Oil and Gas News Briefs
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June 2, 2016

India wants to renegotiate lower price for Exxon LNG from Gorgon

(Financial Express; India; May 31) - India's largest liquefied natural gas importer, Petronet LNG, has initiated negotiations with ExxonMobil to rework pricing on Petronet's contract to buy 1.4 million metric tons of LNG per year from the U.S. company's share of production at the Gorgon project in Australia. Petronet started to seek changes in the 20-year deal after spot prices crashed, making long-term supplies more expensive.

Spot-market prices are hovering near $4.70 per million Btu, Platts data shows. Gorgon LNG would cost Petronet at least $6.50, based on the contract's index to the Japanese Crude Cocktail price. "The Gorgon gas is priced at a slope of around 14 percent of JCC (a blend of oil prices)," a source said. Petronet signed its deal in 2009 with Exxon, which has a 25 percent stake in Gorgon. Initial cargoes have started at Gorgon, which is operated by Chevron. Exxon's shipments to India are scheduled to start late this year.

Petronet last year successfully renegotiated its long-term contract for 7.5 million tons per year from Qatar's RasGas after customers slashed the amount of gas they would take from Petronet, looking instead to buy less expensive gas on the spot market. Petronet was able to cut its price with RasGas more than half, though it agreed to buy more gas for a longer period of time in return.

Global energy consultant forecasts LNG will fall to $3 by 2018

(Bloomberg; May 30) - Liquefied natural gas spot prices will fall to $3 per million Btu by mid-2017 or 2018 as new projects worsen a global glut, according to energy consultant FGE. A bevy of new export projects scheduled to start in the next few years will create more LNG than users around the world can burn, FGE Chairman Fereidun Fesharaki said in an interview May 31 in Singapore. Most of the direct buyers of the supply are middlemen, not end users, and they will have to offer lower prices to find customers.

LNG on the spot market has fallen 68 percent since October 2014 to $4.43 per million Btu this week, according to Singapore Exchange. Prices will have to keep declining until they drop low enough to force some producers, probably in the U.S. or Australia, to reduce output, Fesharaki said. "Some people are going to have to lose billions."

LNG hasn't been as cheap as $3 since July 1999, according to import data from LNG Japan Corp., which tracks term and spot prices for imports by the world's largest buyer of the fuel. Global LNG production capacity is expected to rise to 420 million tons a year by 2020, up from 333 million this year, Goldman Sachs said in February. Demand by 2020 is only expected to be about 323 million tons a year, the bank forecast. Many analysts expect demand growth will catch up with supply, but not until the 2020s.

Lower-cost LNG attracting new customers worldwide

(Reuters; June 1) - Cheap liquefied natural gas is tempting new importers in Africa and South America, helping stave off a deeper price rout hurting producers' bottom lines. A near 80 percent drop in spot-market LNG prices since February 2014 comes as Asian demand falls and competing new supply from the U.S. and Australia attracts poorer countries long shut out of the gas trade. About 400 million metric tons, or a third more of the fuel, will be produced annually by 2020, according to industry estimates.

All that new supply opens doors to overlooked regions considered too risky when Asia markets used to offer the best growth opportunity. Cheaper than fuel oil and cleaner-burning than coal, LNG suits emerging economies racing to bridge electricity shortfalls and support growth on tight budgets. New technologies such as floating LNG import terminals have made it easier for new customers. Last year’s market debuts by buyers Pakistan, Egypt and Jordan were bright spots in a depressed trading environment.

"There is an increase of up to 17 million tons in LNG supply in 2016, and terminals commissioned in 2015 and 2016 could account for 50 percent of that," independent consultant Andy Flower said. Colombia is to become the 36th LNG-importing country later this year — a number expected to near 50 by 2025. As with most South American importers, Colombia’s needs will be highly sensitive to rainfall given its preponderance of hydroelectric power. Eventually, the nation could take up to four cargoes per month.

Countries including Jamaica, Malta, Uruguay, Panama, Philippines, Morocco, South Africa, Bangladesh and Hong Kong are next in line to emerge as importers of LNG.

Thailand will expand LNG import terminal and build second terminal

(Reuters; May 30) - Thailand's PTT will raise the capacity at its liquefied natural gas import terminal by 1.5 million metric tons a year to serve rising demand, the country's energy minister said May 30. The increase will lift capacity at the import terminal at Map Ta Phut to 11.5 million tons in 2019, Minister Anantaporn Kanjanarat told reporters. State-controlled PTT, Thailand's largest energy company, is already in the process of doubling the terminal's annual capacity to 10 million tons by 2017.

PTT also received approval from the national energy policy committee to build a second 5-million-ton-per-year LNG terminal at a new location in Rayong province with a budget of $1.03 billion, Anantaporn said. The delay in construction of coal-fired power plants has prompted the country's energy policy makers to raise demand growth estimates for natural gas to 5.65 billion cubic feet per day from earlier forecasts of 4.34 bcf a day for 2015-2036, according to a statement issued by the energy ministry.

PTT will also study the possibility of raising the capacity at the second terminal to 7.5 million tons, with construction to be completed in 2022, Anantaporn said. Thailand will have to import more LNG to offset lower supply from Myanmar — its traditional supplier for pipeline gas deliveries — as its neighbor is expected to use more of the fuel for its own development. Thailand uses gas for nearly 70 percent of its power generation and has become increasingly reliant on imports as its own gas fields are being depleted.

India could get its first floating LNG receiving terminal

(Natural Gas Asia; May 31) - Mumbai-based H-Energy expects to place an order for India's first offshore LNG terminal this year, according to Hindu Businessline, a financial daily. The company plans to set up an LNG receiving, storage and regasification vessel offshore the eastern state of West Bengal. The terminal would be able to take 3 million metric tons of LNG per year and is scheduled to go into service fall 2019. The tender for the project will be announced soon and H-Energy plans to select the contractor this fall.

The company has already entered into agreements with suppliers for 1 million tons of LNG per year on a long-term basis, backed by agreements with downstream buyers. Hindu Businessline reported that a proposed gas-fueled power plant in Bangladesh is among the prospective buyers of the imported LNG. India's first onshore LNG import terminal opened in 2004; it now has four. The country's LNG import volumes have increased substantially in recent years, setting a record in 2015 at 15.15 million tons.

Japanese utilities' venture may buy small stake in Malaysia LNG

(Wall Street Journal; May 31) - An affiliate of Japan's Tokyo Electric Power is in discussions to buy a small stake in the liquefied natural gas assets of Malaysia's Petronas, for about $200 million, according to people familiar with the situation. The deal for a share of Petronas' LNG production and export facilities in Malaysia's Borneo state of Sarawak could be signed as early as June, the people said.

The deal would be done between Petronas and Jera Inc., a joint-venture set up by TEPCO and Chubu Electric Power in 2015 to purchase fossil fuels, according to a person familiar with the situation. TEPCO, Japan's biggest power utility company by revenue, is looking to diversify its income base by expanding overseas as domestic electricity demand softens and competition intensifies. Malaysia's Petronas is hurting financially after being hit by the slump in oil prices last year.

Petronas, the biggest company in Malaysia by revenue, owns and operates three LNG plants with its partners in Sarawak, according to its official website. The plants have a combined capacity of 24 million metric tons a year, the company said. TEPCO and Chubu Electric formed Jera in a bid to influence sellers with the size of their combined demand. Jera is slated to become the world's biggest single buyer of LNG in July, when it absorbs the trading units of TEPCO and Chubu Electric.

LNG projects slow going in Tanzania and Mozambique

(Wall Street Journal; May 30) - Along Africa's resource-rich eastern coast, the promise of gas-fired prosperity has become uncertain. Half a decade ago, Tanzania and Mozambique were hailed as two of the world's most promising gas frontiers, perfectly positioned to export liquefied natural gas to fuel Asia's industrial boom. Today, these poor nations are paying the price for years of government inaction, delayed oil and gas legislation and LNG project negotiations, and a prolonged slump in prices that has deferred their economic transformation indefinitely.

Tanzanian officials say it will be a decade before an estimated 55 trillion cubic feet of gas is pumped and sold; energy executives say even that timeline is wildly optimistic. In Mozambique, where drillers believe three times as much gas lies offshore, production originally set to start this year may not begin until 2020. "We have seen companies unable to fulfill their obligations, because the oil prices are so low," said James Mataragio, director general of state-owned Tanzania Petroleum Development Corp.

When Halliburton arrived in Tanzania in 2011, the oil-services giant splashed its logo across a building with spectacular ocean views. A few months ago, Halliburton moved to a quiet shopping mall as it scaled back. Government officials said they have been told the company is suspending most operations and keeping just a few staff in the country. Another energy firm in Tanzania spent hundreds of thousands of dollars relocating expert staff in 2014-2015, only to repatriate them because of project delays.

Poland does not plan to renew long-term gas deal with Russia

(Reuters; May 30) - Poland does not plan to renew a long-term gas supply contract with Russia when its current deal with Gazprom expires in 2022, a government official responsible for gas and power infrastructure told Reuters on May 30. Polish state-run gas firm PGNiG buys up to 360 billion cubic feet of gas a year from the Russian gas giant, accounting for the bulk of Poland's annual consumption of nearly 530 bcf. The contract, signed in 1996, expires in 2022.

To reduce its reliance on Russian gas, Poland has built its first liquefied natural gas import terminal and plans to build a pipeline to reach North Sea gas supplies. "We will be aiming at a situation where a long-term (Gazprom) contract becomes a thing of the past. If the price of Russian gas is competitive enough we do not rule out buying it, but definitely not as part of a long-term contract," government energy official Piotr Naimski told the Reuters Eastern Europe Investment Summit in Warsaw.

Poland's LNG terminal is able to accept up to 175 bcf of gas annually. One long-term contract has been signed with Qatar to supply PGNiG with 75 bcf annually. PGNiG also plans to build a pipeline to carry gas from Norway to reduce Poland's dependence on Russia; further details are expected later this year. The line could be up and running by 2022. Naimski said Poland would be able to import 350 bcf of gas annually through the pipeline, which would run from Norway through Denmark and the Baltic Sea to Poland.

Gazprom calls Poland's effort to stop taking Russian gas a fairy tale

(Bloomberg; May 31) - Poland will struggle to replace all the natural gas it gets from Russia's Gazprom, even with U.S.-supplied LNG, as it bids to lower its dependence on its eastern neighbor, according to the Moscow-based company. "Of course, everybody is free to choose how to purchase his gas and to ensure the competitiveness of his economy," Gazprom Deputy CEO Alexander Medvedev said in Moscow on May 31.

"There is a well-known fairy tale about an old woman who asked a golden fish to turn her into a Sea Empress but in the end she found herself back with her broken washtub in front of her," Medvedev said, referring to a story by Alexander Pushkin. Poland, which relies on Russia for two-thirds of its gas, has sought lower prices from Gazprom amid political tensions between the nations over President Vladimir Putin's policies in eastern Europe. Russia has been supplying gas to Poland since 1948.

The European Union nation will get its first shipments of liquefied natural gas from Qatar and Norway into a new terminal next month, and has proposed doubling the terminal's capacity and building a pipeline to Norway to completely cut its reliance on Russia. Poland was Gazprom's fifth-biggest European Union customer last year, buying about 320 billion cubic feet of gas worth more than $2 billion. It is one of the most vocal opponents of a push by Putin to expand a gas link to Europe that circumvents Ukraine.

B.C. will pledge to cut greenhouse gases in bid to win OK for LNG

(Globe and Mail; Canada; May 31) - The B.C. government's new climate action plan, to be unveiled in June, will promise to significantly reduce the greenhouse-gas emissions generated by a liquefied natural gas industry as part of the province's bid to win federal approval for the proposed Pacific NorthWest LNG project near Prince Rupert. B.C. Environment Minister Mary Polak said the annual emissions related to the Petronas-backed LNG plant could be reduced to 3.7 million metric tons. The climate plan also calls for reductions in methane emissions at the wellhead.

That would be a big reduction compared with the estimates produced by the Canadian Environmental Assessment Agency, which calculated the project's emissions from the wellhead to the export terminal loading dock to be at least 11.8 million tons a year. And while British Columbia is seeking to mitigate the dramatic spike in emissions associated with establishing an LNG industry, proponents of the projects are promoting the industry as a global gift to climate action by making more gas available to displace coal power.

The future of the LNG industry in British Columbia depends in part on addressing climate issues. Federal Environment Minister Catherine McKenna has said she wants to see the B.C. climate plan as she contemplates approval for Pacific Northwest LNG. Her decision is expected later this year. Polak said she is still working on the details of her climate action plan, a revision of the province's plan introduced eight years ago.

LNG as transportation fuel could help ease oversupply

(Sydney Morning Herald; May 29) - A move to cleaner transportation fuels could mop up the surplus in the global liquefied natural gas market more quickly than anticipated and open up a new growth market for producers such as Australia's Woodside Petroleum. The company is following Shell in positioning itself to benefit from increased use of natural gas in road transport and shipping. Demand for LNG from the transport sector could reach 24.4 million metric tons a year by 2020, representing a 7 percent rise from estimated total global demand, according to new findings from Bernstein Research.

That could help absorb some of the world's surplus LNG supply, Bernstein's energy team, led by Oswald Clint, said. In April, Woodside announced an investment in LNG fueling infrastructure in Dampier, Western Australia, with the aim of targeting the long-distance trucking market as well as iron ore tankers. Shell is leading the way, striking to supply LNG to cruise ships owned by Carnival Corp. so they can use cleaner-burning gas while they are docked at port, and to supply barges in the Rhine region in Europe.

Bernstein said fuel used in marine transport represents a significant boost of LNG as a transportation fuel, at an expected 9.9 million tons a year by 2020. The biggest potential is for ferries and inland barges in Europe, while the potential for LNG in ground transportation is greatest for heavy-truck fleets, particularly in China. It puts demand for LNG from road transportation at 14.2 million tons a year by 2020.

Methanol plant opponents turn next to fight Tacoma LNG plant

(Tacoma News Tribune; May 30) - Emboldened by the withdrawal last month of much-criticized plans to construct the world's largest methanol plant on longtime industrial Port of Tacoma land, an alliance of long-standing and fledgling organizations has coalesced around an agenda of urban environmentalism. This extends to almost any new fossil fuel-based use of South Sound land, members said, moving next to oppose the natural gas liquefaction and fueling depot that is set to open in 2019 — if it's built.

"The trick now is to see how the coalition can maintain the beachhead," said John Carlton, an organizer with RedLine Tacoma, the largest and most active of several groups that emerged during the debate over the $4 billion methanol plant. But critics say the activists are too quick to embrace unproven claims of public danger with a fervor that can drown out measured debate. "It feels as though we have messages being telegraphed without proper context," said Lou Paulsen, the Port of Tacoma's director for strategic operations projects. "They're not necessarily relevant."

Among the most prominent themes: potential chemical spills or explosions from accidents at the LNG plant, risks related to natural gas fracking in Canada and elsewhere, and the consequences of global warming. Puget Sound Energy has proposed an LNG plant at the Washington state port to fuel ships and maybe trucks, too. A project spokesman said opponents are ignoring the improvement to Tacoma's air that would come with switching to LNG from particulate-heavy diesel in ships in the bay.

Energy Department rejects Sierra Club challenge of LNG exports

(LNG Industry; May 31) - The U.S. Department of Energy has issued orders denying the Sierra Club's rehearing request that challenged department approvals of liquefied natural gas exports by two Gulf Coast projects. The Sierra Club wanted the department to reconsider its approvals of Cheniere Energy's project in Corpus, Texas, and the company's Sabine Pass, La., plant, which started operations earlier this year. The Corpus Christi plant is under construction.

The Department of Energy rejected the Sierra Club's arguments that the department did not adequately consider the environmental effects of increased gas production that would come with LNG exports. The group also alleged that the department's economic benefits assessment of gas exports was erroneous.

LNG export project divides island community in Texas

(Texas Observer; May 31) - Armed with a petition, Harold Doty set out one summer morning in 2013 to knock on every door in Quintana, Texas, permanent population 66. Doty didn't have a hard time getting signatures. For years, folks on Quintana — 2 square miles of low dunes and sparse palm trees — had shared their island with a small liquefied natural gas import plant owned by Houston-based Freeport LNG Development. But in 2011, Freeport announced it would seek federal approval to convert its facility into a massive natural gas liquefaction and export plant. Most residents were not happy.

Doty, who was then on the town council, was optimistic. The Federal Energy Regulatory Commission was seeking community input, and if Quintana's residents opposed the project, perhaps the company would move its project elsewhere. Short of that, Doty thought he and his neighbors could pressure the company to build a 40-foot berm around the facility to protect them from the construction noise and the fallout from a potential explosion. Doty couldn't have predicted how swiftly the tide would turn.

Over the next two years, Freeport LNG plowed tens of thousands of dollars into the town's coffers. It offered homeowners a $25,000 "inconvenience fee" per household, compensation for bearing the noise and dust from construction. Residents opposed to the project were fighting those who weren't convinced they could stop the company, or saw it as an opportunity to move away. The debate tore the town apart. In the spring of 2014, almost half of Quintana's residents submitted a second petition in support of the $14 billion project, which is under construction and scheduled to start up in 2018.

Oil production hits 9-year high in B.C. at 26,000 barrels a day

(The Canadian Press; May 26) - In Premier Christy Clark's vision of British Columbia's economic future, liquefied natural gas is the headliner. But there may be another fossil fuel in the picture — thanks mainly to a Calgary-based company drilling in northeastern B.C. The province's daily oil production is at a nine-year high and expected to increase. Analysts at Raymond James in Calgary say B.C. is an emerging oil basin with wells drilled by ARC Resources in the Tower play, 25 miles south of Fort St. John.

The Montney formation in northeastern B.C. is comprised of several stacked layers, some containing mostly dry gas or gas liquids and some predominantly oil, said Raymond James analyst Jeremy McCrae. The pool extends about 60 miles from east to west and could ultimately prove to be as prolific as the best oil plays in Alberta and Saskatchewan, he added. B.C. oil production peaked at about 100,000 barrels a day in 1998, but has fallen off dramatically as fields and investment dried up.

In 2014, ARC started producing light oil from its first eight-well pad at Tower. It has added two pads since then and is now contributing about half of the province's total crude output of more than 26,000 barrels per day, Raymond James noted. In particular, condensate and natural gas liquids production has increased substantially in recent years. Oil wells don't currently qualify for B.C.'s natural gas royalty credits, but Raymond James said maybe the province would offer royalty sweeteners to promote more drilling.