Oil and Gas News Briefs
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First Nation rejection forces Petronas to find Plan B for LNG terminal

(Globe and Mail; Canada; May 13) - Pacific NorthWest LNG is scrambling to come up with a Plan B after the Lax Kw'alaams First Nation soundly rejected the Malaysian-led project's $1 billion offer aimed at securing support for a liquefied natural gas terminal proposed near Prince Rupert, B.C. The company said project leader Petronas and its five Asian partners are willing to make changes. A key option is to relocate a planned suspension bridge and trestle the First Nation said was too close to the environmentally sensitive salmon habitat in Flora Bank, part of the Lax Kw'alaams' traditional territory.

"It's about doing the right thing," Pacific NorthWest LNG president Michael Culbert said May 13. The overwhelming opposition by Lax Kw'alaams members in three rounds of voting illustrates the many hurdles — from aboriginal criticisms to environmental concerns — that even the most prominent project among 19 LNG proposals in British Columbia must clear before becoming reality. The lure of the money, which would have been spread over 40 years, was not enough to overcome the Native group's concerns.

One possible change for Pacific NorthWest is to move the planned suspension bridge and trestle farther away from Flora Bank. The bridge would support pipelines moving LNG from the onshore plant to a deep-water berthing site for carriers to load up. While the Petronas-led group's defeat does not sound the death knell for B.C.'s fledgling LNG industry, it is a warning that aboriginal people will vigorously defend their traditional territory against projects that they believe would place fish stocks at risk.

First Nation chief says environmental protection must be guaranteed

(Globe and Mail; Canada; May 17) – An aboriginal leader in British Columbia said First Nations will continue to oppose oil and gas developments even if it means rejecting billion-dollar pay-outs — until environmental protections are guaranteed. Setting a high — if not impossible — bar for corporations such as Pacific NorthWest LNG, which is trying to move ahead with a liquefied natural gas terminal, Grand Chief Stewart Phillip said a community vote to reject the development was a clear sign that both business and government must reject their "gold rush mentality" for a more sustainable approach.

"Our elders remind us that money is like so much dust that is quickly blown away in the wind," said Chief Phillip, "but the land is forever." Last week, the Lax Kw'alaams First Nation members overwhelmingly rejected an offer of more than $1 billion in cash, plus more than $100 million in Crown land, in exchange for supporting the Pacific NorthWest

LNG terminal near Prince Rupert. The First Nation contends the project would endanger the habitat of juvenile salmon in Flora Bank, which falls in their traditional territory.

"The traditional way of life of the Lax Kw'alaams people and, most importantly, the delicate marine ecosystem that upholds and has upheld their culture for thousands of years, is not for sale," the chief said. First Nations are also speaking, he said, for "British Columbians who are not willing to accept any unnecessary risks for the interests of transnational corporations and their profits."

Delays will keep Australia LNG off the market, says Wood Mackenzie

(Wood Mackenzie; May 14) - The first cargo from the world's inaugural coal-seam gas-to-LNG train was delivered at Queensland Curtis LNG in January 2015 and much more capacity is under construction around Australia, but delays in several liquefied natural gas export projects in the country will mean that 11 million metric tons less LNG than expected (about 520 billion cubic feet of gas) will be produced between 2015 and 2019, according to global energy consultancy Wood Mackenzie.

The coal-seam gas projects in particular will soon be tested, Wood Mackenzie said, and of particular concern is how each operator will ramp up a significant volume of gas in a very short time. "The most productive wells will supply the first train of each project, but risk remains around the deliverability and consistency of the following supply tiers that will feed the second trains."

BG has managed the first train at its Queensland project well so far but a key uncertainty is the speed and consistency of the ramp-up of the gas supply to the second liquefaction train, Wood Mackenzie said. "About 1,000 wells will need to be drilled each year to maintain momentum, but the ability of operators to manage this activity as well as operate an LNG plant has not yet been tried."

Australia's Woodside signs up to buy LNG from Corpus Christi plant

(The Australian Business Review; May 14) - Woodside Petroleum will proceed with a 20-year deal to purchase 850,000 metric tons a year of liquefied natural gas (about 40 billion cubic feet of gas) from Corpus Christi Liquefaction, a subsidiary of Cheniere Energy. The deal was first announced last year, but was dependent on a series of conditions including construction of two production units at the Corpus Christi project in Texas. Cheniere has given the go-ahead to start construction of the first unit.

The plant is planned to include up to three LNG trains and produce 13.5 million tons of LNG annually. Despite a sharp fall in oil prices since the deal was first flagged in mid-2014, Woodside said there are no changes to the terms outlined at that time. Woodside will pay Cheniere 115 percent of the monthly Henry Hub price for gas acquired to fulfill its contract (the 15 percent add-on is to cover gas used in the liquefaction process), plus $3.50 per million Btu for liquefaction, storage and loading. (That equates to $4.35 Australian at May 15 exchange rates). Woodside will handle shipping.

The terms are in line with contracts signed by other Corpus Christi customers. The 20-year agreement includes an extension option of up to an additional 10 years and a mechanism that gives Woodside the option to forgo deliveries with sufficient notice, though it would be required to pay Cheniere the $3.50 per million Btu charge even if it doesn't use its reserved plant capacity. Cheniere expects Corpus Christi to start up its first train in 2018. Cargoes to Woodside from the second train are expected in 2019.

Texas LNG developer denies he was advised against sales to Chinese

(Reuters; May 15) - The head of Freeport LNG said May 15 that the U.S. Department of Energy had not advised against inviting Chinese investment in the company's export plant under development in Texas, a contradiction of claims that he made a day earlier. Michael Smith, CEO of privately owned Freeport LNG, which plans to open its Texas plant in 2018, said he misspoke May 14 in an interview with Reuters when he said the department had warned against Chinese investment for political reasons.

The department "in no way" advised Freeport LNG on what customers, or sources of foreign investment, it should choose, Smith said. "I regret having inaccurately described the DOE as having advised us as such," he said. Smith said May 14 the advice had lead him to turn down Chinese buyers of LNG. "We were advised by the DOE to be careful who our customers were, because this is very political," he said then, calling the prospect of Chinese interest in a major U.S. export project "a political hot potato."

Smith was not available for further comment May 15. A department spokeswoman said May 15 it did not advise Freeport against sending LNG to Chinese customers or inviting Chinese investment. Customers from across the world have signed up to buy future shipments of U.S. LNG. However, despite growing gas demand in China, no Chinese companies have signed up for U.S. exports directly. Some cargoes of U.S. LNG could end up on China's shores, but only through secondary deals.

Spot-market LNG price in Japan averaged $7.60 in April

(Reuters; May 14) – Average liquefied natural gas spot prices for buyers in Japan fell to a two-month low in April, trade ministry data showed May 14, in another sign of slack global demand. Spot LNG contracted in April for delivery to Japan averaged $7.60 per million Btu, down from $8 a month earlier, less than half the level of a year ago, the Ministry of Economy, Trade and Industry said.

Tokyo started surveying spot LNG prices in March 2014 to add transparency to the market amid concerns over rising fuel costs in the wake of the shutdown of nuclear plants in 2011. The average spot price is calculated on about 10 percent of the nation's LNG purchases. The trade ministry survey looks at samples of fixed prices for LNG sold to power companies and utilities among others, and excludes spot deals linked to benchmark prices such as the U.S. natural gas Henry Hub index.

Texas LNG hopeful contracts for FEED work

(Houston Chronicle; May 16) - Even though the first federal permitting request was just submitted in late March, NextDecade is already moving forward with early contracts to build its $8 billion Rio Grande LNG export project in Brownsville, Texas, near the Mexico border. NextDecade has contracted with CB&I (formerly Chicago Bridge & Iron) for the front-end engineering and design and to determine the project's engineering, procurement and construction terms. The terms of the deal are not being released.

NextDecade's Rio Grande liquefied natural gas project includes building as many as six liquefaction trains and two marine jetties. NextDecade also would build a 130-mile pipeline from Brownsville to a pipeline hub near Corpus Christi. Shaun Davison, NextDecade project director for North America, said the front-end engineering and design is conducted in part to provide the Federal Energy Regulatory Commission with "extremely detailed" project plans.

The FEED work goes in conjunction with NextDecade entering the pre-filing process with FERC in March, he said. The goal is to submit the draft plan to FERC in October and then submit the final report and plans in January 2016, he said. The venture is being primarily sponsored thus far by Jamie Dinan-founded York Capital Management. Other financing is in the works, but NextDecade executives are remaining mum for now.

U.S. will likely need to review gas exported through Canada, Mexico

(Platts; May 13) – U.S. gas exports to North American Free-Trade Act countries Canada and Mexico intended for commercial re-export as liquefied natural gas to countries that lack a free-trade agreement with the United States will likely require approval from the U.S. Department of Energy, a department official said. Deputy Assistant Secretary Paula Gant of the Office of Oil and Natural Gas spoke at an LNG conference May 12 in Austin, Texas.

Responding to questions from a panel moderator, Gant declined to elaborate, citing the agency's policy on public comments regarding commercial applications for U.S. gas exports that are under review. Gant's comments bear directly on several LNG export projects currently under consideration for Eastern Canada and Mexico's Baja Peninsula. The export terminals would likely rely on U.S. natural gas delivered by pipeline across the border to feed the LNG plants.

[Japanese shipyard will build LNG carriers to serve Louisiana project]

(TradeArabia News Service; May 14) - Mitsubishi Heavy Industries has won an order for two next-generation liquefied natural gas carriers to be built in a Japanese shipyard for delivery to Nippon Yusen Kabushiki Kaisha (NYK Line). The vessels are scheduled for completion and delivery in 2018. They will be put into service for transporting LNG from Sempra Energy's Cameron LNG project under construction in Hackberry, La. Mitsubishi Corp. is a partner in the Cameron project, as is NYK.

The carriers on order feature a new design of a dual-fuel (diesel or natural gas) engine that will power a steam turbine to drive an electric propulsion motor, also capturing and utilizing waste heat in the power system. The vessels will measure almost 965 feet long, 160 wide, with a draft of 36 feet. Each will be capable of carrying almost 3.5 billion cubic feet of gas as LNG. The new ships will be capable of passing through the expanded Panama Canal that is expected to open for traffic early in 2016.

[Anadarko selects engineering contractors for Mozambique LNG]

(Bloomberg; May 17) - Anadarko Petroleum has selected a group of engineering contractors including Chicago Bridge & Iron for a potential $15 billion liquefied natural gas project in Mozambique. CBI's joint venture with Japan's Chiyoda and Italy's Saipem will work on the onshore project that includes two liquefaction trains with 6 million metric tons of annual capacity each, Anadarko said May 17. The decision is a significant step toward reaching a final investment decision, Anadarko CEO Al Walker said.

Anadarko said it will make a final investment decision by the end of 2015. Construction plans also include LNG storage tanks, condensate storage, a multi-berth marine jetty and associated utilities and infrastructure. The company has secured non-binding long-term off-take agreements for more than 8 million tons a year of LNG from potential customers and is making progress in turning these into binding sales-and-purchase deals, Walker said. It's also getting letters of intent from lenders for project financing.

Anadarko will work on a development plan to submit to the government in the coming months, Walker said. As much as 75 trillion cubic feet of gas may lie in the Area 1 prospect off Mozambique's shores, according to Anadarko and its partners developing the discovery. Anadarko and Eni are operators in Areas 1 and 4 of Mozambique's Rovuma Basin, home of the world's largest gas find of the past decade.

India offers power generators subsidy to use more LNG

(The Financial Express; India; May 13) - The lowest subsidy requested by India's power generators to use more imported liquefied natural gas in their power plants was about 3 cents per kilowatt hour. A government auction ended May 13 to determine the subsidy required to entice generators to use more LNG and help ease electricity shortages. Eight power generators bid in the tender, representing almost 4,900 megawatts of generation capacity that is running far below capacity because of domestic gas scarcity.

According to a senior Power Ministry official, this round of bidding was for more than 300 million cubic feet of gas per day that would be needed to fuel the stranded gas-fired plants during June-September this year. Overall, 31 power stations in India with a combined capacity of 14,305 megawatts are languishing because of a lack of gas.

Power companies seeking the least financial support to reach an electricity tariff of about 8.5 cents per kilowatt hour won the auction. The government also is asking LNG importers and transporters to reduce their marketing and operational costs.

India may look to renegotiate sales price of Qatari LNG contract

(Interfax Global Energy; May 15) - India's largest liquefied natural gas importer could seek to renegotiate the terms of its long-term supply deal with Qatar this year. Petronet LNG's 25-year, 7.5-million-tons-per-year contract with Qatar's RasGas has provided the bulk of volumes delivered to India since 2004, and has typically been competitive with alternative fuels and cheaper than spot LNG — but not lately.

The free-on-board price for RasGas contract volumes to India was fixed at $2.50 per million Btu from 2004 to 2008, before oil indexation was gradually introduced between 2009 and 2013. Oil indexation of 12.67 percent (meaning a Japan Crude Cocktail price of $100 a barrel would produce an LNG price of $12.67 per million Btu) took effect from the beginning of 2014, with prices peaking at $13.60 toward the end of the year. Since then, the RasGas contract has been slow to reflect the sharp drop in global oil prices.

The contract includes a price ceiling and floor based on a 60-month average of oil prices, effectively preventing any significant downward adjustments in the short term to reflect the recent decline in crude oil prices and reducing the competitiveness of Qatari LNG under the contract. Spot LNG prices as low as $7 have reduced India's appetite for its contract volumes, with a significant decline in demand for Qatari LNG and deferral of at least 10 contracted cargoes from RasGas during the first quarter of this year.

Takeover of BG Group puts Shell in middle of East Africa LNG

(Bloomberg; May 12) - Shell's $70 billion takeover of BG Group will put Europe's largest energy company in the middle of East Africa's race to export natural gas and is set to boost the chances of Tanzania becoming a major LNG supplier. Shell's acquisition would include BG's stakes in three blocks off the coast that contain one-third of Tanzania's estimated resource, and may give the East African nation an edge in the race to export liquefied natural gas from the region over neighboring Mozambique.

Shell has "strong expertise in working with governments and has also displayed strong appetite for risk, deploying new technologies," said Dolapo Oni, head of energy research for Ecobank Group. "These attributes could benefit the Tanzania LNG project and give Mozambique much-needed competition for the limited investment dollars available globally for these sort of projects." Statoil and partner ExxonMobil also have blocks in Tanzania, while Eni and Anadarko plan developments in Mozambique.

Producers holding leases in the two countries are working out whether to invest amid indications of the start of a worldwide LNG glut. New export projects in Australia and Papua New Guinea are starting to push out proposed projects as demand weakens, Genscape, which provides energy- and commodity-market data, said last month. In addition, Tanzania and Mozambique have yet to finish regulations for gas development and production, which are needed before any final investment decisions are taken.

Pennsylvania company plans second LNG plant for local market

(Philadelphia Inquirer; May 15) - UGI Energy Services is doubling its capacity to produce liquefied natural gas in Pennsylvania, aiming to capture a bigger share of an alternative-fuel market. UGIES, a subsidiary of UGI Corp. of Valley Forge, Pa., announced May 15 it plans to build a $60 million plant in northeastern Pennsylvania to produce up to 120,000 gallons of LNG a day from 10 million cubic feet of Marcellus gas.

It will be the company's second LNG production plant. UGIES also plans to build storage tanks with a total capacity of about 280,000 gallons, said Matthew Dutzman, vice president of business development. Traditionally, utilities have used LNG as a means to store gas for high-demand winter days, known as "peak-shaving." LNG is now experiencing growth in demand as a cleaner-burning, less costly alternative to diesel.

UGI, which operates three Pennsylvania gas utilities, has operated an LNG plant in Temple, Pa., since 1972. That plant was recently expanded to produce up to 120,000 gallons a day.

Vancouver regional council will oppose oil pipeline expansion

(Mission City Record; Mission, BC; May 15) - The Metro Vancouver regional district will formally oppose Kinder Morgan's proposed twinning (capacity expansion) of its Trans Mountain oil pipeline after a vote of the board May 15. The decision came after the release of a new projection of the environmental impact of an oil spill and a report from the City of Burnaby warning it could not contain a major fire at the tank farm near the pipeline terminal.

"If there is a serious or catastrophic incident at the tank farm we are incapable of being able to control that," Burnaby Mayor Derek Corrigan told the board. "The more we learn about it the riskier it gets," Vancouver Mayor Gregor Robertson said of Kinder Morgan's proposal to expand its pipeline for moving Alberta oil sands production to the West Coast for shipment overseas. Other directors cited the Coast Guard's deficient response to the relatively small spill of fuel oil in April from a freighter in Vancouver harbor.

Not all directors supported the motion. Belcarra Mayor Ralph Drew and Langley Township Council Charlie Fox both opposed it, warning that if Kinder Morgan's pipeline push is stymied, large volumes of oil may end up rolling through B.C. on trains, at much greater risk to the environment and communities. "The oil is going to come to the coast one way or another," Drew said. "If it doesn't come by pipeline, it's going to come by rail car. And nothing scares me more than unit rail cars coming down the Fraser Canyon."

New York protests continue against offshore LNG import terminal

(Newsday; May 16) - A long line of opponents to a proposed offshore liquefied natural gas import project off Long Beach, New York, joined hands at the water's edge May 16 to symbolize their determination to keep the ocean unspoiled. "It's just the idea of a natural gas port in this beautiful, pristine place," said Johanna Mathieson of Long Beach. LNG carriers would connect to an offshore buoy and pipeline system to deliver their cargos.

Federal officials are reviewing plans for the Port Ambrose terminal sought by Liberty Natural Gas. The governors of New York and New Jersey both hold veto power. Company officials have said the terminal would curb seasonal spikes in fuel prices in the region. "Port Ambrose is needed, is safe and will reduce energy costs for New York consumers," company chief executive Roger Whelan said in a statement.

Opponents counter that renewable energy such as an offshore wind farm proposed in the same area is far less polluting and will not speed global warming. Finn Hinke, 43, of Long Beach cited the need to protect "our coastlines and our environment and all the waters." The protesters' column stretched about 200 yards. Several protestors raised concerns about safety. "How could you ever think of putting a port out there with the storms we have?" asked Judy Weitz, 65, of Long Beach.