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LNG prices in Europe likely to drop even lower, financial adviser says

(Bloomberg; Nov. 2) - European natural gas prices, already at their lowest since 2009, will drop further over the next five years as fuel delivered by tanker from the U.S. will add to record Russian and Norwegian supplies, Societe Generale said. Front-month gas on the National Balancing Point hub in the U.K., Europe's biggest market, will decline more than previously expected every year through 2020, the bank said in an e-mailed report Nov. 2, cutting its forecast for 2016 prices by 9.1 percent.

Europe will remain a dumping ground for excess liquefied natural gas, while demand will be subdued, the bank said. "With Brent still below $50 a barrel, record pipe gas supply coming from Norway and Russia and more to come thanks to LNG, high storage levels, above-seasonal temperatures and little demand growth, we have revised down our forecast," Thierry Bros, European gas and LNG analyst at Societe Generale in Paris, said in the note.

LNG tankers are heading to Europe because the continent's trading hubs can absorb supply not needed in Asia, the biggest market for the fuel. Europe's LNG imports will likely increase in the next five years after a 23 percent jump this year through October. The gas contract for next-month delivery will likely trade at $6.70 per million Btu this year, Societe Generale said, adding the 2016 price could be 10 percent lower.

Wood Mackenzie warns low coal prices could drag down LNG

(The Age; Australia; Nov. 3) - Liquefied natural gas producers may be in for years of prices much lower than even current depressed levels, potentially causing temporary plant closures, according to global energy consultancy Wood Mackenzie. The latest analysis from the respected firm puts a possible floor for Asian and European LNG spot prices later this decade at $5 per million Btu, but warns that lower coal prices could drag that price floor down to just $4.

That could lead to U.S. exporters — potentially also Australia — closing production because they cannot cover their cash costs, Wood Mackenzie global head of LNG and gas Noel Tomnay said. Spot prices have already dropped two-thirds since early 2014 as new supply comes to the market from project start-ups and demand growth disappoints in key markets such as China. LNG in Asia has slid to $6.70 for short-term deliveries in November, down from $20 in early 2014, according to pricing service Platts.

"If China demand does not pick up again until 2016, then that $5 becomes a real risk," Tomnay said. Wood Mackenzie says European coal prices will be a key determinant for spot LNG prices. Assuming benchmark European coal at $70 a tonne and Japanese coal prices of $80, the floor price for gas in Europe and north Asia should hold above $5. But if European coal prices are weaker than that, at $50 a tonne, and Japan coal prices are $60 (lower than current prices), the floor for LNG falls to about $4.

Philippines may move from coal to gas for power generation

(Reuters; Oct. 27) - The Philippine government is working on a new energy plan it hopes the next administration will adopt to curb the expanding share of coal in its fuel mix for power generation, an official said. The plan could see the Philippines generating one-third of its electricity each from natural gas (including imported liquefied natural gas), coal and renewables between 2016 and 2040, Loreta Ayson, undersecretary at the Department of Energy, said Oct. 27.

Ayson said the energy department was finalizing a policy that pushes for an increased share of cleaner fuels, hoping the successor of President Benigno Aquino, who will step down next June, will support it. "Right now we're heavily dependent on coal for power generation. If we continue (at current rates of coal expansion), we will be 70 percent dependent on coal by 2040-2050," she told Reuters on the sidelines of the Singapore International Energy Week.

The Philippines currently generates 42.5 percent of its electricity from coal, with that share likely to increase in the short-term as projects that will boost coal-fired power capacity by more than 25 percent in just three years are already in place. Investments in power generation from clean fuels such as gas and renewables have lagged behind coal as the latter is cheaper and quicker to build to meet growing electricity demand in the Philippines. About a quarter of the country’s power comes from gas.

Cheap, domestic coal proves tough competitor for LNG in Asia

(Reuters; Nov. 3) - The shine is coming off the once bright prospects for natural gas as the future fossil fuel of choice in Asia as power companies in India and Southeast Asia tap abundant and cheap domestic coal resources to generate electricity. Asia’s loyalty to coal is shrinking the space available for liquefied natural gas just as supplies are ramping up after massive investments in U.S. and Australian LNG output. Demand growth for gas is also slowing in top energy consumer China, further chilling the market.

While much attention has been given to a potential peak in China's coal demand and worries about emissions, in Asia alone this year power companies are building more than 500 coal-fired plants, with at least 1,000 more on planning boards. Coal is not only cheaper than gas, it is often available locally and has no heavy import costs. Growth in coal use is expected to hit LNG producers the hardest.

Some of the biggest growth in coal use is in India, where it meets 45 percent of total energy demand, compared with just over 20 percent each for petroleum products and biomass/waste. "We're absolutely sure India's coal demand will continue to grow," said Laszlo Varro, head of the gas, coal and power markets division for the International Energy Agency.

Russia’s gas line to China will have LNG, pipeline competition

(OilPrice.com; Nov. 1) – President Vladimir Putin has identified Russia’s future with its mineral resources, in particular its oil and gas, saying they will drive Russia’s ability to catch up with developed economies and modernize the Russian military and military industry. He has signed deals to deliver gas to China through a new 2,500-mile pipeline, with an estimated cost of $55 billion for the development. Putin’s gas ambitions, however, face significant headwinds and the prize may be worth less than announced.

By the time Gazprom expects to deliver gas via the “Power of Siberia” pipeline in 2019 or 2020, the International Energy Agency projects that the Central Asia-China pipeline (starting in Turkmenistan) will have more capacity than the Russia-China line, and that the U.S. and Australia will have brought new LNG capacity online four times the capacity of the Power of Siberia pipeline. Which means Turkmenistan pipeline gas and Australian and U.S. LNG could cover China’s entire projected 2020 import needs.

Thus, unless China committed to purchase a specific volume and/or the Power of Siberia agreement contains onerous take-or-pay terms — the two sides have not released the deal’s terms — China could, in theory, purchase less Russian gas than the Power of Siberia agreement envisages. Besides, it is probably safe to say that the Chinese will reject paying a (significant) premium to European gas prices, both because they will not accept unequal treatment and because the Chinese know that once the Power of Siberia pipeline is built, China will be the only outlet for its gas.

Shipping exec warns of LNG challenges with Northern Sea Route

(Ship & Bunker; Nov. 3) - A Mitsui OSK Bulk Shipping (Asia Oceania) Singapore executive believes that the Northern Sea Route through the Russian Arctic and the newly expanded Panama Canal could be used to move 11.25 million metric tons and 27.5 million tons, respectively, of liquefied natural gas a year to Asia by 2025, about 12 percent of forecasted total regional demand, Seatrade Maritime reports.

However, Suryan Wirya-Simunovic, global energy, LNG and maritime shipping executive for Mitsui OSK, warned delegates at the 2015 Gastech conference in Singapore that ships will face numerous operational and technical challenges on the routes, including unpredictable weather, icebergs and no ground-based surveillance on the Northern Sea Route.

As for the Panama Canal, Wirya-Simunovic said LNG ships may need to modify or even redesign moorings, pilot platforms and other components, because the canal "has limited or designated throughput for LNG vessels and any incremental capacity increase would still need to be implemented. We are still unsure what the final version will look like for LNG vessels."

Shell looks to boost LNG presence with BG Group acquisition

(New York Times; Nov. 3) – Shell said Nov. 3 that it plans to step up its efforts in the expanding field of liquefied natural gas as it prepares to complete its $70 billion acquisition of the British oil and gas producer BG Group. A big reason that Shell agreed in April to buy BG was to gain a world-leading position in producing and trading LNG. Although BG is only a midsize oil company, it is a major player in LNG, an increasingly popular alternative to other fossil fuels in many parts of the world.

A study by Oswald Clint of Bernstein Research in London concluded that with BG, “Shell will take the No. 1 spot in global LNG,” with about 18 percent of the global market by 2020. The Persian Gulf emirate of Qatar would remain a bigger player than Shell, but its output is divided between two state-controlled companies, Qatargas and RasGas.

Shell has invested heavily in LNG in recent years — totaling about a third of its overall $200 billion in invested capital, including in a process called gas-to-liquids that converts natural gas into diesel and jet fuel. Shell calculates that countries in Asia and other emerging markets will increasingly turn to gas, which burns cleaner than coal, as a fuel for generating power and other uses. It is also betting that LNG will increasingly find markets in areas that have not traditionally burned gas.

Cost-cutting to continue into 2016, say energy company execs

(Reuters; Oct. 30) - The outlook for oil and gas markets remains bleak for the rest of the year and much of 2016, meaning there will be no let-up in pressure to control costs, executives of two European energy majors said. Oil and liquefied natural gas prices have more than halved from peaks in 2014, eroding revenues and forcing cost-cutting and layoffs. "The industry is under so much pressure that you need to have a clear plan. You need to balance capital expenditure against production," BG Group CEO Helge Lund told Reuters on the sidelines of a conference in Singapore.

"Given the current market environment, we need to improve efficiency of oil and natural gas production," he said. Lund said that in the past decade industry costs had doubled to produce the same amount of oil and gas, which given reduced revenues requires a radical review of how the industry is run. BG itself is part of the change — Shell is in the process of taking over the company. Due to lower revenues and shrinking market value of energy firms, Lund said he "would not rule out" further mergers and acquisitions.

Markets would likely remain low for some time, said Tor Martin Anfinnsen, senior vice president for marketing and trading at Norway's Statoil. "There's a fair chance that the market structure might flip into backwardation in 2016," he said, referring to a price structure in which oil contracts out in the future are cheaper than those for immediate delivery. "This implies that the market prospects are not getting better (and) the oversupply in oil markets will take some time to work down," he said.

LNG plant near Vancouver still needs pipeline approval

(Alaska Highway News; Fort St. John, BC; Oct. 30) - The Woodfibre LNG export facility that would take gas from northeastern B.C. and export it to Asian markets inched forward this week — but the project's fate remains in limbo. While the LNG plant north of Vancouver received tentative approval from the province, the wait continues for a key pipeline that would unlock trillions of cubic feet of gas currently cut off from market.

Key among them is the Eagle Mountain pipeline proposed by FortisBC, which would provide natural gas to Woodfibre via a 32-mile loop of an existing pipeline through Coquitlam to Squamish, where the small LNG plant (2.1 million metric tons per year) would be built at a former pulp mill site. A pipeline compressor station has drawn the ire of Squamish residents, said Mayor Patricia Heintzman. "It's close to neighborhoods and people are concerned that there is a gas-fired compressor station near (them)."

The pipeline is still moving through its environmental assessment, with FortisBC yet to submit its final plans to the B.C. Environmental Assessment Office. That proposal is not expected until next year, at which point a final investment decision come could from Woodfibre. As far as Heintzman is concerned, jobs and taxes are the carrot at the end of the stick for the municipality. "We've seen anywhere" from 80 to 120 jobs, she said. On tax revenue, she has heard anywhere from "between $2 million and $20 million."

LNG project will need gas pipeline to Vancouver Island

(The Financial Post; Canada; Nov. 2) - The obstacles are daunting for liquefied natural gas project proponents in lower British Columbia. The list includes the need to secure off-take agreements with Asian customers, signing rights of way for pipelines through

First Nations territory and locking in financing for their multibillion-dollar facilities in a capital-constrained energy market. But for Nigel Kuzemko, CEO of Steelhead LNG, there's an additional obstacle: the Salish Sea.

The Salish Sea includes the Georgia Strait and separates Vancouver Island from the province's Lower Mainland. It's a whale-watching destination peppered with islands and used by multiple aboriginal groups as a traditional fishing area. Before Steelhead LNG sanctions the construction of either of its two proposed LNG facilities on the south end of Vancouver Island — which many observers say is an unlikely location for such a project — the company will need to build a 46-mile pipeline across and under that sea.

Kuzemko said the First Nations that use the Salish Sea "will be affected by the pipeline … so we have to have conversations with all of them." Steelhead is considered a dark horse in the B.C. LNG race. The company has the backing of a Calgary-based private-equity firm, has chosen a firm for pre-front-end engineering and design, has National Energy Board export approval, and has signed deals with the First Nation that owns the site of the company's first LNG project. The company does not have a cost estimate for the plant that would process 900 million cubic feet of gas a day from northeastern B.C.

Sierra Club threatens lawsuit over wastewater disposal in Oklahoma

(EnergyWire; Nov. 3) - The Sierra Club is threatening to sue four oil companies, alleging their wastewater disposal has caused hundreds of earthquakes in Oklahoma. The call for the drillers to curtail operations is the first major move by a national environmental group in response to Oklahoma's earthquake swarms. "Oklahoma is literally being shaken to its core by the operations of these oil and gas companies," said Paul Bland, executive director of Public Justice, which joined with the Sierra Club for the legal move.

"If the energy companies do not voluntarily take action to stop it, we will take them to court," Bland said. Public Justice and the Sierra Club Nov. 2 released a notice of intent to sue under federal environmental laws. The letter names Chesapeake Energy, Devon Energy, New Dominion and SandRidge Energy. The letter calls on the companies, which all have high-volume drilling wastewater disposal operations in Oklahoma, to reduce the amount of waste fluid they're injecting into deep disposal wells.

It also says they should establish an "independent forecasting body" to study the seismic effects of deep injection. Oklahoma had 585 earthquakes last year of magnitude 3 or greater and has already had more than 740 such quakes this year. Scientists say the unprecedented man-made earthquakes are likely the result of favorably aligned faults and production methods in Oklahoma that create uniquely large volumes of wastewater. The fluid seeps into the faults, changing the pressure.

Pennsylvania in gas pipeline building boom

(The Associated Press; Nov. 1) - While the past decade of oil and gas development has been largely contained to the shale regions of Pennsylvania, the next phase will tunnel through the midstate. Agents have been showing up at doorsteps throughout the region, asking for pieces of private property for new pipelines. After 10 years of drilling, shale operators have more oil and gas than infrastructure to deliver it — and pipeline builders are seizing the opportunity and submitting plans for new lines through the state.

“These projects are absolutely crucial, especially given the fact that more than 1,500 wells have been drilled and completed and are awaiting pipeline takeaway access,” said David Spigelmyer, president of the Marcellus Shale Coalition, an industry trade group. Tens of thousands of miles of pipeline are proposed for Pennsylvania during the next 10 years, according to state officials. Pipeline construction is expected to create thousands of jobs. What they won’t do is yield tax dollars for Pennsylvania.

Unlike surrounding states, Pennsylvania does not tax pipelines as property. For example, the Constitution Pipeline will generate about $13 million a year in property tax revenue for four counties in New York, while Pennsylvania will not receive any money. Local residents are protesting some of the projects, but as regulated interstate lines the companies have the power of eminent domain to run their pipe through private property and pay compensation.

Anti-LNG protestors hang banner at Monday Night NFL game

(Baltimore Sun; Nov. 2) - Two protesters rappelled from the upper deck of Bank of America Stadium in Charlotte, N.C., Nov. 2 night during the NFL game between the Carolina Panthers and Indianapolis Colts — the latest action in a bitter campaign waged against a liquefied natural gas export plant on the Maryland shore. As they hung on the lines, the protesters unfurled a sign that said, "BoA: Dump Dominion," urging Bank of America to stop financing Virginia-based Dominion, which is building the LNG project.

"We Are Cove Point activists are now calling on Bank of America and other lending institutions to stop financing Dominion," the group said in a statement on its website. "America doesn't need more cheap fuel on the market, and we especially don't need to export those resources overseas," one of the protestors said on the website.

A federal appeals court in June refused to halt the plant’s construction while it considers a legal challenge from environmental group to the project's federal approval. The group's website Nov. 2 was fundraising for bail money for the two protestors.

Opponents continue fight against LNG imports into NY/NJ

(The Associated Press; Nov. 4) - Opponents of a proposed liquefied natural gas import terminal off the New Jersey and New York coasts have readied a final push against the project, while the company plans to fight back against what it considers fear-based and unfounded claims. Liberty Natural Gas says a safety and environmental study by the U.S. Coast Guard proves the $600 million project to import natural gas to the New York metropolitan region during peak demand times should go forward.

But a wide array of environmentalists says the project, called Port Ambrose, is dangerous and unnecessary, and could hurt efforts to build a wind energy farm in the same region. The plan, which calls for LNG carriers to tether to a docking station and pump the gas into an underwater pipe to bring it ashore, can be vetoed by the governor of either state. The U.S. Maritime Administration will make a final decision following this week's public hearings, though the timing of the decision remains unclear.

Environmentalists also say the LNG imports are not needed because the United States already has large supplies of domestically produced natural gas. But Liberty says the project will help by bringing additional gas supplies to the New York metropolitan area during periods of peak demand, including extreme cold snaps. Pipeline constraints into the New England area limit the ability to meet peak demand, resulting in high prices to consumers. The terminal plan was first proposed in 2008.

State Department rejects TransCanada request for Keystone delay

(Wall Street Journal; Nov. 4) - The State Department will not grant TransCanada's request to delay a permit review for the Keystone XL oil pipeline, putting the project on a likely path to rejection. The department sent a letter Nov. 4 to the company, formally rejecting its bid to delay consideration of the controversial pipeline that would carry crude oil from Canada's oil sands to the Gulf Coast, a department spokesman said.

"We're not required to pause it based on an applicant's request, there's no legal basis to do that," a department spokesman said. The decision to move forward with the State Department review puts the future of the project in jeopardy. The Obama administration is widely expected to reject the proposed pipeline in the coming weeks or months, bringing to a close the years-long drama on its fate. TransCanada on Nov. 2 asked the State Department to suspend its cross-border permit application — a move that would have essentially punted the decision on the pipeline to beyond the 2016 elections.

The company said in a letter it wanted to first go through a state review in Nebraska. Its request, if accepted, could have avoided a rejection of the pipeline from the Obama administration. The project, which has been under federal review since 2008, has become a major political issue. Keystone has drawn opposition from environmental groups that contend it will increase reliance on fossil fuels. The White House has said that Obama intends to make a decision on the project before he leaves office.

Singapore, Japan, China want to develop LNG trading exchanges

(Nikkei Asian Review; Nov. 2) - Asian countries are creating indexes for liquefied natural gas prices, attempting to get LNG import prices to more closely reflect the supply-and-demand situation and bring about a price correction in Asia, which pays more for LNG than Western countries pay. The Singapore Exchange in the summer unveiled its spot-price index for LNG. The exchange calculates the index based on trading prices reported by 16 entities, such as major producers, consumers and traders of LNG.

The Singapore Exchange also is preparing to make LNG swap transactions available based on spot-index prices. This will allow market participants to fix procurement costs in advance. Seah Moon Ming, chief executive of Singapore's Pavilion Energy, said Oct. 27 that a transparent and fair gas-to-gas regional pricing index will promote LNG trade. The company is a unit of the country’s sovereign wealth fund, Temasek Holdings.

In Japan, the world's largest LNG importer, the Tokyo Commodity Exchange and Ginga Energy Japan, a subsidiary of Singapore-based oil broker Ginga Petroleum, in 2013 jointly established the Japan OTC Exchange. The over-the-counter trading company closed its first LNG deal at the end of July, and trade in LNG futures has increased since then. China, meanwhile, intends to expand its influence in energy trading by developing its own index prices.