." For Petronet, long-term LNG — which is almost 70 percent of its annual supply — costs $13 to $14 per million Btu. But with the spot market offering gas at around $7, Petronet's buyers, such refiners and fertilizer plants, are feeling tempted. There are indications that Petronet and GAIL may try to renegotiate their long-term contracts to prevent customers from straying.

Indian government pushing for more LNG to fuel power plants

http://www.platts.com/latest-news/natural-gas/mumbai/india-offers-concessions-to-run-power-plants-27248112

(Platts; March 26) - The Indian government, in an effort to restart gas-fired power stations shut down due to a domestic natural gas shortage, has announced a set of concessions to let them burn imported LNG. Thirty-one power plants with a capacity of 14,305 megawatts stranded for want of gas will be eligible to bid for government support to run up to 30 percent of their installed capacity with funds from the Power System Development Fund, Power Minister Piyush Goyal said after a Cabinet meeting.

Goyal said March 25 that state-owned gas GAIL (India) and Gujarat State Petroleum Corp. have been asked to import LNG on the spot market to supply to power stations. To make the use of regasified LNG cheaper and viable for power producers so they are able to keep power costs low, the government has asked pipelines and LNG terminals to reduce their transportation tariffs, marketing margins and regasification charges.

"The mechanism also envisages sacrifices to be made collectively by all stakeholders, including the central and state governments by way of exemptions from certain taxes and levies," the government said. The power plants have been idle since domestic gas production came up short a year ago. Most of the plants were built mainly on the promise of cheap domestic gas fixed at $4.20 per million Btu in 2010, and were unable to switch to high-cost LNG. However, LNG prices have dropped by half in the past year.

Lithuania contracted for more LNG than it needs; looks to sell surplus

http://af.reuters.com/article/energyOilNews/idAFL6N0WP39Z20150323

(Reuters; March 23) - Lithuania's state-owned energy group Lietuvos Energija said March 23 that national rules should be changed to allow it to sell some of the liquefied natural gas it has contracted from Norway's Statoil as domestic demand falls and Lithuania doesn't need all the gas. Lithuania opened an LNG import terminal last year, seeking to reduce its dependence on Russia and to diversify supplies.

To prevent Gazprom from dumping gas in the market, the Lithuanian government imposed a minimum level of imported LNG the country's regulated heat and power producers have to buy. But even this minimum volume — less than 20 billion cubic feet of gas, about six or seven cargoes per year — appears too much as consumption falls.

"In order to have more flexibility to balance the terminal's operations with gas consumption and to use opportunities in the market to get the best value for consumers … we need to adjust the legal basis (for LNG imports)," said Dalius Misiunas, chief executive of Lietuvos Energija. A company spokeswoman said flexibility was needed to have an opportunity to sell some LNG cargoes elsewhere.

Airline starts weekly service to new airport built for Yamal LNG

http://siberiantimes.com/business/others/news/n0166-utair-begins-regular-weekly-flights-to-new-airport-in-the-arctic/

(The Siberian Times; March 26) - Siberian airline UTAir has started regular weekly flights from Moscow to the new airport at Sabetta in the Arctic. Using wide-body Boeing 767-200 aircraft, with a capacity of 249 passengers, the carrier will fly every Thursday between Vnukovo airport outside Moscow and Sabetta International, on the Yamal

Peninsula. The service will mainly benefit workers building a massive liquefied natural gas plant, although the airline said it hopes to also attract tourists to the northern region.

Known as Sabetta International Airport, it is one of the first Russian Arctic airports built from scratch and will help the development of the resource-rich Yamal Peninsula. The new airport will primarily serve as a transport hub for workers of the plant, which its sponsors say will start up in late 2017.

Sabetta will also become the new gateway to the Northern Sea Route across the Arctic as Russia gears up for an increase in trade over the roof of the world. The new airport will be able to handle about 150,000 passengers this year, increasing to around 300,000 people when the LNG plant is fully operational in several years.

Egypt agrees to higher prices to help boost domestic gas production

http://www.platts.com/latest-news/natural-gas/dubai/egypt-raises-prices-for-domestic-gas-supplies-26048039

(Platts; March 24) – German-based oil and gas company RWE Dea has pledged to raise production from a large Egyptian onshore gas development in return for a higher price for gas purchased by the Egyptian government as the country seeks to increase its domestic supply. In return for boosting production, the government will raise the price it pays under the new agreement to $3.50 per million Btu from the current $2.50, the petroleum ministry said March 23.

Egypt is seeking to encourage foreign investment in gas exploration and development as it continues to grapple with rolling power cuts that have afflicted the country since its January 2011 revolution. The initial response from gas developers has been positive. BP and BG Group earlier in March said they had signed a $12 billion deal with Egypt's government to develop the long-delayed West Nile Delta offshore gas project.

BP said it expects to double its gas supply to Egypt's domestic market by the time West Nile Delta reaches peak production. Development of the estimated 5 trillion cubic feet of reserves in the West Nile Delta fields is expected to yield plateau output of 1.2 billion cubic feet a day, equivalent to 25 percent of Egypt's current gas production, with first gas expected in 2017. Prices set in the West Nile Delta contract were between $3 and $4.10, compared with the existing standard price for domestic gas production of $2.65.

Oklahoma oil storage inventory at record 54.4 million barrels

http://www.eia.gov/todayinenergy/detail.cfm?id=20472&src=email

(U.S. Energy Information Administration; March 23) - After increasing for 15 consecutive weeks, crude oil storage at Cushing, Okla., reached 54.4 million barrels March 13, according to the U.S. Energy Information Administration's Weekly Petroleum Status Report. While this volume is the highest on record, it is not the highest percentage of utilization as working storage capacity at Cushing has increased over time.

Storage levels at Cushing are significant because it serves as the delivery point for the U.S. crude oil benchmark, West Texas Intermediate. Cushing is home to a network of crude oil pipelines and storage tanks. The 70.8 million barrels of storage capacity in Cushing represent more than 60 percent of all crude oil working storage capacity in the Midwest and about 19 percent of all commercial crude oil storage in the United States.

Although inventory levels at Cushing are at a record high, storage utilization (inventories as a percentage of working storage capacity) are not at record levels. Capacity utilization at Cushing is now 77 percent, a large increase from a recent low of 27 percent in October 2014. However, utilization reached 91 percent in March 2011, soon after EIA began surveying storage capacity twice a year, starting in September 2010.