Oil and Gas News Briefs
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FERC issues final EIS for proposed LNG plant in Oregon

(Calgary Herald; Sept. 30) - Calgary-based Veresen Inc. has cleared a key hurdle on the way to winning approval to build a $7 billion LNG export terminal in Oregon that would ship Canadian and U.S. natural gas worldwide. The U.S. Federal Energy Regulatory Commission issued a final environmental impact statement Sept. 30 for Veresen's Jordan Cove LNG project at Coos Bay, Ore., and the accompanying Pacific Connector Gas Pipeline to feed the plant.

Veresen plans to build a liquefied natural gas export terminal with capacity to produce up to 6.8 million metric tons per year of LNG. A 240-mile gas pipeline from Malin, Ore., to the terminal would deliver gas originating in Canada and the U.S. Rocky Mountain region. The final EIS said the project would cause "some limited adverse environmental impacts," but those impacts could be reduced to "less-than-significant levels" by the applicants' mitigation measures and FERC's recommended measures.

Veresen said it expects to obtain a FERC notice to proceed in mid-2016, allowing it to make a final investment decision. The project developer also needs to sign up customers and financing before making its investment decision. In addition to the EIS, the project also needs to deal with the U.S. Fish and Wildlife Service and National Marine Fisheries Service over how the project might harm protected species, such as the northern spotted owl and salmon.

Protestors rally against Oregon coast LNG project

(The World; Coos Bay, OR; Sept. 27) - Jordan Cove LNG protesters were filled with hope — and a dash of anxiety — this weekend, as they rallied just days before a widely anticipated federal review of the Oregon project. More than 200 protesters took over Ferry Road Park on Sept. 26, including local groups like Citizens Against LNG and Coos Commons Protection Council, and statewide organizations like Hair on Fire Oregon, 350 Eugene, Raging Grannies and more.

The event marked the end of a 36-day journey across southern Oregon. Hike the Pipe, a group launched by Ashland resident Alex Harris in May, hiked the length of the proposed Pacific Connector Gas Pipeline from its origin in Malin, near the California border, to the finish line in Coos Bay, site of the proposed Jordan Cove liquefied natural gas plant and export terminal. The Federal Energy Regulatory Commission is scheduled to issue its final environmental impact statement on the project Sept. 30.

Project supporter Boost Southwest Oregon steered clear of the demonstration. In an email blast Sept. 25, Boost co-chair Mark Wall suggested that Boosters only wear their neon-colored shirts and display lawn signs supporting Jordan Cove. Throughout its existence, Boost has primarily touted the jobs Jordan Cove would bring and the economic impact on a struggling region.

South Africa sees future in gas-fired power plants; may import LNG

(Bloomberg; Sept. 29) - South Africa, the most industrialized nation in Africa, said natural gas will become a key power source in its plan to reduce dependence on coal. “Gas will be a cornerstone of baseload” electricity, Energy Minister Tina Joemat-Pettersson said Sept. 29, referring to power generated around the clock. “Our vision is that gas will play a significant role in delivering timely, reliable and affordable electricity.”

The government is pushing to add gas to South Africa’s energy mix as coal-fired electricity production — accounting for more than three-quarters of the total — falls short of demand, causing power cuts nationwide. With scant proven gas reserves of its own and virtually no gas-fired generation, the country will need to build infrastructure to import, transport and burn the fuel. “Our key challenge is how to bring the benefits of natural gas as an energy source as early as possible,” Joemat-Pettersson said.

Government measures to tackle the power crisis that has curbed economic growth to the slowest pace since 2009 include an invitation to private companies to supply 3,126 megawatts of gas-fired generation. Sasol is among firms showing an interest in the state program. Sasol’s involvement could include importing liquefied natural gas or constructing import facilities for others to use, said David Constable, chief executive officer of the Johannesburg-based company.

LNG least preferred energy option by Maui residents, report says

(Pacific Business News; Honolulu; Sept. 29) - Liquefied natural gas is the least preferred energy source on Maui, with some residents accepting LNG as a “bridge” to renewables and others ruling it out altogether because of the concern of getting hooked on another non-renewable, foreign energy source, according to a new report. Both Hawaiian Electric, which is the parent of Maui Electric, and Hawaii Gas are working toward starting bulk LNG imports in 2019, though neither has committed to a final plan.

MPower Maui, a project by the Maui Economic Development Board, which engaged hundreds of residents to take part in discussions regarding energy issues, found that participants were vocal about their lack of “trusted” knowledge about the implications of switching to LNG. Other concerns included being wary of safety issues and the investment in temporary infrastructure that would eventually be surplus as the islands move toward more renewable energy sources.

The Hawaiian utilities' plans to import LNG took a big hit when Gov. David Ige came out in opposition to utilizing LNG as a replacement for oil as the state moves closer to its 100 percent renewable energy goal by 2045. Still, both Hawaiian Electric and Hawaii Gas have so far stood firm on their respective LNG plans.

China's economic slowdown delays Gazprom's Asia strategy

(Bloomberg; Sept. 27) - Russian President Vladimir Putin may flirt all he wants with China but he'll probably have to play nice with Europe and wait at least a decade until Asia becomes his biggest natural gas buyer. Putin's desire to diversify from gas sales to Europe has been stunted by slowing Chinese growth and will only be realized after 2025, according to the median of 14 analysts surveyed by Bloomberg News. Besides, China will always demand lower prices, an energy analyst said.

Political tensions between Russia and Europe, which gets about 30 percent of its gas from the former-Soviet nation, will do little to deeply and immediately affect the interdependence, the analysts said. Russia clinched its first-ever gas deal with China last year as relations with the European Union soured over the conflict in Ukraine and the 28-nation bloc filed an antitrust case against state-run Gazprom over pricing. The Russian company has submitted a possible settlement offer to the EU antitrust agency.

"China's economic slowdown has put the nail in the coffin of Putin's much-coveted Asia pivot well before it even took off," Sijbren de Jong, an analyst at the Hague Centre for Strategic Studies, said by e-mail. The rebuff explains why Gazprom "is starting to play nice" with the EU, he said. The antitrust settlement proposal wasn't the only cozying up to Europe by Gazprom this year. The company held its first-ever gas auction for European traders in early September after decades of resisting such spot sales.

Gazprom talks of more expansion at Sakhalin LNG plant

(Reuters; Sept. 29) - Russian energy giant Gazprom is considering building a fourth production train at its Sakhalin-2 LNG plant, a joint venture with Shell, Alexander Medvedev, the company's deputy CEO, said Sept. 29. Gazprom and Shell signed a memorandum of strategic partnership earlier this year, agreeing to a third production train at Sakhalin to expand capacity to 15 million metric tons a year from 10 million tons. The two-train plant opened in 2009. Work on the third train has not started.

"The key point to discuss is the gas sourcing issue," said Medvedev, who was speaking during an interview at Reuters' Russia Investment Summit. He said Gazprom was in the process of choosing whether to buy gas from Rosneft-ExxonMobil's nearby joint offshore field, Sakhalin-1, or to get it from Gazprom's own Yuzhno-Kirinskoye undersea deposit, which is on a U.S. sanctions list. Rosneft and ExxonMobil, however, have said they want to build their own LNG plant to produce and export gas from their acreage.

Medvedev said the economic sanctions imposed on Russia for its actions in Ukraine would not deter investment, and that Gazprom was ready to invest in LNG projects including Sakhalin-2. The plant in the Far East is the country’s only LNG export facility, though a second plant, Yamal LNG, is under construction in Russia’s Arctic. That $27 billion project, however, is finding it harder to obtain financing due to the U.S. sanctions.

China still working to boost coal-bed, shale gas production

(U.S. Energy Information Administration; Sept. 29) - Decreases in the cost to drill shale gas wells and continued investment in domestic production have allowed China to increase its development of shale gas, according to the U.S. Energy Information Administration. Although reliance on gas imports has increased in the Chinese energy market, future shale gas production in China could help to meet demand as the country faces difficulties in developing other natural gas resources, including coal-bed methane.

Over the past 25 years, China has attempted to develop its coal-bed gas resources, estimated by China's Ministry of Land and Resources at more than 1,000 trillion cubic feet. There are more than 20,000 wells producing a total of 360 million cubic feet per day of coal-bed gas in China. China’s coal-bed methane well productivity is much lower than in countries such as Australia and the U.S., as China’s main basins face significant geologic challenges (low permeability, under-saturation) that reduce productivity.

The difficulties faced in coal-bed output have led China to increase its development of shale gas resources. China's technically recoverable shale gas resources are estimated at 1,115 tcf. How much is produced will depend on the price of imported pipeline gas and liquefied natural gas, as well as the capital and operating costs and productivity of shale gas production in China. In the past four years there have been more than 700 shale gas wells drilled in China, with production now at 380 million cubic feet per day.

India LNG importer risks penalties for breaking Qatari contract

(Live Mint; India; Sept. 30) - Petronet LNG, India’s biggest importer of liquefied natural gas, is saving so much money buying the commodity on the spot market that it’s willing to risk penalties for breaking higher-price, long-term contracts with Qatar. The company is taking only 70 percent of the volumes it agreed to in 25-year contracts with Qatar, potentially triggering a fine, Petronet finance director R.K. Garg said. It is paying about $8 per million Btu for spot LNG, about 36 percent less than its fixed price with Qatar.

“The major issue has always been price, and since spot prices are down we continue to have the advantage of the spot prices over long-term,” Garg said, declining to say how much Petronet is saving buying more spot cargoes. The company is “trying to see what can be done about the penalty.” Petronet, which had agreed to take 7.5 million metric tons of Qatari LNG a year, is among the first companies in Asia to break a long-term purchase deal as weaker demand and higher supply push down spot prices for LNG.

Elsewhere in the region, China is deferring Qatari cargoes, while Japanese and South Korean importers are renegotiating contracts. Petronet, however, is running a significant risk. Purchasing less than 90 percent of contracted volumes from Qatar could result in a penalty, according to brokerage KR Choksey Shares and Securities. The New Delhi-based company is taking its chances as the battle for market share forces LNG sellers to be more flexible with customers.

LNG for November delivery in Asia falls to $6.80

(Reuters; Sept. 25) - Asian liquefied natural gas prices for November delivery fell again, marking the sixth straight week of losses for the fuel as fresh supply weighed on market sentiment, though some traders saw potential for an upswing later this month. The price of Asian spot cargoes for November delivery slumped to $6.80 per million Btu, 10 cents below last week's assessment. "The market is wobbling around, there's a risk it has been over-dumped," one Europe-based trader said.

Japanese buyers have re-emerged this week to scout buying opportunities to cover their winter needs, a trader said, which when combined with low hydroelectric reservoir levels in Brazil could help revive tepid demand for LNG cargoes. Brazil's state-run energy giant Petrobras may seek LNG to cover hydroelectric shortfalls, setting the stage for a potential November price rebound, although this was not assured, sources said.

In the meantime, a run of low demand plaguing Asia's top LNG importers Japan and South Korea continued to weigh on prices and contribute to a supply glut made worse by a wave of new LNG export plants in Australia and the United States.

TransCanada signs up First Nation to support B.C. gas pipeline

(Globe and Mail; Canada; Sept. 29) - The Metlakatla First Nation has become the eighth aboriginal group to support TransCanada’s Prince Rupert Gas Transmission 550-mile, $5 billion pipeline that would transport natural gas to a liquefied natural gas export terminal proposed for near Prince Rupert, B.C. The Metlakatla, one of five Tsimshian First Nations consulted during a provincial environmental review last year of the Pacific

NorthWest LNG project led by Malaysia’s Petronas, has signed a project agreement with TransCanada covering financial, employment and other benefits.

But members of another First Nation, the Lax Kw’alaams, are digging in, fighting the pipeline and Pacific NorthWest LNG site plans. For the past five weeks, there has been a protest camp set up on Lelu Island to draw attention to a sandy area nearby called Flora Bank. A suspension bridge and pier over the northwest flank of Flora Bank would place juvenile salmon habitat at risk in the estuary, according to Lax Kw’alaams leaders.

The Lax Kw’alaams are claiming title to Lelu Island and Flora Bank, arguing in a court filing last week that the project would interfere with aboriginal fishing rights. Metlakatla leaders, however, say Lelu Island and the estuary are important parts of their traditional territory. “This agreement with the Metlakatla First Nation is a major milestone for us, particularly since it has a significant interest in the Skeena estuary and wants to ensure that the environment … is protected,” the pipeline project said in a prepared statement.

B.C. ghost towns among LNG hopefuls

(The Province; Vancouver; Sept. 27) - Two neighboring northwest B.C. ghost towns, both failed by the 20th-century mining industry, could be on the brink of new life thanks to power projects promoted by a pair of dreamers. Kitsault, about 70 miles northwest of Terrace, was a molybdenum mining community for three years until the market crashed in 1982 and its 1,200 residents left almost overnight. Some 17 nautical miles down the inlet is Anyox, the site of a once-booming copper mine powered by its own hydroelectric dam until both closed in 1935, leaving the 3,000 residents with little reason to stay.

For more than a decade, two businessmen have been fighting to revitalize the towns. One has plans for a floating liquefied natural gas terminal in Kitsault, while the other is rehabilitating two hydro dams meant to power LNG projects. Krishnan Suthanthiran, a Virginia multimillionaire and philanthropist who built an empire on medical equipment, bought Kitsault in 2005 from U.S. mining company Phelps Dodge for $7 million. In early 2013, he announced a plan to build a floating LNG terminal and establish a deepwater port. Later that year he began travelling to Asia to pitch his ambitious Kitsault project.

Massive amounts of electricity will be needed to power LNG projects. Jeff Wolrige, CEO of Anyox Hydro Electric, thinks he has the solution. Wolrige and his partners own close to 2,500 acres of property around the abandoned mining town of Anyox, where his firm is rehabilitating two dams that are capable of producing some 45 megawatts of power.

North Dakota faces dilemma: Too much new housing

(Bloomberg; Sept. 29) - Chain saws and staple guns echo across a $40 million residential complex under construction in Williston, N.D., a few miles from almost-empty camps once filled with oil workers. After struggling to house thousands of migrant roughnecks during the boom, the state faces a new real estate crisis: The frenzied drilling that made it No. 1 in personal-income growth and job creation for five consecutive years hasn't lasted long enough to support the oil-fueled building explosion.

Civic leaders and developers say many new units were already in the pipeline, and they anticipate another influx of workers when oil prices rise again. But for now, hundreds of dwellings approved during the heady days are rising, skeletons of wood and cement surrounded by rolling grasslands, with too few residents who can afford them. "We are overbuilt," said Dan Kalil, a commissioner in Williams County in the heart of the Bakken. "I am concerned about having hundreds of $200-a-month apartments in the future."

The surge began in 2006, when rising oil prices made widespread hydraulic fracturing economically feasible. Laborers descended on the state, many landing in temporary settlements of recreational vehicles, shacks and even chicken coops. But now, with oil prices less than half of their peak, North Dakota's white-hot economy is slowing. The average occupancy rate of new units in Williston was 65 percent in August, even as 1,347 apartments are under construction or have been approved there.

TransCanada switches strategy for Keystone approval in Nebraska

(Financial Post; Canada; Sept. 29) - TransCanada is changing its strategy on getting regulatory approvals for its long-delayed Keystone XL pipeline from the Alberta oil sands to the U.S. Gulf Coast. The company said Sept. 28 it is withdrawing some of its legal applications and constitutional court proceedings in Nebraska and choosing instead to file an application with the state's Public Service Commission to get approvals for the pipeline route.

The company was in the middle of eminent domain proceedings in Nebraska, a legal process the company described as a "tool of last resort" for getting easements along the route. "Despite having route authority to construct Keystone XL, uncertainty in the courts around the constitutionality of how the route was approved was very likely to carry on once again to the Nebraska Supreme Court," a company spokesperson said, explaining the decision to switch to a process with state utility regulators.

As a result, TransCanada has decided to go through the public service commission for pipeline approvals. "It ultimately saves time, reduces conflict with those who oppose the project and sets clear rules for approval of the route," Cooper said. The change in strategy is expected to push final approvals for the pipeline project to 2017 — after President Barack Obama has left office. Such a delay could put the pipeline's fate in the hands of the next president.

U.S. oil output falling, but gains outside U.S. hold down prices

(Wall Street Journal; Sept. 28) - The long-awaited decline in U.S. oil output has begun, data show, but many investors and analysts are still waiting for prices to stage a sustained recovery. The rapid growth in U.S. oil production over the past several years was a major driver behind the plunge in the benchmark U.S. oil price, which is down 53 percent from a year ago. Once that output slowed, oil would bounce back, bullish investors reasoned.

But their hopes have been thwarted by robust output from other parts of the world — from Russia to Saudi Arabia and Iraq — that has kept a lid on prices. U.S. government data confirmed in late August that the nation’s oil output peaked in April and has fallen steadily since. The news helped spur a three-day surge, but prices quickly reversed and are down 9.7 percent for September. The muted price reaction to declining U.S. output underscores how the market’s focus has shifted to production gains elsewhere.

OPEC output rose between April and August, offsetting the amount that U.S. production is estimated to have fallen. Rates of oil extraction in Brazil and Russia increased in recent months. Traders are also watching Iran, which says it can boost its exports by 500,000 barrels a day by late November or early December even before most sanctions are lifted. Global oil inventories remain high, meaning that the market could remain in a glut even if demand begins to outstrip supply.