Oil and Gas News Briefs
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Russian state bank agrees to guarantee $3 billion in loans for Yamal

(Reuters; May 21) - Russian state development bank VEB on May 21 pledged $3 billion in loan guarantees to Novatek to back its liquefied natural gas project Yamal LNG as the producer's access to global funding is limited by Western sanctions against Russia over the country's actions in Ukraine. Yamal will be Russia's second plant to produce and export LNG when it starts up — expected in late 2017, according to Novatek.

The Arctic gas project is estimated at $27 billion, with $10 billion to $15 billion expected from Chinese banks. France's Total and China National Petroleum Corp. each hold 20 percent in the project, with Novatek at 60 percent. VEB had been in talks with Novatek to provide a $1 billion loan to Yamal LNG. "Now, the amount of risk we are taking under the project is tripling. At least we expect no hard cash would be needed," VEB chairman Vladimir Dmitriyev said after the bank's supervisory board approved loan guarantees.

Russia's Sberbank and Gazprombank are among other domestic banks expected to support Yamal. VEB, Sberbank and Gazprombank are all under Western sanctions, limiting their ability to borrow on Western markets. Novatek is also under the sanctions. Last month, Total CEO Patrick Pouyanne said sanctions have complicated funding for Yamal. In addition to VEB's guarantee, Novatek has secured $3 billion from Russia's National Wealth Fund and has been in talks to sell 9 percent in Yamal to raise funds.

B.C. opposition party leader critical of premier's LNG deal

(Sooke News Mirror; Sooke, BC; May 20) – B.C. Premier Christy Clark and a proposed liquefied natural gas project are moving ahead with a development agreement that the opposition party says may tie the hands of future governments to change tax and royalty payments from the industry. Petronas-led Pacific NorthWest LNG and the B.C. government signed agreements May 20 setting long-term royalty rates and providing tax stability and certainty that the company says it needs to make an investment decision.

The premier's legislative proposal would put limits on increases to B.C.'s carbon tax and its new LNG income tax and would also limit natural gas tax credits available to investors. New Democratic Party leader John Horgan said the agreements appear to give investors what they need but lack any job guarantees and assurances that if natural gas prices improve B.C. taxpayers would receive an adequate share of the profit from the resources they own.

“My biggest concern is that we’re tying the hands of future governments because a desperate government made commitments that they over-promised and now they want to get a deal at any cost,” Horgan said. Pacific NorthWest LNG president Michael Culbert said he is pleased that the province has agreed to legislate a project development agreement. The fiscal contract requires legislative approval.

Petronas says ‘conditional’ final investment decision expected soon

(Reuters; May 22) – Malaysia’s state energy firm Petronas said May 22 it will announce a "conditional" final investment decision on its proposed multibillion-dollar liquefied natural gas export terminal in Prince Rupert, B.C., in the coming weeks. This comes after the company May 20 reached what is being called a project development agreement on fiscal certainty with the province of British Columbia.

“We are looking to achieve a conditional final investment decision in the coming weeks," group CEO Wan Zulkiflee Wan Ariffin said at a press conference where Petronas announced its first-quarter earnings. "We will continue to have constructive engagements with the First Nation, and keep all avenues open as we move forward," he added. The First Nation with territory in the vicinity of the proposed LNG terminal last week rejected a company offer of $1 billion over 40 years to support the development.

Wood Mackenzie analyst sees hope for B.C. LNG in 2021-2022

(CBC News analysis; May 21) - The B.C. provincial government has done its part to encourage Malaysia's Petronas to invest in a liquefied natural gas project on the province's northwest coast. It has promised to lock in royalties and taxes for more than 20 years so the project faces a more certain regulatory environment. That is key, according to Lex Munton, North American LNG analyst with Wood Mackenzie.

"The cost of developing LNG in Western Canada compares expensively to other options around the world. The fiscal part is important," Munton said. "The way in which projects like Pacific NorthWest compare with other projects internationally is going to be key to whether they go forward." However, the commercial environment is not clear. Canada has missed the first wave of LNG, the question is whether it can catch the second wave.

"We're at the start of a large growth period in terms of LNG supply coming into the market,” Munton said. "What this means is that the market will be oversupplied in the medium term. It is going to be difficult for all that LNG to be absorbed straightaway. That will put pressure on prices and raise questions about whether these very expensive B.C. projects will be economic. … It's very difficult for these projects to confidently go forward with their investment, within the current market context."

The long-term view is more positive, Munton said. The longer-term view is that LNG demand will continue to grow and there will be ample room for projects such as Pacific NorthWest to supply into that market. "The timing wouldn't be too bad at all for Pacific Northwest to be coming on stream around 2021, 2022."

[Bottlenecks at Korean shipyard could delay Australia LNG project]

(Sydney Morning Herald; Australia; May 24) - Japan's Inpex Corp. is thought to be struggling to keep its $34 billion Ichthys liquefied natural gas project in northern Australia on schedule because of bottlenecks at a South Korean shipyard that is manufacturing a massive offshore platform. The problems highlight the huge risks that remain for the start-up of multiple Australia LNG projects in the next two or three years.

Energy consultancy Wood Mackenzie is predicting delays not just at Ichthys but at Chevron's large Wheatstone LNG project in Western Australia, and a likely slower-than-expected ramp-up at Chevron's $54 billion Gorgon project amid various challenges at the sites. The combined impact would be a reduction of 11 million metric tons in Australia's 2015-19 LNG output that Wood Mackenzie had forecast just six months ago.

The 120,000-tonne offshore platform for Ichthys, the world's largest semi-submersible platform, is due to set sail for Australia in early 2016 from the Samsung Heavy Industries shipyard in Geoje, South Korea. But the yard is stretched with other major projects, including Shell's giant Prelude floating LNG vessel, also to be anchored off the Australia coast. Another large structure, a ship to be used to produce light oil at the Ichthys field in the Browse Basin, is being built at the Daewoo shipyard, also in Geoje.

The overstretched Samsung shipyard has long been seen as a problem; an Ichthys official last year called it a "hot-point issue." Though Inpex says it will start production by the end of 2016, Wood Mackenzie is assuming Ichthys won't start up until mid-2017.

[Proposed Nova Scotia LNG project doubtful, reporter says]

(CBC News; May 21) - A longtime U.S. energy reporter doubts a planned liquefied natural gas facility in Cape Breton, Nova Scotia, will ever be built. Barbara Shook, bureau chief of the Houston-based Energy Intelligence Group, said the region is competing with massive LNG projects in the U.S. that are ready to go. "I just don't see how the Nova Scotia project can compete with somebody who actually has money, who actually has a contractor, who actually has customers, who actually has supply."

The province has approved construction of the $4 billion plant, and John Godbold, the project director for Bear Head LNG, a wholly owned subsidiary of an Australian company, sees a big potential for exports. Godbold said the provincial approval means the company can now move to engineering design, look for customers and secure a source of gas. The company will make a final investment decision next year, he said.

Proposed Exxon-led LNG project on B.C. coast in planning phase

(The Northern View; Prince Rupert, BC; May 21) - Members of the Prince Rupert and District Chamber of Commerce were given an update on the proposed $25 billion WCC (West Coast Canada) LNG project during their monthly luncheon May 20. Scott Pinhey, vice president of WCC LNG, provided an overview of the early planning phase of the project. Imperial Oil and its parent company, ExxonMobil Canada, are looking to develop the liquefied natural gas export facility near Prince Rupert, B.C.

WCC LNG has started its environmental assessment process and has an export permit from Canada’s National Energy Board. In April, WCC LNG advised the B.C. Environmental Assessment Office that it had selected an onshore concept for the facility based on public feedback, as opposed to a marine facility. "We would start out with a two-train foundation project ... we would look at expansion from there," Pinhey said. The project’s environmental review application could be at least a couple of years away.

WCC LNG has completed gathering baseline data on the archeological, geotechnical and environmental aspects of the site. Pinhey said WCC LNG had recently established ambient air quality monitoring stations at the plant site and across the harbor, and will start regular water quality sampling later this year. Starting in June, WCC LNG will hold working group meetings as part of the project's environmental assessment process, meeting with First Nations stakeholders and undertaking traditional-use studies.

Oil and gas association estimates 185,000 job losses across Canada

(The Canadian Press; May 19) - Shrinking oil and gas industry budgets could lead to as many as 185,000 direct and indirect job losses in Canada this year, said a new study by the Alberta-based safety association for Canada’s oil and gas industry. The report by Enform’s labor market division said the potential losses would represent a 25 percent drop in the number of jobs the sector supports.

The report said the potential job losses are the result of major budget cuts in the industry, which is expected to spend $31 billion less this year compared to last year. The industry is expected to spend $94 billion this year, down from $125 billion last year, the study said. While Alberta would be the hardest hit by any cuts, the pain would extend across Canada, said Carol Howes, director of Enform’s labor market division.

The expected cutbacks are similar in scale to what happened in the 2009 downturn, said Howes, but back then the industry recovered fairly quickly as the global economy rebounded. She said the current downturn is more directly tied to the drop in oil prices. The study said engineering construction firms are the most vulnerable, with roughly 75,000 jobs on the line, while exploration and development drilling could make up the second most losses with a potential 26,000 jobs gone.

Huge oil estimate for Canada’s NWT; recoverable amount unknown

(The Canadian Press; May 21) - The first official estimate of how much oil may lie beneath Canada’s central Northwest Territories says there could be nearly 200 billion barrels in two separate fields. The National Energy Board and the Northwest Territories Geological Survey warn not all of that oil will be recoverable. But if even a few percent of it is economically viable, it confirms suggestions that the Canol and Bluefish shales hold up to 7 billion barrels of recoverable oil and could be comparable to North Dakota.

The board didn't give an estimate of how much of that oil might be recoverable because well test results haven't been released. It's also still uncertain whether those shales are capable of production at all. The potential fields lie in the central Mackenzie Plain, west of Great Bear Lake. Several companies have been active in the area in recent years, with 14 exploration licences being granted and $628 million in work commitments since 2010. Imperial, Shell, Husky and ConocoPhillips have all been involved in the region.

However, recent low oil prices have brought that activity almost to a standstill. Husky and ConocoPhillips recently announced they would step back from their Canol projects. Both the Canol and Bluefish fields would be developed using fracking technology, which some in the territory oppose.

Egypt planning to advertise for more LNG imports

(Reuters; May 22) - Egypt is planning to seek bids in June to buy additional liquefied natural gas worth up to $3 billion 2016 and 2017, the head of state-owned EGAS and traders told Reuters May 22. Egypt has become an important player in the international LNG market in the country's attempt to overcome its worst energy crunch in decades. Egypt has become a net importer of oil and gas on the back of lower domestic production levels and higher demand.

In its first tender for LNG, Egypt bought about $2.2 billion worth of LNG this year from European traders. The purchase was made possible after the country's recent acquisition of a floating LNG import terminal. Earlier this month, Egypt issued a tender for a second floating terminal to allow additional deliveries. Two traders with knowledge on the issue told Reuters that Egypt will issue a tender for 96 additional LNG cargoes to be delivered in 2016-2017.

China allows independent buyers to import LNG

(Reuters; May 22) - China's independent buyers of liquefied natural gas are taking their first cargoes of the fuel as Beijing permits third-party use of idle capacity at import terminals and approves the new players' long-term plans to build their own facilities. Privately run city gas distributor ENN Group and onshore LNG investor Guanghui Energy were among the first to import spot cargoes, renting capacity at PetroChina's underutilized terminals and each bringing in at least one cargo since late 2014.

Other new importers include trader JOVO Group and independent Pacific Oil and Gas as China works to meet its clean-energy targets that call for doubling the share of gas in the country's energy mix. Beijing is freeing up the nation's LNG trade as part of reforms that allow will private companies to invest in oil and gas exploration as well as pipelines and tank farms — and engage in imports/exports. The aim is to help secure supplies while boosting competition and efficiency in a sector long dominated by state firms.

"There will be sizeable room for independents to grow, either by building their own receiving terminals or taking stakes in existing terminals," said Li Qingping, adviser to city gas distributor Shenzhen Gas in southern China. The new non-state buyers have taken about six spot cargoes this year. That compares with a total of 45 LNG cargoes delivered to China the first four months of the year. Independents could account for as much as 30 percent of China's LNG imports by 2030, industry experts said.

Woodside now says FID on Australia floating LNG second half 2016

(Reuters; May 21) - Woodside Petroleum expects the long-delayed Browse floating liquefied natural gas project offshore Australia to be commissioned in late 2021 at the earliest, after pushing out a final investment decision to the second half of 2016, its chief executive said. Browse is one of Woodside's key growth prospects — alongside the long-proposed Kitimat LNG project in Canada and the under-construction Wheatstone LNG project in Australia. Woodside bought the two assets from Apache this year.

Woodside and its partners last December postponed a decision on the Browse project to mid-2016. The company said May 21 that decision is now expected in the second half of next year. Some costs on Browse, previously estimated at $45 billion when it was designed as a land-based project, have been cut by between 15 and 30 percent by staying offshore, the company said.

BG says second train at Queensland LNG will start up third quarter

(Reuters; May 21) - BG Group has taken full operational control of the first production train at its Queensland Curtis LNG plant in Australia from builder Bechtel, marking the official start of commercial operations. The Queensland plant is one of Australia's biggest capital infrastructure projects, totaling $20.4 billion of investment from 2011 to 2014. It is a jewel in BG's LNG business that Shell said was one of the factors justifying its $70 billion takeover bid for BG.

BG has already shipped 16 cargoes from the facility since its opening in December 2014. The plant’s second production train is expected to start operating in the third quarter of this year, the company said.