Oil and Gas News Briefs
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LNG market analyst says lower prices will stimulate demand

(Power Technology; Nov. 27) – Japan's resumption of nuclear power is one of many demand-side issues holding back global liquefied natural gas prices and export project development. "The writing is sort of on the wall for the remainder of this decade in terms of supply and demand. … If a terminal hasn't yet began that process now, it doesn't have much chance of being online by 2020," said Christopher Goncalves, managing director of Berkeley Research Group's energy practice, a U.S-based consultancy.

"What is really interesting and challenging to project for most people in the industry right now is the outlook for the early part of the next decade … in terms of which projects and which supply sources are most likely to succeed when prices and demand begin to rebound as they are expected to," Goncalves said. "Most people don't expect prices to remain as extremely low as they are right now and to bounce back at some point, probably toward the end of the decade, or at the beginning of the next decade."

He added, "The benefit of low prices right now is that the low prices will eventually stimulate more demand. There are many buyers in the market who are attracted to LNG at current prices, whereas years ago when the prices were double or triple current levels they didn't find it so compelling. So, in my mind, the key question is once demand and prices begin to rebound toward the end of the decade and into the next decade, which are the next wave of projects that are most likely to be successful in the market?"

Gazprom buys entire output of small Cameroon LNG project

(Reuters; Nov. 26) - Gazprom has agreed to buy all of the liquefied natural gas from an export plant in Cameroon due to start up in 2017, sources said. Gazprom is aiming to boost its LNG supply portfolio as the fuel takes an increasing role in global trade. Gazprom Marketing & Trading will take 1.2 million metric tons of LNG per year from the Perenco project in Cameroon that is being developed by Norwegian shipping company Golar LNG. Golar is converting one of its LNG tankers into a floating production vessel.

Gazprom, which declined to comment, is expected to sell the LNG into Atlantic markets, including Latin America, but also to China, the sources said. The long-term LNG sales price to Gazprom is pegged at 11.25 percent of Brent crude oil (about $5 per million Btu at this week's Brent price of $45 per barrel), with Gazprom to cover shipping. Under the deal, Gazprom could deliver the fuel anywhere in the world, sources said. Cameroon is on the west coast of Africa. The offshore project is its first LNG export facility.

"Despite a low price … we see the project as still delivering solid returns to Perenco, primarily due to the low cost of gas," said Erik Stavseth, analyst at Oslo-based Arctic Securities. Weak demand and rising supply have battered LNG prices since they peaked in February 2014, pushing sellers to strike favorable deals to retain and gain new customers. Despite being the world's biggest gas producer, Gazprom currently operates just one LNG production plant, at Sakhalin Island in Russia's Far East.

Philippines looks to gas, but low-cost coal could get in the way

(Reuters; Nov. 25) - The Philippines is set to import liquefied natural gas for the first time next year as it bids to replace fast-fading local gas supplies, but cheap coal is hindering Manila's vow to boost the use of cleaner fuels. With 100 million people and one of the world's fastest growing economies, the country aims to double its power generation capacity by 2030, hoping to put an end to daily blackouts.

But despite government support for gas, a rash of approvals for coal-fired plants is set to push coal's share of power generation up sharply to over 50 percent by 2030, while gas may fade slightly to 15 percent. The dilemma echoes throughout Asia, where more than 500 coal-fired plants are in planning, spurred by coal's low cost and availability. Adding impetus to the government's plan is the expected depletion by 2024 of the Malampaya gas field, which accounts for all of the Philippines' domestic gas supplies.

Despite efforts to find more gas reserves, importing LNG is the immediate option. Australia-listed Energy World expects to switch on the Philippines' first power plant fired by imported LNG next year. The plant is part of an $800 million LNG hub the company is building on the main Luzon Island. It plans to ship gas from Indonesia or buy from the spot market. In addition, Manila Electric is in talks with Osaka Gas to build $2 billion in gas facilities and power firm First Gen Corp may start building a $1 billion LNG terminal next year to sustain its gas-fired power plants.

IEA sees strong energy demand growth in India

(The Hindu; India; Nov. 28) - India should tie up long-term liquefied natural gas supply contracts now as global prices are low, although there could be additional downward pressure on prices in the future as new suppliers enter the market, said Fatih Birol, executive director of the Paris-based International Energy Agency. Continuing the low-price theme, Birol said the IEA expects "$50 oil for 10 years, before it converges at $80."

Birol made his comments at the release of the India Energy Outlook report, a special country-specific part of the IEA's World Energy Outlook. The report predicts that India will contribute more than any other country to the rise in global energy demand by 2040. “India’s total energy demand more than doubles in our main scenario, propelled higher by an economy that is more than five times larger in 2040 and a demographic expansion that makes India the world’s most populous country.”

The report continued, “With energy use declining in many developed countries and China entering a much less energy-intensive phase in its development, India emerges as a major driving force in global trends.” Natural gas consumption is expected to triple by that time, to 6.2 trillion cubic feet per year. However, at 8 percent, it is still expected to contribute a very small proportion of the energy mix in the country, the IEA said.

BG starts commercial operations at second LNG train in Australia

(Bloomberg; Nov. 25) - BG Group has started commercial operations from the second train at its Queensland Curtis liquefied natural gas plant in Australia, adding to a deluge of gas expected to hit global markets next year amid falling prices that have hurt the industry. When fully operational in the middle of next year, Queensland Curtis LNG will load about 10 vessels a month, about 8 million metric tons of LNG a year, BG said Nov. 25. The plant has shipped 71 cargoes since its first train started production a year ago.

New supplies of the fuel may shake up global markets in 2016, allowing European and Asian gas buyers to recast existing links with traditional suppliers, including Russia. LNG facilities in Australia and the United States are expected to add 50 million tons of production capacity next year, equivalent to a fifth of current global demand, according to analysts at Sanford C. Bernstein.

The first production train at Queensland Curtis is a joint venture of BG and Chinese state-owned oil company CNOOC, while BG owns all but the 2.5 percent of the second train held by Tokyo Gas. The Queensland plant was built by global engineering and construction giant Bechtel. Work at the 660-acre site started in 2010 and included a 335-mile pipeline to deliver coal-seam gas from inland fields.

Companies brief B.C. leaders on expansion underway at LNG plant

(Delta Optimist; BC; Nov. 27) - Liquefied natural gas has been part of the scene in Delta, B.C., for many years, and it's going to be an even bigger part of its future. FortisBC president and CEO Michael Mulcahy and WesPac Midstream vice president of engineering Art Diefenbach talked at the Nov. 25 Delta Chamber of Commerce luncheon about the major expansion underway at the 45-year-old FortisBC facility as well as the proposal by WesPac to build an adjacent marine jetty for LNG shipping.

Mulcahy reviewed the benefits of the $400 million LNG production and storage facility expansion in Delta on the lower Fraser River, just south of Vancouver. The expansion will boost the plant's capacity from 5 million cubic feet of gas per day to 28 million. Diefenbach talked about his company's marine jetty proposal, saying it would receive its supply from the FortisBC plant and would start with three ships per month. It would eventually see a maximum of one ship every three days, not including smaller barges.

Diefenbach noted that WestPac's industrial site is the former home of a woodchip operation, and that once restoration is complete they will "leave the area a lot better than it is today." Already having an export license from Canada's National Energy Board, WesPac is hoping to begin construction next fall. Construction work at the FortisBC expansion is scheduled for completion late 2016. Fortis is active in supplying LNG as a transportation fuel and for power generation in remote communities.

Utica Shale could be the nation's next big gas play

(Wall Street Journal; Nov. 27) – EQT this summer drilled what by some measures is the biggest gas gusher ever. The Pittsburgh company's reward: a tumbling stock price. The well in southwestern Pennsylvania spewed enough gas in its first 24 hours — 73 million cubic feet — to power every home in Pittsburgh for nearly three days. Named Scotts Run 591340 after a coal field that sparked a regional energy boom after World War I, the well has continued to produce at unusually high rates with no signs of fading soon.

But in a glutted industry in which natural gas prices are plunging as record amounts of unused gas build up in storage, it is a problem. Since EQT finished drilling the gusher in July, its shares have lost 29 percent and natural gas prices have dropped 24 percent. Scotts Run 591340 taps part of a formation called the Utica Shale that has only been lightly explored because it sits almost 3 miles down. Situated beneath Pennsylvania, West Virginia and Ohio, the Utica is close to gas-consuming regions of the Northeast.

"Because the Utica is a big unknown, fear has overtaken the market," said Matt Portillo, managing director at energy-focused investment bank Tudor, Pickering, Holt & Co. EQT said last month that it would suspend drilling projects in other parts of Pennsylvania to concentrate on the Utica, which it thinks has the potential to be so prolific that it could lower gas prices and make competing projects uneconomical. Meanwhile, stockpiles of gas in the Lower 48 states exceeded 4 trillion cubic feet for the first time ever last week.

Natural gas drilling down 32 percent from a year ago in B.C.

(Vancouver Sun; Nov. 25) - Natural gas drilling activity has dropped off sharply in British Columbia's northeast this year and 2016 doesn't promise to be any better, according to a new report by the Canadian Association of Oilwell Drilling Contractors. The situation will continue as long as North America's energy markets remain depressed and producers wait out decisions on whether or not liquefied natural gas export proposals will proceed on the B.C. coast.

As of mid-November, drillers had punched 462 wells in the ground in B.C., which isn't the worst result in the past five years but is down 32 percent from the end of November a year ago, according to the B.C. Oil & Gas Commission. The drillers association doesn't see conditions changing much for 2016, said John Bayko, the association's vice president of communications. "By all indications, B.C. is trending downward just like the rest of Western Canada," Boyko said.

Natural gas prices have wavered up and down at depressed levels that have made profitability a difficult proposition for many companies. Those low prices have put a noticeable dent in production levels and also revenue to the provincial treasury, B.C.'s latest quarterly financial report shows. The province's revised full-year forecast is for natural gas revenues to come in at $185 million, less than half the $493 million taken in from gas royalties in fiscal 2015.

Saudi Arabia to feel pressure at OPEC meeting this week

(Wall Street Journal; Nov. 29) - Pressure is building on Saudi Arabia to rein in its oil output after a year of pumping full tilt, setting up the most contentious OPEC meeting in years. A year ago, the Organization of the Petroleum Exporting Countries surprised markets with a Saudi-led strategy of keeping output high to win market share and squeeze presumably weaker rivals in the U.S. and elsewhere out of the market.

But with those rivals proving resilient and prices falling to new lows, members including Iran have decided the effort was a failure and are preparing to press Saudi Arabia to pull back on production at the group's meeting this week. Discontent is even building inside Saudi Arabia over the strategy. Still, the oil-rich kingdom isn't likely to relent. The result is likely to be a continued standoff that keeps the market glutted and prices weak.

Tensions within OPEC have mounted as Saudi Arabia contributes to a global glut of oil with record production levels. Crude prices have averaged $56 a barrel in 2015, down from $97 in 2014, gutting the finances of OPEC members such as Venezuela, Algeria and Angola. This week, Iran is expected to demand that Saudi Arabia cut back from production levels of more than 10 million barrels a day. Saudi Arabia has signaled it won't alter course.

Energy industry layoffs continue to climb in Alberta

(Calgary Herald; Nov. 24) - Group layoffs in Alberta during 2015 have surpassed 18,000 workers, according to new provincial government data. Pam Sharpe, of Alberta's Jobs, Skills, Training and Labour Ministry, said eight layoff notices affecting 2,206 employees have been received in November, adding to many others earlier in the year. Employers are required to notify the government of layoffs of 50 or more people at one location.

The province has received 114 group layoff notices affecting 18,006 workers this year. By comparison, 62 notices affecting 11,694 employees were submitted for all of 2013 and 2014. "Of the 18,006 employees impacted this year, approximately 78 percent are related to layoffs by the oil and gas sector and other manufacturing and services companies related to the sector," the labor ministry reported.

Last week, TransCanada, Enbridge and city-owned Enmax were the latest companies to confirm layoffs as the province-wide economic slowdown blamed on low commodity prices hits pipeline and utility sectors.

LNG-capable B.C. ferry christened in Polish shipyard

(Times Colonist; Victoria, BC; Nov. 26) – British Columbia's new Salish Orca ferry has been officially christened in Gdansk, Poland, where it is under construction. One of three intermediate-class ferries being built by Remontowa Shipbuilding, the dual-fuel ferry is scheduled to go into service late in 2016 on the Comox-Powell River route. The Orca will be the first of the three on the job, followed by the Salish Eagle and Salish Raven, which will serve the Southern Gulf Islands after arriving in 2017.

Remontowa won the $165 million contract to build the 351-foot-long vessels. Each will have room for 145 vehicles and 600 passengers. The Salish ships are being built to operate on either liquefied natural gas or on low-sulphur diesel fuel. LNG is expected to be the main fuel source, resulting in reduced emissions and lower costs for B.C. Ferries.