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Growth in Australian, U.S. LNG could push Qatari gas out of Asia

(Reuters; Nov. 10) - Global flows of liquefied natural gas are set to change as the growth in a supply glut will peak in 2018 because of new production from Australia and the United States, energy consultancy PIRA Energy Group said. The growth in Australian and U.S. LNG supplies means traditional trade flows such as Qatari exports to Asia could end up being diverted to other destinations, PIRA Energy's head of global gas and power Ira Joseph said.

Following the expansion in Australian production set to near completion in late 2017, a second phase of growth in 2018 will come from new U.S. LNG production totaling an additional 27 million metric tons per year. Qatar, the world's largest LNG exporter, will be faced with the decision about where to sell its cargoes after new Australian supplies enter the Asian market, Joseph said. Qatar will have to decide whether to divert its LNG to other markets to avoid oversupplying Asia, “to make sure prices (in Asia) don't fall."

The deepening supply glut is also casting doubt on the fate of traditional long-term contracts as buyers with ample supply options see little value in committing to large volumes. Japan's Jera, the world's biggest LNG buyer, has plans to cut the amount of gas it buys under long-term contracts by 42 percent by 2030, while Osaka Gas may not sign new long-term deals for the next few years as the market shifts toward more active spot trading. New contracts will be more flexible and with smaller volumes, Joseph said.

Feed gas shortage will cut into Trinidad LNG production

(ICIS; Nov. 10) – Feed gas supply shortages in Trinidad could cut the supply by as many as 75 LNG cargoes a year from the Atlantic LNG plant, said CEO Nigel Darlow. “Atlantic is suffering very badly from big gas supply shortages on a scale we have never experienced before,” he said. The four-train liquefaction and export operation started up in 1999 and has been expanded, with capacity totaling 15 million metric tons a year.

The Atlantic LNG export complex on the Caribbean island nation has seen an estimated 30 percent reduction in feed gas supply over the year to date in 2016. Darlow said 2017 projections are expected to be worse, with an overall gas shortage estimated closer to 35 percent. Feed gas for Trinidad comes from several offshore fields off the east coast and north coast of Trinidad, with the fields in decline over the past several years.

Darlow said day-to-day plant operations have been affected due to technical challenges such as turning turbines and compressors on and off in order to deal with a low gas supply, which was not how the plant was designed to operate. BP, Spain’s Gas Natural Fenosa, Shell and Paris-based ENGIE are all long-term equity offtakers from Atlantic LNG. The major partners in the LNG plant are BP, Shell and the National Gas Co. of Trinidad and Tobago.

Indonesia’s oldest LNG plant expects 10% output decline next year

(Reuters; Nov. 11) - The output from Indonesia's Bontang liquefied natural gas plant is expected to decline by 10 percent in 2017 to 160 cargoes from a forecast output of 177 cargoes this year, a company official said Nov. 11. Bontang, operated by state energy company Pertamina unit Badak NGL, expects supply from the Mahakam block, its main source of gas, to decline in 2017, Badak CEO Salis Aprilian told Reuters.

About one-quarter of Bontang's 2017 output has been earmarked for domestic supply, Aprilian said, with the rest going to the export market. The plant, Indonesia’s oldest, started operations in 1977 and has been expanded several times. It includes eight liquefaction trains, but is currently running half of the units, Aprilian said. Declining production over time has forced curtailment of LNG output.

ConocoPhillips plans to sell up to $8 billion in gas assets

(Reuters; Nov. 10) - ConocoPhillips will sell up to $8 billion in natural gas assets and trim its capital budget by 4 percent next year to provide funds to bolster operations, executives said Nov. 10. The moves highlight not only the energy industry's increasing push for efficiency gains that reduce the cost of producing oil and gas but also low commodity prices that have hampered ConocoPhillips and its peers the past two years.

The asset sale alone reflects a bold move by CEO Officer Ryan Lance to reduce the company's $28.7 billion debt load. "We're a very large company and those assets aren't big for us," Lance said in an interview. "We recognize that we need to accelerate the value proposition for some investors and accelerate the removal of debt from the balance sheet." Conoco plans to sell $5 billion to $8 billion in North American gas assets, a divestiture that is massive in its size and scope.

The spending reduction for 2017 comes after Conoco more than halved its budget last year. "You can't count on rising commodity prices to bail out your business model," Lance said. Most of the reduced capital budget next year will be spent on shale projects in the contiguous United States, with some focus on Alaska and Europe, as well as maintenance of existing operations. Earlier this decade, ConocoPhillips operated in more than 28 locations around the globe. Today it operates in about 14.

Gazprom appeals court order that it share gas line with competitors

(Russian Legal Information Agency; Nov. 10) - Russia's natural gas giant Gazprom has appealed the country's Supreme Court refusal to reconsider a lower court's ruling ordering the company to give Rosneft access to the Sakhalin-2 pipeline, according to court records. Rosneft wants access to Gazprom's pipeline so that it would not have to build its own line as part of its proposed natural gas development and liquefaction plant on the Russian Far East island of Sakhalin, where Gazprom has its only LNG plant.

Rosneft and its partner, ExxonMobil, have spent years studying the possibility of building an LNG plant on the island for the export of gas produced at its existing oil production operations. But Gazprom would prefer Rosneft and ExxonMobil send their gas to its LNG plant, which could be expanded to handle the additional load. That plant is a partnership between Gazprom, Shell and Japan's Mitsui and Mitsubishi. The two-train liquefaction plant went online in 2009.

In turning down the Rosneft and ExxonMobil request to use the Russian giant's pipeline, Gazprom said it lacked available pipeline capacity to accommodate its competitors' gas. In September, Russia's Far East District Commercial Court ruled that Gazprom must provide pipeline access for Rosneft and ExxonMobil at a reduced volume than the companies had requested. Both sides have challenged the court ruling.

Colorado cities push FERC to reconsider LNG project in Oregon

(The Daily Sentinel; Grand Junction, CO; Nov. 7) - Counties, cities and organizations in northwest Colorado are sending a flurry of letters this month to the Federal Energy Regulatory Commission, urging the agency to reconsider its rejection of a project that would ship natural gas from the region to Japan through a proposed liquefaction plant on the Oregon coast. The commission last spring rejected the Jordan Cove LNG project in Coos Bay, Ore., but later left open the possibility that it might reconsider.

In its letter urging the federal agency to take up Jordan Cove again, Colorado's Mesa County Commission said FERC has an outsized role in the economy of northwest Colorado, in particular its natural gas industry. "Congress and our federal agencies have the power to determine if Mesa County and our neighboring counties have a strong and viable economy. … You have the power to decide if we succeed or fail."

In its denial, FERC said the Jordan Cove developer had not demonstrated an overseas market demand for the gas. Since then, the developer has found a tentative customer for some of the plant's capacity. "With all of these recent and significant developments since the March FERC decision, we urge you to grant a rehearing quickly so that this project may obtain its approvals and become a reality," the county commission wrote.

Booming gas production in Ohio climbs to 5 percent of U.S. supply

(Bloomberg; Nov. 8) - As U.S. natural gas production slows amid cost-cutting, one state is bucking the trend. Gas output from Ohio, home to the Utica shale formation, jumped 13 percent in August, to an average 4.27 billion cubic feet per day, even as supplies dropped across most of the U.S., including the Marcellus play in Pennsylvania. Producers are doubling down on Ohio amid speculation that gas flows from the Utica will eventually rival output from the Marcellus, America's biggest shale reservoir.

An energy price rout earlier this year strained explorers' balance sheets, prompting drillers to refocus their efforts on regions that yield the most fuel at the lowest cost. Ohio accounted for about 5 percent of U.S. gas supply in August, up from less than 2 percent for the same period in 2014, U.S. Energy Information Administration data show. The initial volumes of gas flowing out of wells in the Utica are climbing as operators improve well designs, said Andrew Cosgrove, an analyst at Bloomberg Intelligence.

U.S. natural gas production will be down this year from 2015 record

(Reuters; Nov. 8) - The U.S. Energy Information Administration on Nov. 8 projected year-over-year dry natural gas production in 2016 would fall for the first time since 2005 as low energy prices reduced drilling. The EIA trimmed its output projection in its monthly energy outlook for 2016 to 72.34 billion cubic feet per day, down from the 72.49 bcf it forecast last month. That compares with an all-time high of 74.14 bcf in 2015. EIA has forecast dry gas production will return to a record high in 2017, rising to 75.06 bcf.

The last time year-over-year gas production declined was in 2005 when hurricanes Katrina and Rita slammed into the Gulf Coast, damaging energy infrastructure. In 2005, more than 20 percent of annual U.S. dry gas output came from the federal waters in the gulf. Since then, producers have figured out how to use horizontal drilling, hydraulic fracturing and other technologies to unlock more gas trapped in shale rocks. Today, the seven biggest U.S. shale fields provide more than 60 percent of the nation's dry gas production, while the Gulf of Mexico accounts for just 4 percent of the total.

TransCanada looks to pitch Keystone to Trump administration

(Financial Post; Canada; Nov. 9) - The controversial Keystone XL pipeline, all but dead under President Barack Obama, may find new life under President-elect Donald Trump.

TransCanada said Nov. 9 it is considering how to pitch the newly elected president on the benefits of the proposed, and denied, almost-1,200-mile pipeline that would give Canadian oil sands crude better access to U.S. markets.

“We are evaluating ways to engage the new administration on the benefits, the jobs and the tax revenues this project brings to the table,” TransCanada spokesperson Mark Cooper said. Trump said during the campaign he would “absolutely approve it, 100 percent,” but also said he would demand a greater financial return for the U.S. in exchange for the approvals. The line would move Canadian and North Dakota oil production to U.S. Gulf Coast refineries.

Tim Pickering, president at Calgary-based Auspice Capital, said Trump signaled during the campaign that TransCanada should re-apply for permits to build the pipeline, but “there’s a big caveat that (he’s) going to extract a pound of flesh.” The project faced years of regulatory delays under Obama, who eventually denied a presidential permit in November 2015. In response, TransCanada filed a $15 billion North American Free Trade Agreement challenge and lawsuit attempting to nullify Obama’s decision.

Tacoma protestors march against Dakota oil pipeline, local LNG plant

(The Olympian; Olympia, WA; Nov. 12) - More than 1,000 people marched through downtown Tacoma, Wash., on Nov. 12 to protest fossil fuel projects from the Dakota Access (oil) Pipeline to a proposed Port of Tacoma liquefied natural gas plant. Rachel Heaton, of the Muckleshoot Indian Tribe, said she helped organize the march to draw attention to fossil fuels projects throughout the Pacific Northwest, including Puget Sound Energy’s proposed $310 million Tideflats LNG plant.

John Carlton, with the anti-fossil fuels group RedLine Tacoma, was one of several volunteers passing out informational fliers and reflective red vests that read “No LNG.” He said the rally was an opportunity to raise awareness of the LNG plant that he said had caught many residents by surprise. Developers of the liquefaction and storage plant have said they plan to start construction soon, with the facility going online in 2019 to serve the region’s marine fleet and provide LNG to meet peak winter utility demand.