Oil and Gas News Briefs
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Tokyo Gas among Japanese utilities looking to trade U.S. LNG

(Bloomberg; July 31) - Tokyo Gas, Japan's second-biggest buyer of liquefied natural gas, is in talks with European companies to swap cargoes it has contracted from the U.S. with those in Asia to reduce shipping times and costs. The utility is offering cargoes from the Cove Point, Md., project, which is expected to start up late next year and from which it is contracted to buy 1.4 million metric tons a year, CEO Kentaro Kimoto said. He declined to identify the European companies or the volume Tokyo Gas would swap.

"It takes a lot of days to bring LNG to our terminals in Japan from the U.S.," Kimoto said. "We can send cargoes to Europe and in return get the fuel in swap deals with European players who have a position in Asia." Shipping U.S. LNG to Japan takes about 20 days, while the travel time to Europe is roughly 10 days, he said. Japan is among countries forecast to have an LNG oversupply in coming years, transforming some of the world's biggest buyers of the fuel into sellers. Tokyo Gas, Tokyo Electric, Chubu Electric and Osaka Gas are looking to resell or swap surplus cargoes of U.S. LNG.

Tokyo Gas, in particular, is seeking flexibility amid uncertainty over LNG supply projects including one under development led by Inpex Corp., Japan's biggest oil and gas explorer. Inpex said in September that start-up of its 8.9-million-ton-a-year Ichthys project in Australia was delayed until the third-quarter of next year. Tokyo Gas has a deal to buy 1.05 million tons a year from Ichthys. "The timing of the start-up of Ichthys and Cove Point projects could make us oversupplied or undersupplied," Kimoto said.

India encourages LNG importers to renegotiate for lower prices

(Bloomberg; Aug. 1) - India's liquefied natural gas buyers are being encouraged to renegotiate their long-term contracts after spot prices tumbled amid a global glut. "We have asked the companies to renegotiate the LNG deals wherever there is a possibility," Oil Minister Dharmendra Pradhan said. "I am hopeful our companies will successfully steer the negotiations." India wants to turn an oversupply of LNG to its favor as it seeks greater use of gas in its energy mix and reduces its dependence on oil imports.

India is among the first countries in Asia to renegotiate a long-term LNG deal after the glut pushed down prices. Petronet LNG in December reworked a 25-year contract with Qatar, resulting in prices dropping by almost half. Elsewhere in the region, Japan is probing resale restrictions in its LNG contracts that may lead to the renegotiation of more than $600 billion worth of deals that run until almost the middle of the century. The price of spot LNG to Asia has fallen by more than 25 percent during the past year.

Aligning LNG contracts to current market rates can make gas more affordable as India plans to increase the country's LNG regasification capacity. "We want to increase the gas component in our energy basket," Pradhan said Aug. 1. "We are building a gas grid around the country to increase the use of gas." India is becoming more reliant on imported oil and gas as domestic production lags demand growth. The country will be about 90 percent reliant on oil and gas imports by 2040, up from 70 percent in 2014.

Start-up problems push full production at Gorgon LNG into mid-2017

(Sydney Morning Herald; Aug. 1) - A series of commissioning problems has delayed the timing of when Chevron expects the giant Gorgon liquefied natural gas export project in Australia to be in full production until well into 2017. Since it began to bring the initial stage of the project on stream, Chevron has encountered a series of problems that have forced it to halt processing from time to time, and it has now told analysts the first unit is operating at only a little over two-thirds of its rated capacity.

Production was halted for two months soon after the initial exports, forcing Chevron to push back toward mid-2017 when it expects the project to be fully operational from earlier this year. When completed, the $54 billion project will be able to export 15 million metric tons of LNG annually from three production units. "We expect the first LNG from Train 2 early in the fourth quarter and from Train 3 in the second quarter of 2017," said Jay Johnson, executive vice president of upstream for Chevron.

Analysts queried the delay, but the Chevron official said when large projects come into production it is "not so much that you're on this smooth curve from start-up to full capacity, but ... there are issues that have to be dealt with." Johnson added, "You have periods of downtime as you go down to make modifications or fix some of the equipment that you have difficulty with on start-up."

Petronas reportedly may delay British Columbia LNG project

(Wall Street Journal; Aug. 2) - Malaysia's state oil and gas company is considering delaying its Canadian liquefied natural gas project over concerns about oversupply and cheap competing fuels, according to two people familiar with the matter. Petroliam Nasional, known as Petronas, so far has put up roughly a third of the estimated $27.5 billion cost of the Pacific NorthWest LNG project near Prince Rupert, B.C., which would liquefy and export gas. The Canadian government is weighing environmental approval.

The next step would be for Petronas and its partners — Brunei National Petroleum Co., China Petroleum & Chemical Corp., Indian Oil Corp. and Japan Petroleum Exploration Co. — to make a final investment decision. In calculating the project-price estimate, Petronas said it included what it paid in 2012 for Calgary-based Progress Energy Resources, which will produce the gas, as well as the cost of the proposed liquefaction plant, marine terminal, pipeline and storage tanks at the Pacific coast port.

People familiar with the matter told The Wall Street Journal that the global oversupply of LNG and lower oil and gas prices have rendered the project unattractive at the moment. They declined to say how long the delay might be. Other companies have already pushed back big LNG plans. Anglo-Dutch giant Shell last week said it was deferring a final investment decision on an export facility in Lake Charles, La., after earlier in July doing the same for a proposed export project in Kitimat, British Columbia.

LNG exports could add volatility to U.S. gas prices, analyst says

(Reuters; Aug. 2) - U.S. natural gas traders may be in for a bumpy ride. Price swings in the gas market have been fairly muted over the past two years as abundant output from shale basins kept futures trading within a narrow range. That's about to change as the U.S. boosts exports of the fuel as liquefied natural gas, leading to potential supply constraints in the colder months, according to EBW Analytics Group.

Booming shale production has put the U.S. on course to export more gas than it imports by mid-2017 — the first time in 50 years. That could limit supplies to domestic buyers in the winter, making the market vulnerable to price spikes when demand for the heating fuel is highest. "We're on the cusp of a paradigm shift," said Andrew Weissman, CEO of EBW, a Washington-based energy analysis company. In three to four years, "the swings in demand year over year, or month over month, or even week over week may be much greater than anything we've seen in the past."

The growth of LNG exports, along with the retirement of coal-fired power plants and increased gas exports by pipeline to Mexico, will make the U.S. gas market more volatile than ever before, especially during winters in the northern hemisphere, Weissman said. While technological advances have made it easier for gas drillers to increase production at a rapid pace, it may not be fast enough to keep a lid on volatility.

Some shrimpers in Texas question impacts of LNG projects

(Texas Observer; Aug. 3) - Father Mark Waters recently blessed a fleet of shrimp boats in Brownsville, Texas, calling the fleet "a business of the kingdom of heaven," adding that "nothing will ever destroy a kingdom-of-heaven business." Waters was seeking to reassure shrimpers who are struggling to turn a profit in an industry facing an onslaught of challenges: cheaper foreign imports, competition from farm-raised shrimp and rising labor costs. Now the shrimpers are facing a new threat: liquefied natural gas plants.

Several companies are seeking approval from federal regulators to build LNG export facilities along the Gulf Coast in Texas and Louisiana to liquefy gas from the Eagle Ford Shale in South Texas and sell it to Asia and Europe. Among them are three companies looking to build massive facilities at the Port of Brownsville. The developers promise to create hundreds of jobs and ensure that there is minimal damage to the environment.

But Lela Burnell, a third-generation shrimper whose family owns a fleet of eight boats, is not convinced. Burnell worries the plans will lead to converting wetlands into concrete wastelands, spoiling the unique ecosystem in the region that produces sweeter and larger shrimp. “The nutrients that come from the Mississippi and Rio Grande make shrimp that have a more robust flavor,” Burnell said. “If the nutrients are being affected, that damages our shrimp catch.” Shrimpers also question whether all the LNG tanker traffic would make it difficult for them to bring in their fresh catches on schedule.

Port commissioners OK easements for Tacoma LNG fueling station

(Tacoma News Tribune; WA; Aug. 2) - The Northwest Seaport Alliance, which is comprised of port commissioners from Tacoma and Seattle, approved easements Aug. 2 for a proposed liquefied natural gas filling station for oceangoing vessels. Puget Sound Energy asked for two easements: one for a pipeline and another for a loading platform on the Blair Waterway to fuel TOTE Maritime Alaska’s two cargo vessels. Commissioners said the project is a step toward cleaner air for the Puget Sound region.

“This is a critical step forward,” said Port of Seattle Commissioner Tom Albro. “LNG is a great transitional fuel.” TOTE, and most others, use traditional bunker fuel, which is a thick, tar-like oil. But the company is switching its two Alaska-route vessels to cleaner-burning LNG. The easements were approved at a joint meeting of the seaport alliance at the Port of Tacoma offices. Puget Sound Energy wants to build a liquefaction plant, storage tank and fueling station in Tacoma, with project costs estimated at $275 million.

Jordan has imported 20 LNG cargoes since terminal opened in 2015

(The Jordan Times; Aug. 3) - Jordan's imports of liquefied natural gas have totaled 66 billion cubic feet since the opening of the country's first LNG terminal in 2015, a government official said Aug. 2. Currently, 82 percent of Jordan's electricity is generated using the imported LNG, which has decreased Jordan’s energy bill by reducing its reliance on diesel and heavy fuel to generate power, said Haidar Gammaz, spokesperson of the Ministry of Energy and Mineral Resources.

"The opening of the terminal has played a significant role in reducing energy spending in Jordan, and more shipments of LNG are to come to Jordan in the future as the country has signed several deals," Gammaz said. Jordan has received about 20 shipments of LNG since the terminal opened. Since the start of LNG imports, Jordan's use of gas has contributed to a decrease in electricity costs by 25 to 30 percent.

First train hauling Kazakhstan LNG arrives in China

(China.org; July 31) - The first train carrying liquefied natural gas from Kazakhstan to China has arrived at the border crossing at Xinjiang. Its arrival is being hailed as the next step in greater energy transport connections between China and Central Asian countries. The new rail link for LNG will add to supply options for China, which receives substantial volumes of natural gas by pipeline from Central Asian suppliers along with LNG delivered by oceangoing carriers to coastal import terminals.

Wang Xinchun, director of the Alashankou Free Trade Zone's economic development bureau in Xinjiang, said the rail port of entry is going to significantly increase energy transport options for China. "There will be one train each week, which will transport 300,000 tons [of LNG] a year." That's about 15 billion cubic feet of gas per year, about 275 million cubic feet per weekly train in insulated tanks. "In the future," he said. "we expect to be able to increase the annual LNG imports to 800,000 tons or more."

Indonesia considers incentives for deep-water gas projects

(Reuters; July 29) - Indonesia expects to start natural gas production from two deep-water fields this year and next, a senior energy official said July 28. Meanwhile, the Indonesian government is in talks with companies about providing more incentives to raise the internal rate of return for other deep-water projects to at least 25 percent, up from 10 to 15 percent currently, Wiratmaja Puja, director general of oil and gas at Indonesia's Energy Ministry, told Reuters.

Companies have proposed incentives that include extending the length of production-sharing contracts for deep-water projects beyond the initial 30 years because of their complexity, and also a longer exemption period from being obligated to sell gas to the domestic market. "We're still discussing it. It's not decided yet," Puja said.

The Bangka field, majority owned by Chevron, will start up in August. The Jangkrik project, operated by Italy's Eni, is 80 percent complete and is expected to commence operation in July 2017. Combined production of the two fields is estimated at 565 million cubic feet of gas per day and 8,400 barrels of condensate per day. Both projects are located in the Kutai Basin where several projects are planned, but two other projects by Chevron and Eni have been put on hold due to low oil and gas prices, Puja said.

BP plans to increase offshore gas production in India

(Bloomberg; Aug. 1) - BP is working with its partner in India, Reliance Industries, to increase natural gas production from the deep-water D6 block in the Krishna Godavari basin as much as fourfold by 2022, according to the chief of the British company's India unit. The companies aim to produce up to 1.2 billion cubic feet of gas a day from the block offshore India's east coast after they develop three new fields, Sashi Mukundan, head of BP's India unit, said Aug. 1 in New Delhi.

Gas production from KG-D6 averaged about 300 million cubic feet a day in the April-to-June quarter. The companies are preparing to restart work in four offshore oil and gas blocks as they seek to revive development activity stalled for seven years by pricing disputes with the government. Reliance and BP intend to withdraw from multiple pricing arbitration proceedings against the government related to KG-D6, people with knowledge of the plan said in May.

The effort to resolve disputes with the government "has created confidence for us to move forward," Mukundan said. BP and Reliance are looking to invest "several billion dollars," he said. Production from the KG-D6 block, discovered in 2002, has tumbled since hitting a peak in 2010 of about 2.2 bcf a day. The companies continued with offshore exploration activities there, while pausing development drilling, because of ongoing disputes with the government over gas prices and cost recovery.

Alberta drilling count forecast this year at one-third of 2014 level

(Calgary Herald; July 28) - A forecast for oil and gas drilling in Canada has downgraded its outlook for Alberta, where fewer than 2,000 wells are expected to be drilled this year, less than a third of 2014 levels. "Drilling seasons, as we have come to know them, are pretty much non-existent," Mark Salkeld, president and chief executive of the Petroleum Services Association of Canada, said in a release July 28. "There may be some activity, but nowhere near the levels we had in 2013-14."

In its updated drilling forecast for 2016, the association estimates about 1,900 wells will be drilled in Alberta, down from 2,700 wells in an earlier forecast. The prediction reflects a sharp decline from activity in 2014, when nearly 6,500 wells were drilled. "The number of petroleum services companies that have, or are in danger of, closing their doors forever is growing," Salkeld said, "and the thousands of workers who lost their jobs are looking at every industry, every opportunity to find work."

The petroleum services group based its forecast on assumptions that West Texas Intermediate crude will hover around $42 (U.S.) per barrel and that gas will trade around

$1.90 (Canadian) per thousand cubic feet. Salkeld also said a lack of progress on new oil pipelines is “hindering Canada’s economic growth, costing the country billions of dollars in lost revenue and negatively affecting our ability to attract capital investment.”

Honolulu contracts for biogas from wastewater treatment plant

(Pacific Business News; Aug. 2) - Honolulu has chosen Hawaii Gas to supply the city with biogas from its wastewater treatment plant in West Oahu. The biogas is currently burned off. Biogas is produced at wastewater plants and landfills as biodegradable waste is broken down through chemical reactions and microbes. After impurities are removed from raw biogas, the product is a ready-for-market renewable gas that Hawaii Gas will blend with its synthetic gas (produced from naphtha) for delivery to customers.

The contract with Hawaii Gas expires Dec. 31, 2024, with options to extend. The value was not disclosed. The biogas purification equipment will be built at the treatment plant, with a short pipeline to link with the utility. The project will take 12 to 18 months to build, and needs approval of state utility regulators. Last year, a Hawaii Gas executive said it is looking to replace most of its fuel base with renewable natural gas. In addition, the utility continues to look at importing liquefied natural gas to help reduce fuel costs.

Sinopec looks to sell half-interest in gas pipeline

(Reuters; Aug. 2) - China's Sinopec said Aug. 2 it would sell half of its natural gas pipeline business to investors, a move spurred by Beijing's reform push to boost efficiency and increase infrastructure investment in the cleaner fuel. Sinopec, the country's second-largest oil and gas group, said it would hold 50 percent in the Sichuan-East China pipeline project after completion of the divestment plan that has won board approval. It did not give a value of the assets, or a timeline for the sale.

The government is keen to boost investment in the country's patchy gas pipeline grids, which are less than a fifth the size of the system in the United States. This has created a major bottleneck that limits consumption of gas, which has half the greenhouse gas emissions of China's biggest energy source, coal. Sinopec has said it spent 62.7 billion yuan ($9.45 billion) to build the pipeline that runs 1,370 miles from the southwestern province of Sichuan, a top gas producing basin, to Shanghai on the east coast.

Its Sichuan-East China pipeline project, which started commercial operations in 2010, is able to carry about 1.2 billion cubic feet of gas per day, or about 6 percent of the country's total gas consumption. Industry experts said Sinopec's plan, similar to that of its larger domestic rival PetroChina announced seven months ago, was a prelude to reform packages Beijing is expected to roll out that targets sectors including pipelines.