Oil and Gas News Briefs
Compiled by Larry Persily
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Oregon LNG confirms lack of funding killed project

(The Daily Astorian; Astoria, OR; April 18) - Oregon LNG confirmed April 18 it scrapped its proposed $6 billion export terminal and pipeline project on the Skipanon Peninsula because Leucadia National Corp., the New York-based holding company that financed the venture, decided to cease funding. Oregon LNG had been working 12 years to develop a liquefied natural gas terminal at the Warrenton, Ore., site. The original plan was to build an import terminal, but that changed in 2012 to an export project.

“Oregon LNG thanks all those in the project area who supported its 12-year effort to bring good jobs and tax revenues to Warrenton and Clatsop County by building a liquefied natural gas terminal and associated pipeline,” the company said in a statement posted on its website. “Oregon LNG will have no further comment.” The project, and its associated gas pipeline, encountered strong community and environmental opposition. In addition to lacking regulatory approvals, Oregon LNG was short on customers, too.

Dick Hellberg, a former Warrenton city commissioner who favored the project, was disappointed. “I don’t know how many millions of dollars that Leucadia put into that project, but that was insanity in itself, to have to put that much money out to go through a dead-end procedure,” he said. “Very disappointed in the whole thing.” But Brett VandenHeuvel, executive director of Columbia Riverkeeper environmental group that fought the project, said LNG “is the wrong direction and locks the U.S. into dirty fuels.”

Cheniere LNG exports help lift U.S. natural gas prices

(Bloomberg; April 19) - The first exports of U.S. shale gas are already helping to prevent prices for the fuel from revisiting a 17-year low. Cheniere Energy’s Sabine Pass liquefied natural gas terminal in Louisiana has received almost 35.4 billion cubic feet of gas since pipeline deliveries to the facility were first reported Oct. 23, with most of that volume arriving in the past six weeks. Gas futures have climbed 7 percent over the past month as the shipments limit the size of the biggest seasonal supply glut in four years.

LNG exports are providing a lifeline for bullish traders after a flood of production from shale formations filled U.S. storage caverns, sending futures prices tumbling to levels not seen since the 1990s. Hedge funds are betting on rising gas prices for the first time since 2014 as cargoes from Sabine Pass boost demand. “There are actually molecules being taken out of the system; that’s supportive,” said Kyle Cooper, director of research with IAF Advisors and Cypress Energy Capital Management in Houston.

Gas futures have rebounded 26 percent since dropping to $1.61 per million Btu early last month, the lowest intraday price since August 1998. Cheniere's demand so far this year has helped support prices by 5 to 10 cents, Cooper said. By this time in 2017, Sabine Pass's annual consumption will have reached 200 bcf or more, he said. Cheniere expects to finish commissioning its first liquefaction train by the end of this month and begin start-up for Train 2 in August, with two more trains under construction.

Cheniere sends first U.S. LNG cargo to Europe

(Bloomberg; April 19) - U.S. shale gas will for the first time enter Europe, a region dominated by Russian and Norwegian supplies. Portugal will soon receive the tanker Creole Spirit, the sixth cargo from Cheniere Energy's Sabine Pass, La., facility, according to sources. More than half of U.S. LNG production may be destined for Europe by 2020, according to global energy consultants Wood Mackenzie.

Europe will become the third continent for U.S. shale gas, which has already turned the country into the world's biggest gas producer and will make it a net exporter this year, helping contribute to an 18 percent increase in global LNG capacity through 2017, according to Bank of America Merrill Lynch. Cheniere's cargoes have already been sent to Brazil, Argentina and India since the plant started shipments late February.

"LNG coming out of the U.S. is probably the single most important thing that will transform the future LNG market," Melissa Stark, energy managing director and global LNG lead at Accenture, said by e-mail. "It heralds the arrival of a global market." Galp Energia SGPS, Portugal's biggest oil company, bought the Cheniere cargo, sources said. More LNG tankers are being diverted to Europe's underused terminals after prices in key consuming nations in Asia fell. LNG imports to Europe rose 16 percent last year.

Colorado lobbies FERC to reconsider West Coast LNG export terminal

(Natural Gas Intelligence Daily; April 19) - With Oregon LNG's Columbia River project now canceled, Colorado business and elected officials April 19 stepped up their support for the other liquefied natural gas export project proposed for the Oregon coast. The Jordan Cove LNG project, at Coos Bay, and its 232-mile connecting pipeline were the focus of meetings in Grand Junction, CO., pushing the region's Piceance Basin gas supplies for the project that is now trying to get back on track with federal regulators.

The Federal Energy Regulatory Commission last month rejected the pipeline and its 1-billion-cubic-feet-per-day liquefaction plant, ruling that the project lacked sufficient customer interest to justify the impacts to land and property owners. In the past week, West Slope Colorado producers, the state's two U.S. senators and a congressional representative from the area have deluged FERC with letters urging the agency to quickly grant a rehearing and get the project back on the permitting track.

The Colorado Oil & Gas Association told FERC that Jordan Cove is "the most important energy project west of the Continental Divide," said David Ludlam, executive director of COGA's West Slope group. "Western Colorado's gas industry is a diverse bunch of people with unique business models and divergent opinions, but on this project the producing members are 100 percent united," he said. Colorado producers hope a West Coast LNG export terminal would give them more markets for their gas, at higher prices.

U.S. exports will put price pressure on Australian LNG suppliers

(Sydney Morning Herald; April 19) – Australian liquefied natural gas producers face lower prices when they renegotiate long-term deals with Asian utilities, with new sources of supply including U.S. exports giving buyers the upper hand in contract talks. With the U.S. on track to potentially export 60 million metric tons a year of LNG by 2020, representing nearly a fifth of global supply, Asian buyers will increasingly play hard-ball when existing deals are reworked, said Citi's energy analyst Faisel Khan.

"When these buyers in Asia went into the U.S. to sign these contracts, they knew they were going to break the pricing model," Khan said. "They're very happy they have more competition and more options, and right now all the buyers feel like they are in a very good position." Khan said pricing for LNG contracts was evolving into a spot market in Asia, although he noted it might take several years for a new mechanism to take shape. "They're waiting to see where things end up, and for the next few years there will be evolving volatility in how people develop price in the market."

UBS analyst Nik Burns warned that new sources of supply, including U.S. exports, could plague the Asian market for years, weighing on spot LNG prices and putting pressure on Australian producers that need to renegotiate sales contracts during that period. "What we'll start hearing again is, will there be pressure brought to bear on LNG sellers to say, 'guys, you've got to renegotiate these prices'," Burns said.

Both sides lobby Canadian officials over LNG project in B.C.

(Edmonton Journal; April 18) - Pressure from both sides continues to mount on Canadian Prime Minister Justin Trudeau over his government’s pending decision whether to approve the Pacific NorthWest LNG project near Prince Rupert, B.C. Two large delegations — one in favor of the project and the other vehemently opposed — lobbied federal officials this week in a continuing campaign to sway the government.

B.C. Conservative Party members of Parliament, buoyed by northeastern B.C. mayors who were in Ottawa to meet with senior government officials, argued in the House of Commons that the project has widespread support from Native and non-Native communities. Environment Minister Catherine McKenna rose to repeat a message she's been sending to those — including the B.C. government — who are intensively lobbying her on Pacific Northwest. "There's no point in pushing me because we make environmental decisions based on evidence, facts and science."

Donald Wesley, a hereditary chief with the Gitwilgyoots tribe of the Lax Kw'alaams First Nation, along with other leaders from the Lax Kw'alaams, Gitxsan and Wet'suwet'en First Nations who were in Ottawa, argued that Trudeau, if he is to fulfill his high-profile vows to deal with climate change and improve relations with First Nations, must reject the project that opponents say would threaten critical salmon habitat.

Former First Nation mayor disputes new mayor's support for LNG

(Globe and Mail; Canada; April 19) - The former mayor of the Lax Kw'alaams First Nation is upset that his successor is backing Pacific NorthWest LNG's plans to build a natural gas liquefaction and marine terminal on an island near Prince Rupert, B.C. Garry Reece, who lost to John Helin in November's mayoral race, said the new mayor overstepped his authority in declaring the elected Lax Kw'alaams Band Council's conditional support for the LNG export project on Lelu Island.

Reece and other aboriginal critics of Pacific NorthWest LNG held a news conference in Ottawa on April 19 to say the federal government should reject plans to build the terminal. Critics cite possible harm to important salmon rearing habitat at the site. The project sponsor, led by Malaysia's state-owned Petronas, is counting on approval from the Canadian Environmental Assessment Agency and federal Cabinet.

In the spring of 2015, Reece oversaw a series of meetings in which members of the Lax Kw'alaams overwhelmingly opposed the project. But in a band vote five months ago, he lost his re-election bid. As the new mayor, Helin kept a low profile until mid-March, when he sent a letter to federal Environment Minister Catherine McKenna. He informed her that the band council will support the project, subject to the creation of an environmental performance committee — a stance that has angered opponents.

Companies look at building more LNG capacity in Papua New Guinea

(Reuters; April 19) - As liquefied natural gas producers despair over a supply glut, two projects in Papua New Guinea are pressing on in bids to sign off on new developments by 2018 to take advantage of a drop in construction costs and the availability of high-quality gas. France's Total said this week it could build the country's second LNG plant for $10 billion, well below industry estimates, while Australia's Oil Search said it expected new projects would have no trouble attracting lenders.

The push is in stark contrast to moves by rivals to shelve or delay LNG projects from Australia to Canada following an 80 percent slump in prices amid a flood of new supply just as demand has slowed. However, Papua New Guinea has an advantage over Australian and U.S. gas: It is liquids rich, which creates extra revenue; it is closer to the world's biggest LNG markets in Japan, South Korea and China; and the gas has a higher heating value.

ExxonMobil is weighing an expansion of its Papua New Guinea LNG plant — the country's first — which has been exporting for two years and is producing at a rate of 8 million metric tons per year. In its first public comments on cost, rival Total said its proposed plant could be built for $10 billion, at least 25 percent below analysts' estimates. "That is low," said Neil Beveridge, a senior analyst at Bernstein Research, adding, "We certainly believe that project could be one of the lowest cost in the region."

European Union official sees possibility of Iranian LNG exports

(Wall Street Journal; April 18) - Iranian liquefied natural gas could start to play a significant part of the European Union's energy mix after the next three to four years, the bloc's energy chief said after meeting officials in Iran to map out future energy ties. Energy Commissioner Miguel Arias Cañete was in Iran as part of an EU mission seeking to expand commercial and political ties with the country following last year's nuclear deal and January's lifting of sanctions on Tehran.

Last fall, as the EU prepared for the lifting of sanctions, the European Commission estimated that by 2030 the bloc could be importing between 900 billion and 1.2 trillion cubic feet of gas from Iran each year, much of it in the form of LNG. Cañete said he believes gas could start flowing in the next three to four years. He said officials made clear that Iran had no immediate interest in extending gas pipelines to Europe. That would take too long and involve striking transit deals with some of its regional rivals.

"That leaves LNG as the biggest possibility of starting to supply gas to the world markets and to the European market," Cañete said. Despite the EU hopes, there are strong reasons for caution. Iran's domestic consumption of gas remains high, which means the immediate capacity for exports is limited. On top of logistical challenges, price will be a sticking point. Iran would need to significantly lower its price expectations to undercut cheap Russian pipeline gas supplies. And even if they do get political backing, Iran will need major investment in key technologies to build an LNG industry.

European energy trader sees opportunity in oversupplied LNG market

(Bloomberg; April 15) - Europe may soon buy more of the world’s excess supply of liquefied natural gas, helping to determine global prices, according to MET Holding AG, a Swiss energy trader focused on Eastern Europe. “In natural gas, there is a chance that Europe might be the swing buyer of LNG, meaning if somebody has excess supply they will dump it in the European market," Benjamin Lakatos, CEO of MET, said in an interview at the Financial Times Commodities Global Summit in Lausanne, Switzerland.

The company, already trading gas, power and oil, entered the LNG market this year to take advantage of a buyers' market, Lakatos said. “The start of U.S. LNG exports in February marked the start of a boom in flexible supply amid waning demand in Japan and South Korea, the biggest LNG users, where spot prices collapsed almost 80 percent over the past two years,” he said. "We believe we are in an oversupplied market and we want to be a buyer of this oversupply.”

The Switzerland-based company will target distressed cargoes, Lakatos said. "There is excess regasification capacity in Europe, so the infrastructure is there. All you need is traders that are willing to take the risk and can manage the risk."

Japan’s LNG imports fell 6.2% in fiscal year ended March 31

(Reuters; April 20) - Japan's liquefied natural gas imports fell 6.2 percent in the fiscal year ended March 31 from a year earlier to 83.57 million metric tons, preliminary trade data showed April 20, marking the first drop in six years as the country began to restart some of its nuclear power plants. Other fuel imports increased, however. Thermal coal imports rose 1.7 percent, while crude oil imports climbed 2.9 percent to 3.42 million barrels per day, customs-cleared data by the Ministry of Finance showed.

Japanese electric power utilities pushed to cut consumer rates

(Nikkei Asian Review; April 18) - Spot prices in Asia for liquefied natural gas remain in the basement due to a global glut and slowing demand. And now Japan's electric power companies, which at the first of the month began to face the prospect of competition, are being nudged to lower their rates to customers. In addition, LNG-fueled electricity prices are coming under pressure from increases in solar power. LNG-fueled generators and solar power plants compete during the daytime, when demand for power peaks.

The lower fuel costs and growing competition are pushing electric power companies to cut their rates to consumers.

Asian spot LNG is trading in the $4 range per million Btu, nearly 40 percent lower from the start of the year and down 80 percent since hitting a record high of $20 in February

2014. Prices are at their lowest since 2009, and new LNG projects are now coming on line, making the global supply glut even worse. Meanwhile, Japanese importers are losing their appetite for LNG. Last year, imports fell 4 percent to 85 million tons. It was the first time for the world's largest LNG buyer to post a year-on-year drop since 2011.

Low oil prices deter companies from switching to LNG as marine fuel

(Reuters; April 18) - Low oil prices are denting the take-up of liquefied natural gas as a cleaner source of energy to power ships, and it will be a few more years yet before the fuel makes serious inroads into the marine bunker market. The global shipping sector is under pressure from governments to reduce harmful emissions from vessels including sulfur oxides, nitrogen oxides and carbon dioxide by using cleaner fuels such as liquefied natural gas rather than traditional heavy fuel oil and diesel sources.

The momentum has increased since December's global climate deal in Paris, but industry officials say it will take time for LNG to grow as a bunker fuel because of the heavy investment required in infrastructure. The low price of oil, which has fallen two-thirds since 2014, is also discouraging a shift away from traditional fuels. "We are not in the world of fuel stress ... (as) when oil was over $100 a barrel," said Paddy Rodgers, CEO of oil tanker company Euronav. "Yes, it (LNG) is a fuel of the future, but not yet."

Most LNG-fueled ships are car or passenger ferries, tugs and platform supply vessels. Norwegian LNG producer and industrial supplier Skangas said ship owners have delayed planned conversions to LNG from diesel for up to two years due to the fall in oil prices. "The main challenge is that the price-competitive advantage of LNG for fuel has been eroded in the short term," said Ryan Pereira, principal commercial manager of global gas and LNG at oil and gas consultancy firm Gaffney, Cline & Associates.

Statoil plans to start production at new field in 2020 to feed LNG plant

(Reuters; April 19) - Norway's Statoil plans to start production at a new gas reservoir in the Barents Sea around 2020 in order to maintain liquefied natural gas production from its Snoehvit operation, a company executive said April 19. The Askeladd reservoir will be tied into the Snoehvit field gas installations, which feed Europe's only plant for making and exporting liquefied natural gas, said Margareth Oevrum, Statoil’s executive vice president for technology, projects and drilling.

The Snoehvit development currently produces gas from the Albatross and Snoehvit reservoirs. Statoil had initially estimated the third reservoir would launch production in 2014 or 2015. "Our current projections show this will become important in 2020-2021," Oevrum told an energy conference. "We've tried to identify the optimal time to start, and to find the right development concept. At the moment it looks like we'll have five subsea wells and a subsea production system that ties them to Snoehvit," she said.

The Snoehvit field produced more than 210 billion cubic feet of gas in 2015, the highest annual output since its start-up in 2007. Natural gas is converted to liquid form at an onshore LNG plant near Hammerfest and exported by tankers. Other partners in the field include Norway's state-owned Petoro, France’s Total and Engie, and DEA Norge.

Russia and Norway fight to hold market share in Europe against LNG

(Bloomberg; April 20) - Europe is awash with low-priced natural gas, thanks to Russia and Norway using a Saudi-like tactic to hold market share. Utilities from Germany’s EON SE to the U.K.’s Centrica are beneficiaries as Europe’s two biggest gas suppliers provided a record amount of the fuel in the first quarter, according to French bank Societe Generale. The glut discouraged cargoes of U.S. liquefied natural gas and contained growth of imports from Qatar.

There are parallels with the global oil market where Saudi Arabia, the biggest producer, boosted output last year to fend off U.S. shale drillers as prices collapsed. Natural gas prices in the U.K., the region’s biggest market, fell 38 percent in the past year. “There is a threat of price wars and every competitor is getting ready,” said Valery Nesterov, an analyst at Sberbank in Moscow with more than four decades experience in energy. “They will have to work hard to keep — let alone increase — their market shares, including through policies that can be borrowed from the oil industry,” Nesterov said.

Russia and Norway have been dominant suppliers to the region since the first pipelines were laid more than four decades ago. Together they provide over half the region’s gas, according to Eurogas. “They are trying to defend market shares because they see — like everybody else — that failure to do so is going to allow more LNG — not just U.S. LNG but any LNG — to displace their pipeline supplies,” Jonathan Stern, chairman of the gas research program at the Oxford Institute for Energy Studies, said by e-mail.