Oil and Gas News Briefs
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Canada extends proposed B.C. LNG project export license to 40 years

(The Northern View; Prince Rupert, BC; Oct. 14) – Canada's National Energy Board has approved a 40-year natural gas export license for the proposed Pacific NorthWest LNG project, up from the previous license granted of 25 years. The NEB determined that the amount of gas to be exported in the expanded time frame does not jeopardize supplies for domestic needs. The agency approved the request Oct. 13, eight months after the project developer filed the request. The 25-year export license was granted in 2013.

The NEB said it was satisfied that Canada's gas resource base is large enough to accommodate foreseeable domestic demand. The agency also said it had taken into account the numerous other export licenses it has granted, not all of which it expects will be utilized. "All of these LNG ventures are competing for a limited global market and face numerous development and construction challenges," the NEB stated. "Not all LNG export licenses issued by the board will be used or used to the full allowance."

The Pacific NorthWest license allows the export of up to 3.3 billion cubic feet of gas per day, on average. The project, led by Malaysia's Petronas, has its federal environmental approval. The sponsors are considering the market economics and permit conditions before making an investment decision on the multibillion-dollar investment for near Prince Rupert, B.C. The sponsors requested the additional years of export authority to provide more certainty for their marketing efforts.

India pushing to increase natural gas use — even putting it to song

(The National; India; Oct. 15) - India is so committed to getting its population to switch to natural gas that a few weeks ago the government launched a catchy Bollywood-style song to promote the fuel. India's appetite for liquefied natural gas is set to surge over the coming years, driven by the country's need for power, sharply lower prices of the fuel and a push by the government to increase the usage of gas as a proportion of its overall energy mix. Natural gas is considered to be a relatively clean fuel.

"India is now emerging as the largest driver of global LNG demand growth," according to a report published by financial group Citi this month. India is the fourth-biggest importer of LNG after Japan, South Korea and China, with its imports coming primarily from Qatar. The country's expanding economy and urbanization are driving India's rising energy needs. Demand has been rising rapidly and Citi forecasts that India's LNG demand could almost double over the next four years amid a glut in global supply.

"The government is also doing its bit, putting in place measures to expand gas infrastructure, including … new pipelines and terminals," Citi said. It added that the "oncoming glut" in LNG globally means that it is likely to be a buyers' market over the next few years. LNG spot prices are down by 60 percent compared with two years ago. "India is well behind most of its developed and developing nation counterparts in terms of gas usage, especially at the retail level," the Citi report said.

India, Russia will explore option of 3,700-mile gas pipeline

(Hindustan Times; India; Oct, 16) - India and Russia have agreed to explore building the world's most expensive pipeline that could cost close to $25 billion to move natural gas from Siberia to the world's third-largest energy consuming nation. The project envisions connecting the Russian gas grid to India through a 2,800- to 3,700-mile pipeline, officials said. The shorter route, however, would mean bringing the pipeline through Himalayas into northern India, a route which poses several technical challenges.

Alternately, the pipeline from Russia could come via Central Asian nations. However, the route would be expensive when compared to the long discussed but shorter and cheaper Iran-Pakistan-India pipeline that would deliver Iranian gas. Tehran may suggest India take its gas through Iran-Pakistan-India rather than building such an expensive pipeline from Russia. The third and the longest alternative is to lay a pipeline through China and Myanmar into North East India, bypassing Bangladesh.

According to preliminary cost estimates prepared by the state-owned Engineers India, which signed an agreement with Russian gas giant Gazprom on Oct. 15 for studying the pipeline, the longest route of 3,700 miles could cost close to $25 billion, with a pipeline tariff of as much as $12 per million Btu. That would be much substantially more costly than all other routes. But industry experts said the cost could be much less, maybe $4, though that does not include transit fees charged by nations along the pipeline route.

China boosts gas imports to prepare for winter

(Bloomberg; Oct. 13) - Chinese energy companies boosted natural gas buying to a record in September as they try to avoid winter shortages that plagued parts of the country last year. China imported 5.73 million metric tons of the fuel in in September, the General Administration of Customs said Oct. 13. That's up more than 70 percent from August and the same month last year. The office does not publish separate liquefied natural gas imports and pipeline figures until later this month.

"Natural gas imports will likely continue to rise throughout the winter until at least March next year," said Tian Miao, an analyst with policy researcher North Square Blue Oak.

“Peak demand season will soon arrive and suppliers will try to avoid the kind of shortage we saw last year." Last winter, northern China was hit by the lowest temperatures in 64 years and heavy use forced Beijing to suspend gas supplies to some industrial users and forced some public buildings to heat only to 57 Fahrenheit.

China is seeking to boost the share of gas in its energy mix to 10 percent by 2020 and cut prices last year to spur consumption. Demand in the first eight months of the year is up 7.5 percent, according to the National Development and Reform Commission. “New gas-fired power stations coming online need supply and improving air quality remains a key driver,” said Lee Levkowitz, a Beijing-based energy analyst with IHS Markit. China also plans to adjust pipeline fees next year in a further effort to stimulate the use of gas.

Permian Basin natural gas output up to almost 7 bcf a day

(Bloomberg; Oct. 13) - One of the biggest threats to an extended rally in U.S. natural gas prices is lurking in the oil patch. Gas production in most of the country has dropped amid cost-cutting. Not so in the Permian Basin in Texas, the nation’s biggest crude reservoir and one of the few places where drilling has remained profitable. Permian drillers are pumping more oil as prices rise, pushing gas produced as a byproduct to almost 7 billion cubic feet a day, about 8 percent of U.S. supply, Bloomberg data show.

The Permian’s resilience may blindside gas bulls who have nudged prices above $3 per million Btu for the first time in 16 months, following record demand during a hot summer and rising exports. At the same time, Permian drillers have added 45 rigs in three months, and a new discovery by Apache in the area promises to chase higher demand with a production surge starting in mid-2017. “We’re drilling for oil in the Permian, but the dirty little secret is that there are also massive gas fields,” said Scott Hanold, an analyst at Royal Bank of Canada. “The Permian is … going to be the 900-pound gorilla.”

The Permian is making a swift recovery from a rout in oil prices that battered the energy industry earlier this year. In part, that’s because the Permian’s unique geology allows explorers to extract more crude at lower cost, compared with other shale formations. Some wells in the region can break even with crude at $30 a barrel, according to Will Foiles, an analyst at Bloomberg Intelligence in New York. Since wells in some areas of the reservoir can produce more than 50 percent natural gas, oil’s rally to a 15-month high will also unleash more of the heating and power-plant fuel on the U.S. market.

LNG proponents remain optimistic that B.C. projects will proceed

(Calgary Herald; Oct. 12) - Despite delays and low prices plaguing liquefied natural gas projects proposed in British Columbia, proponents told an industry conference in Calgary on Oct. 12 that they remain bullish about the industry’s future. Robert Dakers, commercial director for the Shell-backed project in Kitimat, B.C., named LNG Canada, said the West Coast industry missed the first wave of LNG demand but could take advantage of a new surge expected in the next decade.

“There is still a very strong prospect that B.C. LNG will happen,” Dakers said, citing forecasts that global demand could spike from 250 million tonnes annually to 400 million tonnes within the next 10 years. LNG Canada is among the B.C. projects that have received government approvals but have been placed on hold amid low prices and a global oversupply. Pacific NorthWest LNG, backed by Malaysia’s Petronas, received approvals last month, but the partners are still reviewing the project’s economics.

“The obituary on this industry has been written a million times,” said Byng Giraud, a vice president with the proposed small-scale Woodfibre LNG project north of Vancouver. He said his group is attempting to drive down the costs of its project so it can offer buyers a lower price and become economically feasible in a tight market. Rich Coleman, B.C.’s minister of natural gas development, said he’s “pretty optimistic” about the industry, though he has been called an “idiot” in his home province for having an upbeat outlook.

Canadian report sees hope for LNG industry in the next decade

(Calgary Herald; Oct. 13) - A new report suggests there may be hope for Alberta and British Columbia natural gas producers to reach foreign markets through Canadian West Coast LNG export terminals. Still, the Conference Board of Canada report is not all rosy about the country’s gas industry. It forecasts producers will post big losses this year, similar to a pre-tax loss exceeding $1.7 billion in 2015, largely due to low prices.

In the absence of LNG projects opening access to foreign buyers, Canadian producers remain “at the mercy” of the North American market, awash in supply. But the report finds some bright spots. Investment in new liquefied natural gas supply “is pretty much going down to a stall by the end of this decade,” said Carlos Murillo, the report’s author. But if no new projects are sanctioned, and global demand for the fuel grows as some expect, “as of the start of the next decade we will need some new projects,” Murillo said.

Over the longer term, Murillo said poor conditions that have stifled an LNG industry on B.C.’s West Coast — low prices and a glut of new supply worldwide — are expected to improve. Global spending on LNG projects is expected to slide by an average of 40 percent annually through 2020, reaching a “rock bottom” of US$4 billion, his research suggests. And while global demand remains muted, Murillo expects it will grow over the long term, adding, however, “There’s still uncertainty over the next few years.”

B.C. pushes benefits of LNG industry to First Nations

(CBC News; Oct. 15) - Even during a major downturn in the oil industry, the Fort McKay First Nation in northern Alberta continues to find work for all of its residents wanting a job. It recently opened a $6 million arena and $9 million youth center. The average household income is $120,000. The First Nation has embraced the oil and gas industry and taken advantage of its proximity to the oil sands. No wonder other First Nations consider whether they, too, may one day reap economic benefits of the energy industry.

It's a selling point for B.C. Deputy Premier Rich Coleman as he tries to advertise the merits of building gas pipelines through his province and liquefied natural gas export facilities on the West Coast. "We as Canadians should be ashamed of ourselves relative to living conditions of the small First Nations communities I've been in across the North," he said this week. For several years the B.C. government has championed the need for LNG projects to improve the welfare of all residents. "I've lived that life in poverty," said Chief Karen Ogden-Toews of the Wet'suwet'en First Nation in B.C.

Ogden-Toews is leading the First Nations LNG Alliance, which is advocating for a share of revenues from development of the industry. "We're tired of managing poverty, we want to be able to manage prosperity." But financial benefits of oil and gas development don't always convince First Nations to embrace the industry. The Lax Kw'alaams Band near Prince Rupert, B.C., rejected a $1 billion benefits package tied to a proposed LNG project as members were concerned over its environmental impact to fisheries.

Opponents, supporters line up for LNG project in Brownsville, Texas

(San Antonio Business Journal; Oct. 13) - A request by Texas LNG to build a liquefied natural gas export terminal on the Gulf Coast, just north of the Mexico border, was the focus of a contested public hearing for an air quality permit. The Texas Commission on Environmental Quality held the hearing Oct. 11 in Brownsville. Houston-based Texas LNG is one of three companies seeking federal approval to take gas from the Eagle Ford Shale, pipe it to the Port of Brownsville, liquefy it and ship it to overseas buyers.

With more than 100 people attending the meeting, opponents spoke about their concerns over pollution and safety while supporters said the project would create jobs and boost U.S. exports. The permit application will continue through the public comment process before moving to the state commissioners for their final decision.

Texas LNG Chief Operating Officer Langtry Meyer said the company has worked diligently to minimize air emissions by planning for electric motors instead of gas turbines to drive its refrigeration compressors. But Texas Sierra Club conservation organizer Rebekah Hinojosa said environmentalists, neighboring cities, shrimpers and others will continue to oppose the project.

Panelists see gas markets shifting; uncertainty extending into 2020s

(Natural Gas Intelligence; Oct. 13) – No one offered any near-term good news for a long-stalled U.S. West Coast liquefied natural gas export project as a panel of experts at a gas conference in Denver on Oct. 11 gave their views on the shifting global supply-demand balance in gas markets. That picture is changing, they said, bolstered by more U.S. export pipeline capacity to Mexico and LNG export terminals on the Gulf Coast.

Panelists expressed different views about what was unfolding, but all agreed the supply-demand picture will be quite different by the end of next year — and in the next 10 years. ICF International senior economist Michael Sloan said the market will be much different a decade from now, but with no certainty on what those differences will be. The panelists gave varying views on the chances for the proposed Jordan Cove LNG export project at Coos Bay, OR, which potentially could draw heavily on U.S. Rockies gas.

S&P Global Platts energy analyst Thad Walker said the world market for LNG is too oversupplied to support the Jordan Cove project for the foreseeable future. "We don't think the global supplies will balance out until 2020 or 2022, so until you get to that point it is unlikely that anyone could go forward and make an investment decision on a project like this," he said. Sloan said he thinks the timing for any U.S. West Coast LNG exports is at least 10 years out. "I cannot seriously see something like this in today's market."

Slump in China's coal output helps boost natural gas prices in Europe

(Bloomberg; Oct. 13) - Future shipments of liquefied natural gas from the U.S. to northwest Europe may hinge on the actions of coal miners thousands of miles away, according to research from energy consultant Wood Mackenzie. A continued slowdown at Chinese mines could extend a 54 percent rally in European coal prices this year. That, in turn, would force gas prices higher Europe as coal, an alternative fuel, rises in price. All of which could help make U.S. LNG more price competitive in Europe.

"Coal might be in demise, but understanding the global coal market has never been more important," Noel Tomnay, head of global gas and LNG at Wood Mackenzie, said in an interview in London. "The future of U.S. LNG over the next year will be set by the pace of response of coal markets in the U.S. and China." The link between China's mining industry and the European gas market highlights the forces at play in global energy markets as governments try to reduce pollution from carbon-rich coal.

The rise of U.S. shale gas production has added a new variable to the mix after the start of Gulf Coast LNG exports this year. That gas hasn't yet reached northwest Europe, but China's slumping coal production is causing shock waves globally, pushing European coal prices to their first yearly gain since 2010. That's led to increased demand for gas, a rival power-plant fuel. Chinese coal output will probably fall 8.2 percent this year and by 0.5 percent in 2017, according to London-based consultant Perret Associates.

LNG production, marine fueling facility in Florida set to open late 2017

(Ship & Bunker; Oct. 12) – JAX LNG on Oct. 11 said it has completed engineering and procurement contracts to start construction of its natural gas liquefaction and storage facility in Jacksonville, Fla., which will support LNG bunkering with the fueling vessel Clean Jacksonville, North America's first LNG bunker barge. The JAX LNG marine fueling facility is set to begin operations in the fourth quarter of 2017.

Upon completion, the facility will be capable of receiving natural gas by pipeline and producing 120,000 gallons of LNG per day, filling a 2-million-gallon storage tank. JAX LNG is a joint-venture formed in 2015 by Pivotal LNG and NorthStar Midstream. The facility's customers will include TOTE, which operates two dual-fuel — LNG and oil — containerships out of Jacksonville. TOTE also plans to convert to LNG its two roll-on, roll-off cargo vessels that operate between Tacoma, Wash., and Anchorage.

Oil drilling cutbacks hurt Canadian farmers who rely on second jobs

(The Canadian Press; Oct. 9) - Like many Saskatchewan prairie farmers, 56-year-old Shannon Webb has used a steady paycheck from working on drilling rigs in winter and summer for decades to pay down his land and equipment debt and stabilize his farm income. He's been able to leave the rig to tend his farm in the spring and fall and go back to the oil patch when dry weather or frozen ground allows drilling to ramp up again.

"I was supposed to go back (to the oil patch) by Nov. 1, but I don't think I'm going to get much more than about two weeks out of that job," he said of the current industry slowdown. Webb has been working on rigs since 1978. He said the current downturn, marked by two years of low oil prices, is the worst he's seen since the big price crash of the 1980s. Industry forecasts suggest that 2016 will be the worst year for drilling activity in almost four decades in Canada.

The Canadian Association of Oilwell Drilling Contractors estimates 3,600 wells will be completed this year, down 33 percent from last year and down 68 percent from 2014. Each idle rig represents about 25 field jobs, said Kevin Neveu, president and CEO of Calgary-based Precision Drilling. Neveu said farmers are a vital cog in the drilling business for more than their complementary schedules. "Most farmers have a lot of experience with mechanical equipment, with troubleshooting, with problem-solving, with resourcefulness … which fits the culture of the drilling rig very, very well," he said.

Investment company reportedly plans to order 20 LNG carriers

(Reuters; Oct. 12) - A little-known investment company said it intends to order up to 20 liquefied natural gas carriers, probably from South Korean shipbuilders. The contracts could be worth as much as $3.8 billion, two sources told Reuters. CBI Energy and Chemical, controlled by Australian and Canadian investors and with offices in Hong Kong, also disclosed in a statement to Reuters that it would be seeking to buy floating LNG production and import facilities as part of an ambitious plan for Africa and Asia.

The orders would be a major boost for South Korea's ailing shipbuilders, which have been hit by a collapse in new orders as global trade growth slows. CBI Energy would be taking advantage of low shipbuilding costs and cheap credit that make it easier for newcomers to tap into a global switch toward gas, LNG traders said. Depressed LNG prices are encouraging demand for the fuel.

The company said it has plans for Africa and Asia that include gas production, pipelines, marine transportation, LNG plants, rail transport, power generation, chemical plants and an LNG distribution network, including retail stations. The first ship is due for delivery in 2019, sources said, adding that the remaining vessels would be delivered at a rate of one ship every two to three months. CBI Energy is a holding company registered in the British Virgin Islands and lists offices in Hong Kong, Beijing and Switzerland.

BP drops plans to explore deep-water offshore Australia

(Wall Street Journal; Oct. 11) - BP abandoned plans Oct. 11 to drill deep-water oil-exploration wells off the southern coast of Australia, saying the project's finances don't stack up against other opportunities globally. The decision comes after regulators last month threw a wrench into BP's plan to explore in the Great Australian Bight, a remote stretch of ocean that is home to whales, sea lions and other wildlife. Regulators sought more information on how BP intended to manage environmental risks.

Environmental groups were quick to claim victory. They said a deep-sea well blowout could put endangered animals at risk, and claimed BP's emergency-response plans were insufficient. Stretching about 1,000 miles between the states of South Australia and Western Australia, the Bight is a marine reserve whose rich fishing grounds yield tuna and other prized species, as well as Great White sharks popular with thrill-seeking tourists who view them from the safety of diving cages.

BP had said the Bight's geology was similar to some of the world's biggest oil and gas regions, such as the Mississippi Delta. "The Great Australian Bight was seen as a potential big exception to the rule of majors deserting frontier deep-water plays, but this decision comes close to signaling the death knell to frontier deep-water exploration in the current price environment in the region," said Saul Kavonic, head analyst for Australasia at energy consultancy Wood Mackenzie.