Oil and Gas News Briefs
Compiled by Larry Persily
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Japanese utilities strike second deal to resell LNG in Europe

(Bloomberg; July 6) - Japan's Jera Co., one of the world's largest buyers of liquefied natural gas, plans to announce a second deal to resell the fuel to European customers as it seeks overseas outlets to offset possible demand declines at home. The latest agreement, which followed an accord signed in May with a unit of France's Electricite de France, will help the company soon boost LNG sales to about 1.5 million metric tons a year, Jera Senior Executive Vice President Hiroki Sato said.

The new deal will allow Jera, a joint-venture between Tokyo Electric Power and Chubu Electric Power, to adjust the volume it sells depending on its own demand. "It's important to develop a scheme like this amid demand uncertainties about the future of nuclear reactor restarts, and the growth of renewables and coal plants," Sato said July 6 in Tokyo. Having flexible purchase contracts — including the option to resell LNG cargoes — allows Jera greater negotiating power for its own supply deals, he said.

Forty of Japan's 42 operable nuclear reactors remain offline amid safety concerns following the 2011 Fukushima disaster, despite government efforts to return the fleet to operation. Electricity generated from coal is forecast to overtake that from LNG and output from renewable energy will rise by 65 percent in Japan by March 2026, according to an industry report last month.

B.C. LNG project could be years away, says industry advocate

(Alaska Highway News; Fort St. John, BC; July 5) - The head of an advocacy group for B.C.'s oil and gas service sector says it could be almost a year before Petronas makes an investment decision on its Pacific NorthWest LNG project near Prince Rupert, B.C. At the annual general meeting of Energy Services BC late last month, President Dave Turchanski told members that, according to a source within the company, the Malaysian oil and gas giant likely won't make a final investment decision until June 2017.

The project is undergoing a review by the Canadian Environmental Assessment Agency, with a decision expected by mid-September 2016. A federal Cabinet decision would follow. "At the earliest is June of 2017, Petronas might come out with a final investment decision," Turchanski said. "If they come out with an FID, that doesn't mean they're going to go to work right away. They might delay it another year, they might delay it two years, they might delay it five years."

"We're looking at (the second quarter) of 2018 before things really get going again," Turchanski said. "We're a long way out yet." A spokesperson with Pacific NorthWest LNG would not confirm when a final investment decision would take place. The company gave conditional approval to the project in July 2015. However, the Canadian Environmental Assessment Agency has since delayed the project, saying it needs more time to review its impacts on carbon emissions and the Skeena River salmon fishery.

Tokyo Gas to expand into Vietnam

(Nikkei Asian Review; July 9) – Tokyo Gas aims to expand into Vietnam through a partnership with local companies to tap expected increases in that country's demand for LNG. The Japanese gas company will create a joint venture with PetroVietnam Gas and others as soon as this month, investing several million dollars and taking a 10- to 20-percent stake. PetroVietnam Gas, a subsidiary of state-run Vietnam Oil and Gas Group, will hold a majority of the venture. Other partners will include a local construction firm.

Vietnam used roughly 360 billion cubic feet of natural gas (delivered as LNG) in 2014, increasing to almost 380 bcf in 2015. The volume is less than one-tenth of what is consumed in Japan, but it has been on a steady climb for most of the past decade. To satisfy growing demand for electricity, the country is looking to add gas-fired power plants to supplement its mainstay coal-fired and hydroelectric facilities. LNG is also in demand as an energy source for industrial parks around Ho Chi Minh City in the country's south. There are plans to build LNG facilities, including at the port of Thi Vai.

As a first step, the joint-venture is to launch feasibility studies to explore the possibility of building an LNG plant for storage and also pipelines to create a supply network. Tokyo Gas believes its know-how will be useful in building such facilities and operating the business. If the studies look promising, the joint-venture likely will be expanded.

South Africa looks to boost gas-fired electricity generation

(Bloomberg; July 7) - Siemens is interested in bidding to build gas-fired electricity-generating capacity in South Africa as the German engineering company boosts its presence in the country and the government seeks to end power shortages. "Gas can be a complete game-changer for the South African economy," Siemens South Africa CEO Sabine Dall'Omo said in an interview in Johannesburg on July 6.

South Africa wants to reduce the nation's dependence on coal for about 80 percent of its power and end an electricity shortage that has curbed economic growth since 2008. Energy Minister Tina Joemat-Pettersson said in May that she wants companies to provide about 3,725 megawatts of new power generated by gas. South Africa's state-owned utility Eskom Holdings has more than 40,000 megawatts of capacity and generates about 90 percent of the country's power.

Siemens is also in talks about converting two Eskom diesel-fired power plants to gas, although the state-owned utility may need to partially finance the project, the executive said. The project will need a financial review to determine the cost, Dall'Omo said. Alongside the gas-development initiative, the government last year approved a plan for the country to develop as much as 9,600 megawatts of nuclear capacity by 2030.

New LNG import terminal opens in France

(Bloomberg; July 8) - The Dunkirk liquefied natural gas terminal in France received its first cargo July 8, boosting the nation's import facilities for the fuel to four just as a wave of new supply hits the market. The Madrid Spirit delivered a commissioning cargo from Nigeria, according to ship-tracking data on Bloomberg. The first cargo will be followed by tests on the terminal for about two months, according to Electricite de France, which owns 65 percent of the project. A second tanker will arrive in about a month.

The opening of the terminal in the English Channel near Belgium coincides with more LNG tankers heading for Europe after demand waned elsewhere and prices for the fuel slumped. European LNG imports are forecast to rise about 13 percent this year to 45 million metric tons, according to Energy Aspects, an industry consultant in London. A global glut of the fuel is expected to peak in 2020 with production capacity exceeding demand by 29 percent, Bloomberg New Energy Finance said last month.

Dunkirk will receive about 20 percent of all the gas consumed in France and Belgium, according to EDF's website. Gas from the terminal can be supplied to Belgium and northwest Europe via a new pipeline. Sliding LNG prices in Asia may mean an increase in utilization rates at European terminals, as sellers look to better profits by sending their gas to Europe where usage at LNG import terminals averaged just 25 percent in 2015.

Russia's Novatek starts LNG trading operations

(Reuters; July 7) - Novatek, Russia's No. 2 natural gas producer, said July 7 it had begun trading operations by sending its first cargo of liquefied natural gas from Shell's plant in Trinidad and Tobago to the Chilean port of Quintero. The shipment was made by Novatek Gas & Power, a subsidiary 100 percent owned by Novatek, which is developing its own production and export plant — Yamal LNG — in Russia's Arctic.

"This first shipment is an important step for Novatek to enter the international LNG market," deputy board chairman Lev Feodosyev said. "After the launch of the first stage of Yamal LNG, we will enter the LNG market with our own output, and for us it is important to acquire trading experience on the spot market." Yamal is scheduled to start service in late 2017. The $27 billion project will be Russia's second LNG plant; a Gazprom-owned plant opened in 2009 on Sakhalin Island in the Far East.

City still waiting on provincial repeal of LNG plant tax break

(CBC News; Canada; July 6) - City leaders in Saint John, New Brunswick, are increasingly nervous about a silence from the provincial government on how, or if, it plans to repeal a multimillion-dollar property tax break at the Canaport LNG property owned by Irving Oil. "I go to check the mailbox every day to see if something's there," said Saint John Mayor Don Darling. "We're anxious to have a letter back."

Saint John rushed a letter to the province two months ago, explaining how it would like to see the LNG tax deal carefully unwound 15 years ahead of schedule. The letter was requested by the provincial government on a short deadline in April but has since gone unanswered. Darling said he does not know what to make of the non-response. "We haven't had any feedback in terms of what we proposed." The city has proposed that the tax revenues be held in a trust fund until any property owner appeals are resolved.

The city council voted in early December to ask the province to repeal legislation that freezes municipal property taxes on the LNG site at $500,000 per year until 2031, well below the $8 million the owners would otherwise have to pay. In April, the province said it would agree to Saint John's request on one condition — the city had to absorb any financial losses the province may suffer from repealing the law. The import terminal opened in 2009 but is seldom used as North American shale gas production killed the import market. Saint John moved to end the tax deal following a series of reports showing that Irving Oil has been collecting millions per year in rent on the property.

Residents protest site for proposed gas liquids plant in B.C.

(Dawson Creek Mirror; BC; July 6) - A group of residents living near a proposed Encana natural gas liquids plant are staging a protest against the facility July 7 in Tomslake, B.C. Residents said they're not opposed to the industry, only the location of the plant. "It's the health hazards and safety issues raised by residents that live here," said organizer Jenna Morton who lives close to the plant site. About 25 people live in the immediate area of the proposed plant in central B.C., just across the Alberta border.

Encana spokesperson Doug McIntyre said the facility would gather natural gas liquids such as propane and butane from existing gas pipelines. The liquids can also be used as a feedstock for facilities that make the chemical components used in plastics. "We have serious environmental concerns," residents said in a news release. "Just as the giant flare stack would dominate the landscape, the proposed Encana development has dominated our minds. We feel like the (project) is being jammed down our throats."

Encana went before the Peace River Regional District in June to ask for approval of a rezoning application for the land. After some heated debate, the board decided that it needed to hear more from residents before it could grant the request. A public hearing is set for July 13.

Oil field service providers will be stressed when industry recovers

(Wall Street Journal; July 7) – Oil field service companies are depleted after cutting their rates and laying off workers, and their slow recovery could hurt the industry’s overall ability to bounce back from the oil bust. The workhorses of the energy sector, the services companies provide much of the muscle and specialty know-how needed to extract oil and gas. They pioneered the technologies that allowed producers to unlock massive volumes of oil and gas from shale formations, and marshal critical equipment and people to drill and pump from remote corners of North Dakota to offshore platforms.

But they have borne the brunt of two years of belt-tightening in the oil patch, leaving them short on cash and experienced staff for when companies will need them again to increase production. IHS Energy estimates that nearly 70 percent of fracking equipment in the U.S. has been idled, and 60 percent of field workers involved in fracking have been laid off. Roe Patterson, chief executive of Fort Worth, Texas-based Basic Energy Services, which fracks wells in the Permian Basin and other shale formations, said shortages of experienced workers could hamstring a recovery in its early days.

Many of the thousands laid off have found other jobs, and the best will have to be lured back with higher wages that companies can ill-afford, Patterson said. “It’s scary to think what a drag and what a headwind finding experienced labor is going to be this time around,” he said, adding that while his fracking fleet is still in good shape, a lot of equipment isn’t. “Pop the hood on your car and let it sit for a year. I guarantee the car won’t be in the same condition.”

Oil industry prepares for ‘Great Crew Change’ of aging workers

(Bloomberg; July 7) - The oil industry is grappling with the demographic hangover of the last great industry downturn in the 1980s, when scores of drillers went out of business. That rout drove away a generation, leaving a shortage of workers in their late 30s to 50s today just as companies try to replace the Baby Boomers who make up much of senior management. What the industry calls the Great Crew Change — the looming retirement of thousands of older workers — has companies trying to fill the gap by training younger employees, recruiting outside the industry and enticing veterans to hang on longer.

It’s also forced drillers into a delicate balancing act amid the current downturn, as they lay off thousands but try to hold on to hard-to-replace scientists and engineers. “Everybody that’s going through the process of downsizing their business right now is faced with this extra complication," said Bob Sullivan, a management consultant for New York-based AlixPartners. “Decisions that get made right now on how you right-size the company are going to have a huge impact when the market turns."

Employers have spent years trying to prepare. Baker Hughes, the oil field services company, runs a mentoring program for young engineers. ExxonMobil has spent about $2.6 million on workforce training in the Gulf Coast over the past decade. Apache has been bracing for the Great Crew Change for 15 years, CEO John Christmann said. The driller has asked some senior staff to extend past retirement age. It also runs a three-year professional development program for new hires to build their ties to the business.