Oil and Gas News Briefs
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U.S. natural gas futures fall to lowest level since 1999

(Arkansas public radio KUAR; March 3) - While declining crude oil prices have roiled international markets from Beijing to New York's Mercantile Exchange, natural gas futures have quietly plummeted to levels not seen in this century and the low prices are pushing many companies in the energy sector closer to bankruptcy every day, industry experts say. On March 3, natural gas futures for April delivery closed at $1.678 per million Btu on the NYMEX — the lowest since Feb. 26, 1999, according to U.S. data.

"Shale gas producers have done an amazing job growing production despite the continued low gas prices," said Wall Street oil and gas analyst Fadel Gheit, of Oppenheimer & Co. Even though most gas producers have sharply reduced capital spending and rig count, they have continued to add reserves and grow production. "This is all driven by efficiency gains and this is expected to continue, unfortunately exacerbating the current glut, which continues to depress prices," Gheit said.

Even with prices touching a 17-year low, December dry natural gas production was the highest for the month since the U.S. Energy Information Administration began reporting dry gas production data in 1973. All that gas is keeping storage at high levels. In its last report, the EIA noted that U.S. gas inventories stood at 2.584 trillion cubic feet as of Feb. 19, almost 30 percent above the historical five-year average for this time of year.

Canadian natural gas falls to lowest price in 18 years

(Financial Post; Canada; March 1) - Canadian natural gas prices could plunge below $1 per thousand cubic feet as a lukewarm winter and record gas storage conspire to bring down prices. Prices at Western Canada's gas hub fell this week to $1.24 — the lowest in 18 years — as gas inventories exceed the five-year average. "With too much gas in Western Canada, we believe prices will deteriorate further to under C$1 and could well persist near this level for a few months," said Martin King, of FirstCapital Energy.

"Such prices may also be required to force some wellhead shut-ins," King said. The Calgary-based energy investment broker said "insane" all-time-high gas storage levels have not been seen since 1998. "There is an outside chance that the net cumulative withdrawal of gas from Alberta storage could be close to zero this heating season, an unprecedented event in the history of North American natural gas storage," King said.

[Spot prices for LNG delivered to Asia fall to $4.30]

(Reuters; March 4) - Asian spot prices for liquefied natural gas slid for the third straight week, as pressure mounted from new Australian and U.S. supplies, traders said. LNG for April delivery in Asia eased to $4.30 per million Btu, down 20 cents from the previous week. Traders said they expect prices to fall below $4 during the summer as supply continues to pick up from new projects.

"There's a bit of a squeeze going on from both sides of the world so prices are only going to go one way until things start to stabilize," a trader said. Cheniere Energy expects to export eight to 10 more cargoes of LNG in the next two months out of its newly commissioned Sabine Pass terminal. At the same time, traders said, China's Sinopec was offering cargoes from its share of the Australia Pacific LNG project output and Chevron is offering cargoes from the Gorgon plant off northwest Australia.

[U.S. LNG comes into a market much different than envisioned]

(Houston Chronicle; March 4) - With great fanfare last month, federal officials and oil and gas executives trumpeted the first shipment of liquefied natural gas from Cheniere Energy’s new export terminal on the Louisiana Gulf Coast. With four more terminals under construction in Texas, Louisiana and Maryland and several more proposed, the United States appears positioned to take over as a major LNG supplier worldwide.

But the horizon is not entirely welcoming, the U.S. Energy Information Administration warned in a report March 4, joining a chorus of analysts who wonder whether low prices in world gas markets might slow development. “Market conditions have changed since many LNG export projects in the U.S. were initially proposed,” the EIA wrote. “Proposed LNG terminals in the U.S. face not only increased competition from other domestic and foreign terminals that have been completed but also face uncertainty in global demand.”

The agency cites falling demand last year from China, Japan and South Korea, the world’s three largest LNG exporters. That was first time those numbers had fallen since 2009, when the global financial crisis rattled energy markets worldwide. At the same time, Australia has opened new export terminals. According to EIA, the Cheniere plant plus the four others under construction will have the capacity to export more than 10 billion cubic feet of gas a day as LNG.

[Harvard economist says LNG exports ‘good for the world’]

(Vancouver Sun; March 3) - In a call that is sure to be music to the ears of B.C. Premier Christy Clark and those in the energy industry, Harvard Business School professor

Michael Porter on March 3 said it is time to get on with increased liquefied natural gas exports to help combat climate change. “It’s good for the world. It’s good for China. It’s good for lots of other people in the world who really care about climate. We should be exporting as much LNG as possible,” Porter told the Globe conference in Vancouver.

Porter, an economist at the Institute for Strategy and Competitiveness at Harvard, made a case that natural gas is a crucial bridge to getting to a world fueled by renewable energy such as wind and solar. Porter argued that natural gas provides a way to replace higher-intensity-carbon energy such as coal-fired power plants while meeting the increasing global demand for energy. It’s going to take decades to transition to a world in which renewable energy replaces fossil fuels, he said.

The Canadian energy industry has also argued that gas is part of the solution to reduce emissions, an idea backed by oil and gas executives Enbridge CEO Al Monaco and Suncor CEO Steve Williams on a panel at the same conference.

First Nations promise fight against Vancouver Island LNG plant

(Times Colonist; Victoria, BC; March 2) - Saanich Peninsula First Nations are promising a battle on the land, the sea and in the courtroom if Steelhead LNG wants to go ahead with a liquefied natural gas plant on the former Bamberton development lands on the southeastern end of Vancouver Island, B.C. Standing on First Nation land looking across Saanich Inlet at the site of the former cement factory where Steelhead wants to build, the chiefs of Saanich Peninsula nations made it clear they’re united in opposition.

“We wanted to make a strong impact statement to make sure our statement is heard ... we are making it well known that we oppose LNG in our territory,” said Chief Rebecca David of the Pauquachin First Nation. “The decisions and choices we make today affect the next seven generations. We are trying to protect the water and the lands of our future children.” She said there is nothing Steelhead could offer them to win support. The project is one of 20 proposed for the B.C. coast; none have started construction.

Steelhead LNG, which has partnered with the Malahat First Nation for the project, is looking at building a floating facility capable of producing 6 million metric tons of LNG per year. The project is still in the design phase and would be served by an 80-mile gas pipeline from the mainland. The pipeline is a non-starter as far as Chief Don Tom of the Tsartlip First Nation is concerned. He said any government that approves such a project would trigger further protest action and likely a legal challenge.

Residents continue to speak against LNG plant north of Vancouver

(Coast Reporter; BC; March 3) – Residents of British Columbia's Sunshine Coast spoke out against the proposed Woodfibre LNG project at a public meeting Feb. 29. It was the last of three community meetings held across the district by Member of Parliament Pam Goldsmith-Jones. Close to 200 people attended the meeting. Smith's district includes West Vancouver, Sunshine Coast and Sea to Sky Country, north of Vancouver — where Woodfibre wants to build a gas liquefaction plant at the site of a former pulp mill.

More than 30 people spoke at the meeting, primarily raising environmental concerns including LNG tanker traffic in Howe Sound and the hydraulic fracturing that would be used to produce gas in northeastern British Columbia to feed the plant. One man asked the elected official if she had heard from anyone in support of the project. "There are definitely people in favor," Goldsmith-Jones said. "That's why this is so difficult. To be honest — and depending on where you go — it's 50/50."

The B.C. Environmental Assessment Office produced an environmental assessment report on the Woodfibre LNG project. The report will go to the Minister of Environment and Climate Change for her consideration. No date for a decision has been announced. The plant is one of 20 proposed for the B.C. coast. Its cost is estimated at just under $2 billion, with capacity to produce 2 million metric tons of LNG per year.

Hearing officer denies land-use permit for Oregon LNG project

(The Daily Astorian; OR; March 4) - A hearing officer for the city of Warrenton, Ore., on March 4 denied land-use applications for Oregon LNG's proposed gas liquefaction and shipping terminal on the Skipanon Peninsula, determining that the project would hurt fish habitat in the lower Columbia River estuary. However, the hearing officer approved, with conditions, separate applications for 2 miles of gas pipeline to serve the terminal.

The long-awaited decisions from Daniel Kearns, a city-appointed land-use attorney from Portland, came six months after scores of people testified for and against the $6 billion project. Rejection of the terminal contradicts a recommendation for approval by the Warrenton planning director. The decision starts a two-week appeal period that would send the matter to the Warrenton City Commission. From there, another appeal could take it to the state Land-Use Board of Appeals.

The project sponsor has been working for several years to develop an LNG plant and export terminal to liquefy U.S. and Canadian gas for a fee, loading the fuel on tankers for customers looking to sell into overseas markets. Environmentalists have strongly opposed the project, while supporters say it would bring jobs and tax revenue to the area. Oregon LNG also is waiting for a decision from the Federal Energy Regulatory Commission, in addition to signing up customers and lining up financing.

Crowley applies for small-scale export of Canadian LNG

(Financial Post; Canada; March 3) – A U.S.-based company already engaged in delivering small-scale cargoes of liquefied natural gas to South American and Caribbean nations, Lower 48 coastal buyers and Alaska has applied to Canada's National Energy Board for approval to export LNG from that country, too. An affiliate of Crowley Maritime, which is active in fuel hauling, is seeking authority to export as much as 10 billion cubic feet of Canadian gas a year as LNG for 25 years.

In its application filed March 1, the company said it plans to export Canadian LNG from FortisBC Energy's Tilbury LNG plant in Delta, B.C., which is undergoing an expansion, and from the Mount Hayes LNG plant on Vancouver Island. Crowley would also source LNG from Elmworth LNG plant in Alberta, owned by Ferus Natural Fuels.

In addition to delivering the fuel aboard ships and barges, Crowley said it is considering rail and truck cargoes of Canadian gas to markets in Washington and Alaska. "Contingent on regulatory approval, LNG may also be loaded into shipping containers or LNG railcars," the company said in its application.

Europe's interest in LNG makes Norway wonder what to do next

(Wall Street Journal; March 5) - Norway's Statoil recently transformed the rigs of an offshore gas field into a marketing platform for a special guest: the European Union's energy czar, Maros Sefcovic. Gas fields like Sleipner have helped cook meals and heat homes in Europe for several decades, but their output will gradually fade away. To replace those aging North Sea fields, Norway is considering plowing billions of dollars into similar installations 1,000 miles to the north, in the Barents Sea.

Before going ahead with this Arctic bet, however, the country, which isn't part of the EU, would like to receive assurances that the bloc will continue to take its gas. But Sefcovic, who leads the EU's effort to reduce dependence on energy imports, stopped short of committing to buying more Norwegian gas in the future. "What we want is to have enough gas at a good price," he said. Norway's marketing push illustrate the challenges that Europe's only petrostate faces at a time of moribund energy prices.

Bargaining between Norway and its European customers highlights a new dynamic at play. Since the 1970s, the Nordic nation has built a gas system largely aimed at serving Europe. But the EU is looking harder at liquefied natural gas, which can be shipped in from around the globe. Although LNG is traditionally more costly than piped gas, it brings flexibility and security, EU officials say. Seeing the EU's diversification push, Norway wonders if it might be better off building up its own LNG export capabilities rather than a new, expensive pipeline to connect the frontier Barents Sea to Europe.

Iran looks to develop pipeline gas exports before LNG

(Bloomberg; March 2) - Iran, with the world's largest reserves of natural gas, will prioritize exporting the fuel through pipelines to neighboring countries, starting with Iraq as early as this month, rather than investing in liquefaction plants for overseas deliveries. "We have a nearby market that hasn't yet been covered," said Alireza Kameli, managing director of National Iranian Gas Export Co. "While that market is there and there are customers, our first priority will be that."

Iran, with 1,200 trillion cubic feet of proved gas reserves, is seeking to rebuild its energy industry and boost sales of gas and oil after the lifting in January of international sanctions that deprived it for years of foreign investment and technology. The Arabian Gulf nation borders countries such as Iraq and Pakistan that want the fuel to produce electricity. Iran will start selling 140 million cubic feet of gas per day to Iraq via pipeline later this month to supply power plants near Baghdad, Kameli said March 1.

He said he envisions sales to Iraq rising tenfold and expanding to include the southern city of Basrah, without giving target dates for any planned increase. Iran also wants to boost exports to Turkey, though sales have been affected by a dispute over pricing, Kameli said. Iran currently lacks any facilities to export LNG. Once Iran has served its Gulf neighbors, it will look to sell LNG to more distant markets such as India and Europe. It will need investors and partners for any LNG project, Kameli said.

Pakistan receives first LNG cargo under long-term deal with Qatar

(Natural Gas Asia; March 2) – The first liquefied natural gas cargo under Pakistan's long-term deal with supplier Qatar docked at the receiving terminal in Karachi on March 1. The LNG will be warmed up to regasify it for feeding into the region's gas pipeline network. The floating import, storage and regas vessel went into service last year, accepting the first LNG cargoes for Pakistan under spot or short-term deals.

Under the long-term supply contract signed last month, Qatargas will supply fuel to Pakistan State Oil from 2016 to 2031. The delivered price per million Btu will be 13.37 percent of the average price of Brent crude for the preceding three months. Qatargas will supply 3.75 million metric tons per year. Pakistan is facing severe gas shortages as demand in the nation of about 200 million has outstripped domestic production in recent years. The country's total gas production is around 4 billion cubic feet per day.

Pakistan textile mills start receiving gas 24 hours a day

(The Nation; Pakistan; March 3) - After the arrival in Pakistan of the first liquefied natural gas shipment under a long-term supply contract with Qatar, the Sui Northern Gas Pipeline has started supplying gas to the textile industry in Punjab 24 hours a day after six years of interrupted service. Punjab textile mills, which had been receiving gas just for four to six hours a day, started received deliveries full time March 2. The Qatari LNG carrier arrived the day before, offloading at a floating import terminal in Karachi.

The mills are paying $6.66 per million Btu for the gas. Total demand of the Punjab textile mills power plants is about 200 million cubic feet of gas per day. Running their own power plants allows the diversion to other customers of the electricity the mills had been purchasing on the market. According to official sources, the initial Qatari shipment was actually meant for independent power producers to generate electricity but they were unable to make immediate payment, so the gas went to the textile industry.

Pakistan has been suffering under gas shortages, as domestic production has fallen far short of meeting the nation’s energy needs. Pakistan started importing LNG last year, then signed a long-term supply deal with Qatar.

Gazprom secures $2 billion loan from Bank of China

(Wall Street Journal; March 3) - Russian state gas giant Gazprom has secured a $2.17 billion loan from the Bank of China, the largest bilateral credit in the Russian company’s history and a sign of how Western sanctions are increasing Russia’s economic reliance on China. The loan deal, announced March 3 by Gazprom, is the latest in expanding Chinese investment in Russia’s oil and gas sector, the country’s main export earner that has been hamstrung by U.S. restrictions on borrowing.

All that investing is giving China, the world’s biggest energy consumer, access to Russia’s huge hydrocarbon reserves, tightening ties between the neighbors that share a desire to counterbalance U.S. influence in the world. China agreed last year to increase its stake in the $27 billion Yamal liquefied natural gas project in the Arctic that is blocked from dollar-based financing. And, in another example, China’s prepayments for supplies from Russian state oil firm Rosneft have provided an alternative form of financing.

Russia has long touted Asia as an alternative for funding to the West, where some of its companies and banks face restrictions over Russian intervention in Ukraine. A Kremlin spokesman said it “regretted” a decision by the U.S., announced March 2, to extend those sanctions. The timing of Gazprom’s loan announcement also is a public-relations message, said Natalia Orlova, chief economist at Alfa Bank in Moscow. Gazprom didn't disclose terms of the loan, which will likely be used for refinancing and isn’t huge for a company with an investment program around 10 times the size last year, analysts said.