# Oil and Gas News Briefs
# Compiled by Larry Persily
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## IEA director pins hopes for LNG market revival on China

(Reuters; Nov. 24) - China's natural gas demand will grow significantly and may help to speed up the end of the global LNG glut, the director of the International Energy Agency said. China imported 1.84 million metric tons of LNG in October, up 15.1 percent from a year ago. Chinese imports over the first nine months of 2016 were 17.87 million tonnes, up 26.5 percent over the same period in 2015. In contrast, LNG imports to Japan fell 3.5 percent in the first nine months of the year, with a 5.8 percent decline in South Korea.

The deepening supply glut has reduced buyers' interest in signing traditional long-term contracts since there is little value in committing to volume when there are ample supply options available, IEA Executive Director Fatih Birol told Reuters in an interview on the sidelines of an energy conference Nov. 24. China is the hope. "When you look at the global energy mix today, the share of gas is about 25 percent. And in China, it is about 5 percent. … We expect the Chinese gas market will grow significantly," Birol said.

China's demand could boost the LNG market, but it remains stressed by oversupply. Mohammed Al Sada, energy minister for top LNG exporter Qatar, acknowledged at the same conference that the global LNG price is projected to stay under pressure over the short to medium term as new U.S. and Australian production capacity come online.

## Australian LNG producer will offer 5-year-plus contracts

(Platts; Nov. 24) - LNG contracts, particularly from brownfield projects, are becoming shorter, and Australia's North West Shelf will be offering "five-year-plus" contracts as existing agreements expire for the 27-year-old export project, said Peter Coleman, CEO of Australia's Woodside, a partner in the North West Shelf venture. However, Coleman said new greenfield projects still need long-term LNG contracts for financing purposes.

He expects that as some of the newer Asian LNG markets mature, they will increasingly prefer long-term LNG contracts to guarantee baseload supply for their industrial sectors. As for pricing, Coleman said Woodside is prepared to look at non-oil LNG price indices. "But the index needs to be related to the market from which it's getting supplied," he said. For that reason, Coleman said he does not want to use an LNG price index linked to U.S. natural gas for pricing Australian LNG supply.

LNG buyers now have a wide range of potential suppliers, and buyers are becoming more sophisticated by balancing their portfolios across different suppliers and using more transparent LNG trading platforms, Coleman said.

## Qatari minister says investment needed to meet future LNG demand

(Reuters; Nov. 24) - The global LNG market is entering a period of uncertainty as the current low-price environment deters investment in new supply projects, possibly bringing tighter supplies and price spikes in the future, Qatar's energy minister said Nov. 24. Liquefied natural gas prices in Asia have fallen by about 65 percent since their peak in early 2014 to current levels of about $7.30 per million Btu.

Prices are expected to stay under pressure “over the short to medium term as additional production capacity in the U.S. and Australia comes online,” Qatari Energy Minister Mohammed Saleh Abdulla Al Sada said, speaking at an energy conference in Tokyo. “While the low price and oversupplied market environment will benefit consumers in the short term, it is also likely to lead to a new period of market tightness and price spikes at some point in the future,” Al Sada said.

"The combined effect of the slow global economy and rising LNG supplies will lead to an oversupplied LNG market, which will take some time to rebalance," he said. But new projects eventually will be needed to meet demand growth. The challenges posed by the supply glut and low prices have been compounded by Asian buyers' push to change contract terms of destination restrictions and long-term pricing, Al Sada said, cautioning that such terms remain necessary for producers to invest in new LNG projects.

## Push is on for lame-duck Congress to speed up LNG export approvals

(Platts; Nov. 23) - Backers of federal legislation to expedite LNG export approvals are making a push to get the measure across the congressional finish line during the lame-duck session this year, amid uncertainty whether the altered balance of power in Washington will undercut the bipartisan consensus behind energy issues. The LNG provision is in two bills now before Congress, and seven ambassadors from Central and Eastern European countries wrote congressional leaders Nov. 14 to urge passage.

Central and Eastern European diplomats have played a strong role in making the case that U.S. LNG exports are important to their nations' energy security. They have repeatedly pushed for legislation in the interest of gaining easier access to U.S. natural gas to ease the dominance if not monopoly power of Russia's Gazprom in their region. LNG trade groups, and some oil and gas companies, are also letting lawmakers know they are eager to see work completed this year to speed up regulatory approvals.

Both the House and Senate versions of a broad energy bill contain provisions that would set a deadline for the Department of Energy to decide on LNG export applications after a final environmental report is issued. The Senate version would set a 60-day deadline; the House version, 45 days. Another possible vehicle to the liking of LNG export proponents in the lame-duck session is the National Defense Authorization Act; the House version of that bill also contains a similar LNG export provision.

## Russia’s Novatek wants Japanese partners for next LNG project

(Nikkei Asian Review; Nov. 25) - Russian gas producer Novatek expects Japan to lend a hand in its Arctic liquefied natural gas business, CEO Leonid Mikhelson said Nov. 24 in an interview with The Nikkei. Novatek is planning a new large-scale project — Arctic LNG 2 — targeting production of 12 million to 16 million metric tons of LNG a year and a 2025 start-up date. Novatek already is the lead partner in its first LNG project, Yamal, under construction in the Russian Arctic and scheduled to go online late next year.

Mikhelson said he wants to see Japan become a cooperative partner at every step of Arctic LNG 2, from gas production to liquefaction plant construction and management, all the way to sales. The participation of Japanese enterprises would go a long way toward fulfilling the energy portion of an economic cooperation plan between the two countries, he said. The Japan Bank for International Cooperation is considering a jointly financed loan with European lenders totaling 1 billion euros ($1.05 billion) for Yamal.

## Russian LNG project expansion could benefit from Japanese politics

(Reuters; Nov. 24) - Japan's government is lobbying its firms to invest in Russian projects to help secure a breakthrough in a festering territorial row with Moscow when President Vladimir Putin visits Japan in December, sources told Reuters. The dispute over four islands north of Japan's Hokkaido, called the Northern Territories in Japan and the Southern Kuriles in Russia, has kept Tokyo and Moscow from signing a peace treaty formally ending their conflict in World War II.

Japan's Prime Minister Shinzo Abe is betting his close ties with Putin and the lure of investment from Japanese companies could set the stage for progress in the dispute. "Basically, economic cooperation is led by the private sector, and the government is now recruiting companies," said one Japanese government source. But Japanese corporate concerns about an unpredictable investment environment in Russia and tough calculations of risk and return could deter private-sector deals.

"If it is not profitable, even under pressure they wouldn't say yes," said a former official at Japan's trade and industry ministry. "They like to please the prime minister, but they have to please their investors even more." The two sides are trying to agree on "priority projects," another government source said. One project that could see progress is an expansion of Sakhalin-2, Russia's only operating liquefied natural gas plant, a third government source said. Partners Gazprom, Shell and Japan's Mitsui and Mitsubishi have already agreed a marketing strategy for the planned third train at the export plant.

## LNG trading hub for Asia could boost spot-market trading

(Reuters; Nov. 25) - Asia may be the world's biggest consumer of liquefied natural gas, yet its LNG trading activity is minuscule as no exchange has managed to establish itself as a benchmark. That might be changing. Following years of unfulfilled promises, two of Asia's leading exchanges — Singapore's SGX and Japan's TOCOM — announced this week they will join forces to create a trading platform for LNG and electricity futures.

Shifting the market away from long-term contracts to a freely floating spot market with the use of financial exchanges revolutionized the European energy market and could be about to do the same in Asia, market participants said. For Asian buyers, creation of an exchange LNG trading hub would allow them to purchase cargoes at short notice and tailor-made volumes. The development comes at an opportune time for buyers.

With many long-term supply contracts about to expire and new production from the U.S. and Australia looking for buyers, Asian utilities are shifting a lot of their buys toward spot markets. But hurdles remain. Trading in spot markets and LNG futures can put buyers at price risk due to unforeseen supply disruptions or sudden demand rises, something they are protected against under long-term deals. For producers, losing the steady revenue streams from long-term contracts makes future investments more difficult.

## Cheniere close to making its own LNG deliveries to Asia

(Reuters; Nov. 25) - Cheniere Energy is gearing up to send its first cargoes of liquefied natural gas from its Sabine Pass, La., export terminal to Asian customers as a rise in prices in the region have made such shipments profitable, a company official said. Asian spot LNG prices, while low compared to record-high levels in 2014, were last quoted at $7.30 per million Btu, up from as low as $4 in April.

Even as mega-projects in Australia ramp up LNG production, the higher prices mean it has become commercially viable to send shipments from the U.S. Gulf Coast through the enlarged Panama Canal and across the Pacific. "Recently, because of the pick-up in Asian LNG prices to above $7, we can start to deliver to north Asia," the Cheniere official told Reuters on Nov. 25, requesting anonymity because supply details have not been finalized. "At the current market level it is a good price."

The cargoes will be delivered in the next month or two, with China or South Korea the most likely destinations, the official said. The first LNG from Sabine Pass for China left the Gulf Coast in July, sold by Shell as part of its contracted offtake from the terminal. The planned shipments disclosed by the Cheniere official will be the first to Asia from the company's own gas supplies. The company operates the terminal, with most of its output committed to other companies but with some capacity available for its own sales.

## Pakistan reports strong supplier interest in contracts for LNG cargoes

(Reuters; Nov. 24) - Pakistan LNG has received strong interest in its tenders to buy as many as 240 cargoes of liquefied natural gas from suppliers hungry to sell gas in an oversupplied market, a senior official told Reuters on Nov. 24. The emergence of Pakistan as a large-scale buyer is a welcome boost in the market as demand slows in traditional big buyers like Japan. Asian spot-market LNG prices have fallen by two-thirds since the beginning of 2014 as new supplies have flooded the market.

Launched earlier this month, Pakistan's tenders for a combination of mid- and long-term shipments "has been extremely well received," said Adnan Gilani, chief operating officer of state-owned Pakistan LNG. "The response is beyond what we thought," he said, speaking on the sidelines of an LNG conference in Tokyo. Gilani did not identify any of the bidders. More than 20 oil and gas majors and traders attended a bid conference held by Pakistan LNG two days ago, Gilani said. The deadline for bidding is Dec. 20.

Pakistan LNG will launch an additional tender for 4.5 million tonnes of LNG "within a few months," and six months later it will seek bids for another 4.5 million tonnes, he said. By 2019 Pakistan, which can only meet two-thirds of its natural gas demand with domestic production, expects to import about 23 million tonnes of LNG a year via five terminals. "We are buying for our baseload needs," Gilani said. "Price is the main variable."

## Japanese company develops LNG-fueled power-generation ships

(Nikkei Asian Review; Nov. 23) – Modec, a Japanese supplier and operator of offshore floating platforms, has developed a floating power plant that burns liquefied natural gas for electricity generation. The company will start taking orders in early 2017, targeting developing economies of Asia, Africa, and Central and South America. Moored to a pier or anchored offshore, the vessels will receive LNG from tankers, regasify the fuel on board to generate electricity for transmission to an onshore grid via an undersea cable.

Requiring no land, the power plants can be up and running sooner and with none of the risks of onshore facilities that might face local resistance. Electric companies will take delivery about two years after placing orders. The 984-foot-long LNG power-generation ships will be offered in versions ranging from 84 to 720 megawatts. A 250-megawatt system meeting the needs of 150,000 people will cost about 40 billion yen ($360 million), including design, materials procurement and construction.

Customers can opt for a gas turbine combined-cycle system that uses gas turbines and steam turbines to generate electricity. A desalination system can be added to turn seawater into freshwater, the company reported. Modec was established in 1968. It had $1.35 billion in sales in the first nine months of 2016. It faces competition in the power-generation ship market from Mitsubishi Heavy Industries, which is promoting similar ships in such archipelago nations as Indonesia and the Philippines.

## LNG-capable B.C. ferry on its way from shipyard in Poland

(Toronto Metro; Nov. 22) - British Columbia is poised to get its first ferry powered by liquefied natural gas. But BC Ferries' newest purchase still has to make the voyage across the Atlantic Ocean from Gdansk, Poland — where it set sail Nov. 22 — through the Panama Canal and up the West Coast. It's a voyage of more than 12,000 miles and could take up to 55 days, depending on weather conditions.

BC Ferries signed a contract in July 2014 for construction of three intermediate-class vessels, 344 feet long with capacity for 145 vehicles and 600 passengers each. The ships will be able to run on LNG or diesel. Total cost of the contract was $165 million (Canadian). The other two ships are scheduled for delivery next year.

The first, the Salish Orca, will replace the aging Queen of Burnaby that serves the route between Comox on Vancouver Island and Powell River on the mainland. The 51-year-old Queen of Burnaby has suffered recently from mechanical problems. Its age also has affected its ability to sail in bad weather, particularly in strong winds.

## Papua New Guinea landowners unhappy with stake in LNG project

(Radio New Zealand; Nov. 23) - The operator of the Papua New Guinea LNG project could be caught up in a dispute between the government and indigenous landowners who claim that the terms of a founding agreement are not being met. A beneficiary group comprising LNG project-affected landowners and provincial governments has petitioned the national government to ensure maximization of the value of their equity interest in the project.

The group said there had been a prolonged lack of disbursement of benefits from the ExxonMobil-led LNG project, which went into service in 2014. The government is accused of failing to meet its social contract for about 60,000 landowners, and has been given until this week to respond to the petition's demands. A landowner representative from petroleum development license areas in Hela province, Raymond Kuai, said it was also incumbent on the developer to respond.

"Now that the state has not met its part of the bargain, my message to Exxon and (project partner) Oil Search is you are unlawfully carrying out the LNG project on traditional land without my permission. We will just advise you to stand down, close the gate, and talk to one of your project owners, which is the state, until we get some response." The beneficiary group said changes to a 4.27 percent equity interest in the project introduced by state-owned Kumul Petroleum erodes the value of their equity.

## Opponents and supporters turn out at LNG project meeting in Tacoma

(Milton Edgewood Signal; Milton, WA; Nov. 23) - Puget Sound Energy's plan for a liquefied natural gas production and storage plant in Tacoma, Wash., met with more resistance at an open house Nov. 21 at the Tacoma Convention Center. More than 100 people protested the $300 million facility, worried about its proximity to downtown and residential areas. Members of the Puyallup Tribe also attended. The tribe is fighting the project's shoreline permit, arguing the environmental review was insufficient and flawed.

"Since the city of Tacoma is the lead agency for this project, they have not only the right but the obligation to open up a supplemental environmental impact statement," said protest organizer Cindy Feist. The open house was one of several held by the company to answer questions as work starts on the project, with an expected in-service date of 2019. At the same time as the protests inside, a smaller group outside rallied in favor of the LNG facility, saying it is a way to bring jobs to the city.

## Trump advisers look at how to remove blockage to Keystone oil line

(Bloomberg; Nov. 24) - Advisers to President-elect Donald Trump are exploring ways he can green light TransCanada's proposed Keystone XL oil pipeline on the day he is sworn into office, including by rescinding a 48-year-old presidential order. Sources said the issue is actively being discussed, as the incoming president looks for ways to jump-start infrastructure development and deliver on a campaign promise to approve the pipeline that would connect Canada's oil sands with U.S. Gulf Coast refiners.

Although details are being developed, the strategy hinges on Trump rescinding a 1968 executive order that put the State Department in charge of permitting border-crossing oil lines, said the sources who spoke on condition they not be named discussing internal deliberations. The directive, issued by President Lyndon B. Johnson, assigned the State Department the authority to determine if the lines serve the "national interest." Pipelines would still undergo environmental review, even if the State Department isn't involved.

Trump could rescind the Johnson-era executive order immediately, said Susan Dudley, director of the Regulatory Studies Center at George Washington University. But such actions would not guarantee the pipeline's construction in the face of environmental opposition that helped keep it in limbo for years. "If Trump grants the permit, there will be a massive backlash, both on the ground and in the courts, that could tie this project up for years," said May Boeve, executive director of the climate-action group 350.org.

## Canada's oil and gas industry worries it may lose investments to U.S.

(The Canadian Press; Nov. 24) - Canada's pipeline gridlock is harming its global reputation as an attractive place to invest in oil and gas projects, a leading industry group said. Tim McMillan, CEO of the Canadian Association of Petroleum Producers, said Donald Trump's election in the United States adds pressure to Canada to clear regulatory hurdles blocking new projects — particularly since that is what Trump campaigned to do.

"We may see some or a lot of that capital that would normally come to Canada going other places and to the U.S.," McMillan told The Canadian Press in an editorial board meeting. "We should be looking at how we position ourselves to have the regulatory framework that we desire and the outcomes we want." Many in Alberta's oil patch have voiced concern that Trump will make it harder for Canada to compete for investments. The U.S. election should be seen as a "call to action" for Canada, McMillan said.

He said Canada's reputation has slipped in recent years to where companies are not as confident as they once were that projects will be built in a timely way. The National Energy Board process has taken longer than expected, and court challenges must be dealt with efficiently as well, McMillan said. Canada has seen many major oil pipeline projects stalled for the better part of the past decade over environmental and First Nations issues in British Columbia.

## Alberta will pay $1.36 billion for shutdown of coal-fired power plants

(The Financial Post; Canada; Nov. 25) - The Alberta government will pay three coal-fired electric generating companies $1.36 billion for the province's decision to close their plants early, while also potentially avoiding a lawsuit with other power companies in the province. The province's Energy Minister Marg McCuaig-Boyd announced Nov. 24 that the province will pay Capital Power, TransAlta and ATCO a total of $97 million per year from 2017 through 2030 to shut down six of their 18 power plants early.

The other 12 coal-fired generating stations in the province are all scheduled to close, or convert to gas, before 2030. Alberta has mandated that all coal-fired plants either shut down or eliminate all emissions by that date as part of sweeping climate-change legislation announced last year. The payments will be covered by revenues collected from the province's newly implemented price on carbon and were announced at the same time the government reported it had settled lawsuits with other power providers.

The province also reached an agreement with Capital Power and tentative agreements with AltaGas and TransCanada to avoid a lawsuit over cancellation of power contracts. The companies cancelled contracts they held to purchase power after the government imposed higher carbon prices on emissions, a move which made those power-purchase contracts less profitable. Alberta's government has said the changes are necessary to attract greener power plants to offset the mandated closure of coal plants.