Oil and Gas News Briefs
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First Nation willing to talk with Petronas if LNG project site is moved

(Bloomberg; Aug. 27) – Petronas' proposed LNG export plant in Canada is getting a boost as an aboriginal community signals openness to the project amid speculation that the location may be changed. The Lax Kw'alaams Band, which opposes the current site near Prince Rupert, B.C., is optimistic it will be moved, said Mayor John Helin, whose members endorsed talks on impact compensation. The group will meet in the coming days with officials from Pacific NorthWest LNG and provincial and federal governments.

While the developer says the proposal hasn't changed, an online message circulated among Lax Kw'alaams members said the terminal would be placed at one of two sites farther north than now envisioned. Opponents have said the current project site would harm critical salmon habitat; the two potential alternate sites are not in critical fisheries habitat. Local politics also are shifting; Helin, who was elected nine months ago, came on board after the band had rejected $1.15 billion (Canadian) in compensation.

"We have to look after the environment first, but we also have to look after the benefits side of things," Helin said Aug. 26. "Most of the First Nations communities in Canada are living in third-world conditions." Petronas, Malaysia's state oil company, is joined by project partners China Petroleum & Chemical Corp., Japan Petroleum Exploration, Indian Oil Corp. and Brunei National Petroleum. About two-thirds of 812 Lax Kw'alaams Band members voting in a poll supported continued discussions about the project, provided that the environment is protected, according to results released Aug. 25.

Thailand wants to take advantage of buyers' market for LNG

(Bloomberg; Aug. 24) - Bangkok is about to become a very important destination for sellers of liquefied natural gas. In an oversupplied market where prices have cratered and new long-term contracts are rare, Thailand's national oil company is bucking the trend and planning to go on a shopping spree. PTT Chief Executive Officer Tevin Vongvanich hopes to nearly quadruple Thailand's LNG import capacity and said he plans to sign long-term agreements with several suppliers by the end of the year.

"We're taking the opportunity of the buyers' market situation of LNG at this stage to secure a few more long-term contracts," he said. "It's the sale time now for LNG, so we're doing our shopping." The buying binge couldn't come at a better time for LNG sellers. Spot LNG prices in Southeast Asia have fallen 62 percent since October 2014 as new export terminals have created a supply glut, while large buyers like Japan and South Korea have reduced demand.

Thailand doubled its LNG imports last year to 2.7 million metric tons, about 1.1 percent of global trade, according to the International Group of LNG Importers. The country will boost imports to 3 million tons this year, Tevin said, and wants to get to 5 million tons a year in the near term. “We were a bit fortunate that we didn’t commit before the price collapsed, so we have that flexibility of shopping around,” Tevin said. “Currently, a lot of people have been knocking on our doors for the long-term contracts.”

Mideast, North Africa LNG buyers take advantage of global supply

(The National; Abu Dhabi; Aug. 25) - The slump in prices and surging power demand is spurring demand for liquefied natural gas in the Middle East and North Africa. Even the United Arab Emirates, which earlier this year decided to put on hold indefinitely plans to build a huge onshore LNG import terminal at the Indian Ocean port of Fujairah, instead recently chartered a floating receiving, storage and regasification unit from Texas-based Excelerate to meet domestic gas demand.

Throughout the region there are a growing number of such facilities under way or on the drawing board to meet rising demand. The slump in global LNG prices is a major factor, driven largely by the waves of supply that have hit the market as new projects come on stream in Australia, Papua New Guinea and the U.S. Last year, worldwide gas trade was surpassed only by oil as the most actively traded commodity, and the surplus of LNG supply over demand reached its highest in a decade, according to data from BP.

"The fact of the collapse in LNG prices and so much readily available supply has put companies in a position to negotiate favorable long-term supply deals," said Emma Richards, an analyst at BMI Research, part of Fitch Ratings. At the same time, buyers have been favoring the more flexible floating terminal option, which can be chartered for a 5- or 10-year period, rather than a multibillion-dollar investment over 20 or 30 years to build an onshore facility.

Report questions environmental benefits of Canadian LNG exports

(The Canadian Press; Aug. 24) - A new study is raising doubts about the environmental benefits of Canada's ambitions to export liquefied natural gas. The C.D. Howe Institute released a report Aug. 24 that said LNG exports could reduce carbon emissions in parts of Asia, but would likely increase emissions in the majority of other markets. Authors James Coleman and Sarah Jordaan said Canadian LNG would still reduce overall emissions if it replaces coal and oil-fired power in China, India, Japan and Taiwan.

But they found that emissions would likely go up in nine of Canada's 13 likely export markets because those countries have greater supplies of renewable and lower-emission power sources. Coleman and Jordaan said overall, it is "far from certain" that Canadian LNG exports would reduce global greenhouse-gas emissions. The study comes as B.C.'s hopes of a thriving LNG export market are fading, with several projects recently shelved. The C.D. Howe Institute is based in Toronto.

The authors of the study recommend that B.C. focus on reducing emissions in the province rather than trying to bring down emissions abroad because the final markets for LNG are too difficult to determine. They said particular attention should be paid to reducing methane leakage during transportation and greenhouse gases vented during the processing of gas, and the need for a better understanding of how much gas escapes along the entire supply chain.

Challenges, competition among Mediterranean gas hopefuls

(Globes; Israel; Aug. 24) - Major natural gas discoveries off the Mediterranean shores in recent years have made the region a focus of international interest. The past few months have been especially lively, with Lebanon, Egypt, Cyprus and Israel issuing new exploration licenses. The American Geosciences Institute estimated in 2010 that the Eastern Mediterranean, which includes territorial waters of Israel, Lebanon, the Gaza Strip, Syria and Cyprus, held 122 trillion cubic feet of gas and 1.7 billion barrels of oil.

These reserves are likely to have substantial economic and environmental consequences. The discovery of these reservoirs has given countries that were previously dependent on energy imports an opportunity to develop gas fields, achieve energy independence, and earn money by exporting gas to other countries.

The potential also has challenges, such as competition for markets, attracting strong international operators, technical difficulties in building infrastructure for exports, and commercial and geopolitical issues. Industry sources said competition is not necessarily between operating companies but between countries seeking to attract the companies: What agreement each country will offer, how much it is willing to contribute to the costs, the size of its market, and whether it guarantees governmental and regulatory stability.

Sabine Pass LNG to Chile saves money going through Panama Canal

(Platts; Aug. 26) - Since Cheniere Energy started loading liquefied natural gas cargoes at its Sabine Pass, La., export terminal in February, 92 billion cubic feet of gas as LNG has filled 26 carriers for delivery to 10 different countries. Of the 26 cargoes, Chile has received seven, making it the largest recipient of U.S. Lower 48 LNG. Chile's first five vessels from Sabine Pass traveled around the southern tip of South America. These voyages lasted an average 23 days and Platts Analytics estimates that shipping costs were about 93 cents per million Btu.

Since the expanded Panama Canal opened in June, Chile has taken advantage of the shorter route to save time and money. On Aug. 11, Chile's Quintero regasification terminal received a Sabine-laden vessel, the Maran Gas Delphi, in a voyage that took just 13 days. Another Sabine-laden vessel, the Sestao Knutsen, arrived at Chile's Mejillones terminal in 12 days. Platts Analytics estimates freight costs from the U.S. Gulf Coast through the Panama Canal at 56 cents per million Btu.

Spectra wants to continue with new gas line to Northeast U.S.

(Portland Press Herald; Maine; Aug. 24) - The loss of utility partners and a damaging court ruling in Massachusetts apparently have failed to kill the $3 billion Access Northeast natural gas pipeline project, which proponents consider critical to lowering power costs in Maine and New England but which environmentalists have been fighting hard to defeat. Houston-based Spectra Energy said Aug. 24 it will move ahead with Access Northeast despite the setback in the Bay State, the region’s largest energy user.

Spectra has estimated the project would save New England consumers $1 billion a year by bringing in lower-cost gas from the Marcellus Shale in Pennsylvania. “Without targeted expansion of natural gas pipeline capacity, New England energy consumers will inevitably bear the brunt of ever-increasing energy prices and ever-diminishing supply reliability,” said Arthur Diestel, stakeholder outreach director at Spectra Energy.

The Maine Public Utilities Commission last month gave conditional approval to a plan in which electric customers would help subsidize gas pipeline construction. But Spectra’s two utility partners told Massachusetts regulators on Aug. 22 that they were pulling out of the project. The utilities cited last week’s Massachusetts court ruling that prohibited ratepayers from financing private pipeline projects. Diestel said other utilities remain committed to seeking approvals in Connecticut, Rhode Island and New Hampshire, even though Massachusetts uses nearly half the electricity in the region.

Alberta will review oil and gas property tax assessing

(Calgary Herald; Aug. 26) - The Alberta government plans to review key planks of its property tax regime for the oil and gas industry, opening the door to potential changes at a time that several companies have waged a public campaign for tax breaks. Pending budget approvals, the Ministry of Municipal Affairs intends to revisit the way it assesses the value of industrial property, including resource wells and pipelines, in 2017.

The calculation in setting property tax bills has attracted opposition from oil and gas producers that argue the assessed value of many of their assets far outstrips their economic worth. While some industry officials said they're hopeful a review could usher in desired changes, one Calgary-based gas producer has forged ahead with an appeal of its $24 million bill on the grounds of what it calls flawed math and an unfair system.

Doug Dafoe, CEO of Ember Resources, said he is prepared to take his case to the Court of Queen's Bench to argue Alberta's property tax regime unfairly targets low-productivity wells, including Ember's shallow gas assets. Ember has joined a growing chorus of resource producers that have taken their pleas for tax relief public in the middle of an oil price rout that has drained industry profits. Municipal Affairs spokesman Jerry Ward said the review is not a response to lobbying but is a routine recalibration of property assessments. The last one was conducted more than a decade ago, he said.

Oil pipeline expansion puts Trudeau in political bind, pollster says

(Bloomberg; Aug. 24) - In the rolling country of central British Columbia, Michael LeBourdais's Whispering Pines Indian Band is looking forward to a cash injection from an oil pipeline expansion proposed by Kinder Morgan. He'll be seeking compensation for his band if it doesn't go through, too. Meanwhile, 250 miles away near the pipeline's terminus in Vancouver, the Tsleil-Waututh First Nation is battling the expansion, saying it would lead to oil spills on their tribal land and in the waters of Burrard Inlet.

Into this breach will step Canadian Prime Minister Justin Trudeau, who must decide on the $6.8 billion Trans Mountain pipeline expansion, which companies say is vital to get increased output from Canada's oil sands to global markets via the Pacific Coast. The conflicting First Nation views underscore the delicate balance Trudeau must strike as he seeks to fulfill his promises of upholding aboriginal rights and responsible resource development while sparking growth in an economy reeling from plunging oil prices.

Trans Mountain brings together the biggest priorities for Trudeau and his government, with political implications that set environmental issues against the "cold, hard facts" of economic development, said pollster Nik Nanos, chairman of Ottawa-based Nanos Research Group. The scale of the decision may even force the prime minister to slow down the process and delay a ruling, currently set for the end of the year, Nanos said. This is "very tricky because of some of the conflicting priorities," he said. Kinder Morgan plans to triple Trans Mountain's capacity to 890,000 barrels a day.

Permian Basin in Texas attracts big money in search for oil

(Wall Street Journal; Aug. 25) - Oil prices are mired in their worst slump in decades, but you wouldn't know it in West Texas, where a land grab has energized an otherwise dormant market and sent some explorers' shares soaring. Blackstone Group said Aug. 25 it has agreed to invest $1.5 billion in a pair of drilling deals. The firm also committed $500 million to another group of experienced oil men who had purchased 16,000 acres 100 miles to the northeast, in another section of the region's red-hot Permian Basin.

Cash for the deals came from an $8 billion pool that has otherwise sat largely untapped since Blackstone raised the money to invest in energy early last year. Wall Street's rush to the Permian is a sign that the long-awaited recovery in oil and gas prices may be in the offing. In some cases, Permian drilling properties are fetching prices that exceed those paid when oil prices were above $100 a barrel two years ago.

"It looks like we've come out of the trough portion of the cycle for the oil-and-gas sector and are on the road to recovery, though the road will likely be winding and it will take some time to get there," said Angelo Acconcia, who oversees Blackstone's oil and gas investing. Drilling costs have come down as much as half in the Permian as companies learn how to extract more oil from each well, often by drilling horizontally through oil-rich rocks for nearly two miles. That is twice as long as was typical a year ago and has required producers to lock up ever larger swaths of land.