Oil and Gas News Briefs
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Japanese LNG-buying venture wants to pay lowest costs in East Asia

(Reuters; May 28) - A venture set up last month by Tokyo Electric Power and Chubu Electric to handle their fuel business aims to become the cheapest liquefied natural gas buyer in East Asia, its president said. Jera — the new venture's name — is set to become the world's single biggest buyer of LNG, exceeding Korea Gas, with annual purchases of nearly 40 million metric tons once it fully integrates fuel procurement next year. It plans to use its bulk to drive prices lower, President Yuji Kakimi told Reuters.

"Jera has a role to play in tackling how to reduce Asian prices," he said. "The target is the cheapest price in East Asia that is not out of line with prices in Europe and the United States." Asian buyers of natural gas have traditionally paid higher prices, a so-called Asian premium to gas prices in the United States and Europe because of the high cost of LNG delivered on tankers and relatively less extensive pipeline networks.

LNG prices are typically linked to oil and have come down in recent months with the slump in crude prices. Jera's purchasing power could be a factor in decisions on LNG projects that require huge investment and long-term contracts to ensure their viability. For example, Kakimi said, Jera could buy up to 4 million tons a year from a single new project. Jera also will try to limit oil-linked supplies to around 50 percent of purchases or less, while increasing the share linked to U.S. or European gas price benchmarks.

Japanese utilities' joint venture may sell U.S. LNG in Europe

(Platts; May 28) - Jera, the joint venture between Tokyo Electric Power and Chubu Electric, would consider selling its cargoes from the Freeport, Texas, LNG project to Europe or other markets if it is not economically viable to bring the gas to Japan, the company's president said this week. "At current prices, U.S. LNG could be more expensive [for the Japanese market]. In such a case, we could consider options where we buy spot cargoes in Asia [for the domestic market] and sell U.S. LNG to other markets," such as Europe or South America, said Jera President Yuji Kakimi.

"We could take advantage of differences in prices between markets and move LNG accordingly," Kakimi said. Currently, spot-market deliveries for July in Asia are trading at $7.75 per million Btu, while U.S. Gulf Coast LNG — if any of the projects under construction were shipping this summer — could be landed in Japan at around $9, based on this week's U.S. Henry Hub futures price for gas and adding the contract charges for liquefaction services at the export plants under development.

Both TEPCO and Chubu have contracts to take cargoes from Gulf Coast LNG plants under construction — Chubu, from the Freeport plant; and TEPCO, from the project at Hackberry, La. Kakimi said Jera should have geographically balanced supply sources and also balanced price indexations, but declined to say exactly how much volume Jera would aim to have under contracts with oil-linked or gas-linked pricing in its portfolio.

China’s LNG imports up 12% in April; average price $8.15

(Platts; May 26) – China’s imports of liquefied natural gas gained 12 percent year on year to reach 1.5 million metric tons in April (75 billion cubic feet of gas), General Administration of Customs data released May 27 showed. This was the largest recorded increase since November 2014, according to Platts historical data. The higher LNG import volumes were accompanied by significant increases in pipeline gas imports. China imported 103 bcf of pipeline gas in April, a jump of 18 percent from a year earlier.

Delivered LNG prices averaged $8.15 per million Btu over the month, according to Platts calculations, 25 percent lower than levels seen a year previous, as recent falls in the crude oil markets are now being passed on to LNG consumers. Some of the LNG imports from Malaysia were delivered at $7.20 per million Btu. Cargoes from Indonesia, under a different pricing structure, averaged $9.30 for the month. Qatar remained the most expensive import source, with prices above $13.

Indian LNG buyer sells some of its U.S. supply to Shell

(Reuters; May 27) - GAIL (India) has sold some of its future liquefied natural gas cargoes from U.S. export facilities to Shell, ahead of the start of deliveries from the plants in early 2018, its CEO B.C. Tripathi said May 27. GAIL has a deal to buy 3.5 million metric tons of LNG per year for 20 years from Cheniere Energy’s plant under construction in Sabine Pass, La., and has also booked capacity for 2.3 million tons per year from Dominion Energy's liquefaction plant under construction on Chesapeake Bay.

Tripathi refused to elaborate on the volumes, pricing and duration of the deal with Shell, but a trade source said state-owned gas distributor GAIL has sold at least 500,000 tons of LNG per year to Shell. GAIL will also issue an LNG swap tender in two months to cut transport costs for supplies to India, the source said. Under such swaps, for example, GAIL could trade its Atlantic Basin LNG for supplies in the Pacific Basin, saving tanker time and money.

Opposition parties continue criticism of B.C. deal for LNG project

(Burnaby NewsLeader column; Burnaby, BC; May 25) - Opposition politicians are outraged over the B.C. government's effort to secure the province's first major liquefied natural gas export project, announced last week. New Democratic Party leader John Horgan warned that "too much lolly" is being offered in the tax, royalty and regulatory project development agreement, with no word of job guarantees for B.C. or a deal with First Nations at the proposed terminal site near Prince Rupert.

Andrew Weaver, a Green Party member of the legislative assembly, called the deal "shocking and irresponsible," repeating his prediction that the global market is swimming in gas and will never support huge greenfield projects on the B.C. coast. Premier Christy Clark, Natural Gas Development Minister Rich Coleman and Finance Minister Mike de Jong last week signed agreements with the Pacific NorthWest LNG project for a long-term gas royalty structure that could run for 30 years.

Pacific NorthWest is a partnership between Malaysian state giant Petronas, Chinese state firm Sinopec, Indian Oil Corp. and Japan Petroleum. The tax and royalty deal must be presented to the provincial legislature for consideration. Meanwhile, the province is waiting to see if the project developers decide to commit to the investment.

LNG exports would be a huge shift in Canada's gas market outlook

(Financial Post column; Canada; May 26) - Building the TransCanada Mainline in the late 1950s ranks as one of the most monumental pieces of industrial infrastructure in Canada's history. Since the contentious decision was made to lay the pipe, trillions of cubic feet of Western Canadian natural gas have flowed east and south to heat homes, cook food, generate electricity and make downstream products like polyester suits.

The economic benefits of Canada's connection to the continental gas supply grid have been far and wide, creating employment for Canadians upstream to downstream, and revenue for governments — provincial and federal — in the form of land sales, royalties and taxes. Exporting gas to the United States has been especially lucrative: Since 1958, Canada has shipped more than 100 trillion cubic feet of gas to the American market.

In this context, the imminent approval of Canada's first liquefied natural gas export facility off the coast of British Columbia is as significant as the decision to lay more than 2,150 miles of pipe across the country 60 years ago. The opening up of LNG export facilities off the West Coast represents a 180-degree flip of Canada's west-to-east supply compass to growth markets in the other direction, to Asia and beyond.

It's timely, because since 2006 Western Canada's share of the continental gas market has been clobbered by U.S. shale gas, resulting in 25 percent lower production volumes and 50 percent lower prices. Just 10 years ago, gas was a $50 billion a year business in

Canada. Today, it's only $15 billion. Liberating Canada's gas business out of the continental cage should boost revenues, propelled by both output and value.

Uncertainty continues for LNG industry in B.C.

(Calgary Herald column; May 27) - The on-again, off-again LNG boom in British Columbia is continuing on its uncertain path. As setbacks to the much-hyped windfall continue to arise and make the letters L-N-G seemingly stand for Likely No Go, the industry has gotten a boost from one of its key B.C. project proponents. "We are looking to achieve a conditional final investment decision in the coming weeks," Wan Zulkiflee Wan Ariffin, chief executive of Malaysia's state energy company Petronas, said May 22.

Then, the other side. "Due to the retreat in investment decisions caused by the drop in oil prices in early 2015, it appears that the 2020 market window is already lost for Canadian LNG projects," cautioned a report this month by U.K.-based Oxford Institute for Energy Studies. The study followed a gloomy outlook from Moody's Investors Service in April that said the "vast majority" of projects proposed in the U.S. and Canada face long delays or cancellation as the economics of serving Asia markets deteriorate.

More than $9 billion has been spent by industry to support LNG in the province. Still, it's a markedly less certain outlook from a year ago when it appeared project commitments were imminent. The oil-price crash prompted the global partners behind the projects to delay investment decisions in an unsettled energy world. Both Ottawa and Victoria have offered tax relief in recent months to encourage companies to proceed. The window hasn't closed just yet, but it's still uncertain if B.C. will be on the outside looking in.

Research group reports on downsides to LNG development in B.C.

(EnergeticCity; Fort St. John, BC; May 27) - The Canadian Centre for Policy Alternatives has released a report, stating that the picture for liquefied natural gas exports is not as rosy as the B.C. government has painted it. The CCPA said Canada's long-term energy security may be compromised by plans to export LNG. Building too many LNG export plants could stress Canada's gas production capabilities, perhaps even requiring Canada to import gas to meet its domestic needs, the report said.

Hydraulic fracturing for gas production is also a major public concern, not only in the amount of water required but also the potential for contamination of surface water through well-casing failures and improper disposal of fracking wastewater, the report said. The CCPA believes the B.C. government also has underestimated the amount and intensity of land disturbance. In addition to the roads, pipelines and facilities needed to develop the gas resource, there are potential seismic impacts.

Finally, the report said there are considerable financial risks for companies entering B.C.'s fledgling LNG industry. The potential for rising domestic gas prices and falling international prices could prove disastrous when companies try to pay off their multibillion-dollar investments. "These resources are precious, non-renewable and come with collateral environmental impacts. They demand more balanced stewardship in view of the needs of future generations of Canadians," the report concluded.

Hundreds rally in Oregon capital city against proposed LNG projects

(Statesman Journal; Salem, OR; May 26) - Hundreds of people held a "No LNG" rally at the Oregon Capitol May 26, calling on the governor to block two liquefied natural gas export terminals proposed for the coast. "This is an assault not just on the environment, but an assault on democracy," Robert F. Kennedy Jr. told the crowd. "It just is a bad deal all around." Kennedy is president of the Waterkeeper Alliance, a national coalition of groups advocating for clean water. Several environmental groups sponsored the rally.

Canadian company Veresen wants to build an export terminal in Coos Bay, about 100 miles north of the California border. Veresen's Jordan Cove Energy Project would get its gas through a new 232-mile pipeline connected to Canadian and U.S. Rockies supplies. Meanwhile, U.S. company Oregon LNG is trying to build a LNG plant in Warrenton, near where the Columbia River enters the Pacific. A shorter pipeline would connect the plant to North American supplies. The projects are undergoing federal environmental reviews.

Opponents say that 157 miles of the Coos Bay pipeline would cross private property, affecting about 700 landowners whose property could be taken by eminent domain. It also would cross 400 bodies of water, many containing threatened or endangered species. Kennedy said LNG exports would raise natural gas prices in the U.S. and encourage more jobs to move overseas. The hydraulic fracturing used to produce shale gas in the United States also raises environmental concerns, he said.

Norway tops Russia as biggest gas supplier to Western Europe

(Reuters; May 22) - Norway has overtaken Russia as Western Europe's top natural gas supplier, data from state firms shows, indicating the European Union's drive to reduce its dependence on Russian energy is bearing fruit. The sharp drop in oil prices has been another factor, as Norway offers more flexible natural gas pricing and as big buyers have held off buying from Russia in the hope that the fall in crude prices would eventually filter through to Russian gas.

Norway exported 1 trillion feet of gas to Western Europe in the first quarter of this year, figures from Norwegian state operator Gassco show, while Russia sold about 720 billion cubic feet, according to data from Gazprom's regulatory filing and Gazprom officials.

The trend began in the final quarter of 2014 when Western Europe bought 1 tcf of gas from Norway and less than 700 bcf from Russia, according to Gassco and Gazprom. Exports to EU members in Eastern Europe are not included in the data.

It was the first time Norwegian exports have convincingly overtaken Russia's since a brief period in 2012. The European Union has been striving to reduce its dependence on Russian gas and buy more from Norway and other producers, mindful of Russia's dispute with Ukraine. The European Commission said that for 2014 as a whole, Russia was still the main EU supplier, but its total share of imports dipped to 42 percent from 43 percent. Norway's share of EU imports increased from 34 percent to 38 percent in 2014.

Myanmar considers LNG imports to help meet energy demand

(Myanmar Times; May 26) – Myanmar’s energy demand is rising fast. The country is rich in energy resources, but the investment of capital and technology will not be able to unlock the resources in time to fulfill the growing need for power. In the meantime, the Ministry of Energy is considering its options to import liquefied natural gas to supply the domestic market. State-owned and privately run gas-fired power plants are operating on limited supplies, getting just a third of the 500 million cubic feet of gas needed per day.

Imported LNG is one option, said Daw Wah Wah Thaung, an executive engineer at state-owned Myanma Oil and Gas Enterprise. Imports could provide a possible short-term solution to Myanmar’s energy shortage. Development of other near-term solutions such as hydro and coal-fired power plants are limited by the negative impact they could have on communities, with gas seen as causing less damage then coal and taking up a smaller footprint than hydro. Renewable energy is still in the very early stages.

Companies from China, Korea, Japan, Norway, Singapore and Thailand have already proposed investments in LNG development projects in Myanmar, and feasibility studies have been completed, according to an official from Myanma Oil and Gas. Meanwhile, the Myanmar-China gas pipeline, which began full operations in late 2013, is currently running about one-third full. Beijing is holding discussions with Myanmar authorities about using the pipeline’s full capacity, which would help to reduce shipping costs.

Domestic reserve policy unproductive, says Australia LNG industry

(The Courier-Mail; Brisbane, Australia; May 27) - Queensland’s gas giants have poured cold water on moves to establish a domestic natural gas reserve despite concerns that a surge in liquefied natural gas exports will drive up local prices. Santos, Queensland Curtis and Australia Pacific LNG — the three companies developing Curtis Island LNG terminals — said May 26 there was no evidence that a domestic gas reservation scheme would result in better deals for local manufacturers and other customers.

The Australian Workers Union this week pushed for a domestic reserve from gas production, arguing that local prices are projected to triple as a result of LNG exports. The industry sees a better answer. “I have never seen a reservation scheme achieve anything of significance,” Santos’ Queensland vice president Trevor Brown said at an economic forum May 27. “The best way to improve prices for customers is to encourage more exploration, resulting in a stable and affordable supply of gas.”

The Western Australian Government is the only state to have a gas reservation policy, aiming to secure domestic commitments up to the equivalent of 15 percent of each gas export project. Australia Pacific LNG chief executive Page Maxson said increasing the transparency of the market rather than establishing a reserve was the best way to make gas prices competitive. “Gas reserves have not been very effective,” Maxson said. “The U.S. got to become the largest LNG market by improving transparency.”

Most expensive coal plant in the U.S. loses utility partner

(Wall Street Journal; May 23) - The most expensive fossil-fuel power plant in the U.S. is facing new pressures after a utility dropped its commitment to the clean-coal project. South Mississippi Electric Power Association, which furnishes power to smaller utilities, dropped its plan to buy a $600 million, 15 percent stake in the project led by Atlanta-based Southern, citing construction delays. Southern, in turn, notified regulators it may have to raise electricity rates for Mississippi customers 41 percent to pay for the project.

South Mississippi Electric Power’s move deals a major blow to the project in Kemper County, Miss., which has been delayed two years and now has an in-service date of 2016. The plant was expected to provide a bright future for the coal industry, under attack for its pollution profile, but instead it has exposed the risks of pursuing novel clean-coal technology. It also raises a politically challenging question for Mississippi regulators: Who will cover the shortfall, Southern’s shareholders or its customers?

The cost of the power plant has ballooned several times to $6.2 billion, as the price tag swept past the $2.88 billion cap set by state utility regulators to protect customers. The project is expensive because costs include a new coal mine, a chemical plant to gasify coal, a power plant, a pipeline and electric transmission lines. The plant is designed to take coal mined locally and convert it into a flammable gas that can be burned to make electricity. Most carbon dioxide will be captured — so the plant is billed as clean coal.

Natural gas-fueled cars hold Russia-to-Paris road rally

(LNG World News; May 26) - The ninth rally of natural gas-fueled cars, “Blue Corridor 2015,” organized by Russian gas producer Gazprom and German utility E.On, hit the road May 24 from St. Petersburg. By early June, rally participants will arrive in Paris where the crews will participate in discussion panels at the World Gas Congress on natural gas as a motor fuel. The cars will be showcased at the exhibition pavilion.

The round-trip route is 4,200 miles. Crews will drive along the roads of Russia, Belarus, Poland, Germany, the Netherlands, Belgium, Luxemburg, France, Latvia and Lithuania. Gazprom started the natural gas road rally in 2008, with European gas marketers joining the event in 2010. According to event organizers, there are 18 million natural gas-fueled vehicles in the world and 1.5 million in Europe. There are about 150,000 gas-fueled vehicles in the United States, according to the U.S. Department of Energy.

Report says oil line would put Manitoba's drinking water at risk

(The Canadian Press; May 24) - A new report said a pipeline that would carry 1 million barrels of oil daily from Alberta to Canada's East Coast would threaten the drinking water of more than 60 percent of Manitoba residents. The May 25 report by the Manitoba Energy Justice Coalition said a rupture on the proposed Energy East pipeline would seep into any number of waterways that feed into Winnipeg's water supply.

The pipeline moving oil to East Coast refineries and ports would partly run underneath an aqueduct carrying Winnipeg's drinking water from Shoal Lake near the Ontario boundary. Dennis LeNeveu, a retired biophysicist and author of the report, said a 40-year-old repurposed gas line would be used to carry the oil across Manitoba. Such pipelines can get corroded and have ruptured in the past, he said. The entire length of Winnipeg's 100-year-old aqueduct would be in danger of contamination, LeNeveu said.

"Small, continuous, undetected leaks will occur and seep unseen into the ground, causing ground and surface water contamination," he said. "One spill, one leak — it doesn't have to be a big leak — almost anywhere along that line can be carried over our aqueduct." Calgary-based TransCanada, the company behind the $12 billion pipeline, said it would be safe. Spokesman Tim Duboyce said the company thoroughly inspects the existing line with technology that can detect erosion as small as a pencil tip.