# Oil and Gas News Briefs
# Compiled by Larry Persily
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## LNG buyers in Asia increasingly turn to short-term contracts

(Bloomberg; Oct. 18) – Australia-based Origin Energy's managing director Grant King believes new liquefied natural gas projects are less likely to be approved as buyers across Asia favor short-term contracts, threatening the financial model that has underpinned the multibillion-dollar export plants. LNG buyers are increasingly demanding more flexible terms amid a global glut of the fuel, King said.

"Buyers are increasingly buying in smaller volumes and lesser duration, and what that does is make it much more difficult for new greenfield projects to get up in the current environment," King told reporters after the company's annual general meeting in Sydney on Oct. 19. Origin owns a 37.5 percent stake in the ConocoPhillips-operated Australia Pacific LNG export plant in Queensland state, which last week shipped its first gas from the development's second production line.

When the project was approved in 2011, it negotiated long-term supply contracts with Sinopec Group and Kansai Electric Power. Suppliers have historically relied on locking in buyers to 20-year deals to help with financing LNG projects. King said winning such deals in the current LNG market would be much more difficult. "There are very, very few customers now willing to write those big, long-term foundation contracts." Origin's debt ballooned to fund construction of APLNG and, in retrospect, King said, it should have cut down its stake in the venture to closer to 30 percent from its 37.5 percent holding.

## Qatar wins 5-year deal for LNG supplies to U.K.

(Reuters; Oct. 19) - Qatargas, the world's largest LNG producer, signed a five-year sales and purchase agreement with Petronas LNG UK on Oct. 19, expanding a strategic import deal to Europe in the face of a looming global glut of gas supplies. Under the agreement, Qatargas will deliver 1.1 million metric tons of liquefied natural gas per year to the U.K.-based venture until Dec. 31, 2023, extending a current five-year contract that was due to expire on Dec. 31, 2018.

Qatargas is looking to Britain and the Netherlands in an effort to weather an impending global LNG supply glut through expanding its imports into Europe. Qatar must lock in buyers for its unsold supply just as new Australian and U.S. producers muscle into its prized Asian markets. Petronas UK is a subsidiary of Petronas, the national oil and gas company of Malaysia. The LNG will be supplied from Qatargas 4, a joint venture between Qatar Petroleum and Shell. Pricing terms were not disclosed.

## New LNG import terminals planned for eastern China’s urban area

(Interfax Global Energy; Oct. 19) - The competition to supply LNG to eastern China is set to intensify as a slew of new terminals in the urban area around Shanghai start up in the next few years. The latest project to make progress in the Yangtze River Delta region is Sinopec’s proposed facility for the wealthy coastal city of Wenzhou in Zhejiang province, which will be the state company’s second LNG terminal on the eastern seaboard. The terminal has been approved by the National Energy Administration.

Sinopec, Zhejiang Energy Group and Wenzhou Port Group plan to spend $1.3 billion on the facility with a capacity of 3 million metric tons per year, storage tanks and a pipeline link to the gas grid. The terminal will be able to supply on average 400 million cubic feet of gas per day when the first phase goes online in 2018. There are three operational LNG terminals in the Yangtze River Delta — home to nearly 160 million people — while at least another four, including Sinopec’s, are planned or under construction.

Sinopec’s terminal is one of two under way in Zhejiang. ENN Group, the parent of Hong Kong-listed ENN Energy Holdings, is building a similarly sized facility in Zhoushan that will go online in 2018. The Zhejiang authorities have hailed Sinopec’s terminal as an important project to secure gas supply and improve the energy mix in the province and the neighboring regions. The area currently gets much its gas by pipeline.

## Higher coal prices help LNG, but they may not last

(Reuters; Oct. 17) - The liquefied natural gas sector has watched with joy how thermal coal prices have soared this year, hoping that the unexpected spike would at last make LNG price competitive in Asia. Although much cleaner than coal in terms of pollution and carbon emissions, gas has struggled to make inroads in Asia's power generation mix since it is typically more expensive to produce electricity from gas than coal.

Despite a 90 percent coal price rally to almost $100 a tonne, and even with relatively low LNG prices in Asia of $6.50 a million Btu, gas still cannot compete with coal in Asia, said Chong Zhi Xin, principal LNG analyst for Asia Pacific at energy consultancy Wood Mackenzie. For LNG to be competitive, Reuters calculations based on fuel and power generation costs show that coal — by far the most widely used fuel for electricity in Asia — needs to rise even more from its current three-year highs, toward $110 a tonne.

Coal prices are currently nearing that level. Pushed by a domestic mining cap in China, which forced its power generators to increase coal imports, prices for coal from Australia's Newcastle port soared by 95 percent this year, to almost $95 a tonne. But continuation of the rally, or even a sustained period of coal at current prices, is seen as unlikely. Goldman Sachs said in a note this month that "risks are now skewed to the downside" for coal prices. Coal futures for 2017 delivery are much lower at $66 a tonne.

## U.S. on track in 2017 to become net exporter of natural gas

(Bloomberg; Oct. 19) - Sometime in 2017, for the first time in 60 years, the U.S. will likely sell more natural gas to the world than it buys. Next year, capacity to export liquefied natural gas from the Lower 48 states will more than double, to 3.2 billion cubic feet per day. That will add to huge increases in the volume of gas already being piped to Mexico and could boost exports to about 9 percent of total U.S. gas production.

A lot of those new exports will go to Latin America. Since the first LNG tanker left the Louisiana coast in February 2016, 34 cargoes have departed through early October, with two-thirds of them going to Argentina, Brazil, Chile and Mexico. Colombia will be a new buyer in 2017. Shipments to Asia are also set to rise as India increases LNG imports amid low prices. Europe could be in play, too, with the U.S. trying to compete with Russia, which supplies 40 percent of the European Union’s gas imports. Turkey, Russia’s third-biggest buyer, took its first LNG cargo from the U.S. in late September.

“The fact that the U.S. is actually exporting, and particularly LNG to places where Russia has almost monopolistic power, is a huge development,” said Majed Limam, a senior consultant for LNG and natural gas at ship brokerage Poten & Partners. By becoming a net exporter of gas next year, the U.S. will take a big step to achieving its own energy independence, though it will still buy a lot of natural gas from Canada.

## U.S. gas demand depends on global trade, nuclear power, fracking

(EnergyWire; Oct. 19) - Forecasting oil and gas pricing is always a risky business, but predicting prices beyond 2040 is especially difficult thanks to global shifts in energy use. So says Adam Sieminski, chief of the U.S. Energy Information Administration, the Energy Department's statistical arm that's known for spinning its web of energy data into short- and long-term predictions of how markets will move.

EIA's current big-picture domestic forecast previews supply and demand to 2040 and paints a picture of U.S. oil and gas production slowly growing — mostly shale resources — as renewables also supply a growing share of the domestic power mix. One of the biggest uncertainties is the fate of the Obama administration's Clean Power Plan, which if upheld in court would add to an ongoing shift from coal to gas for power generation, and would support faster growth for renewable electricity sources like wind and solar.

The task gets more difficult as the agency looks toward extending its outlook to 2050, Sieminski said at an American Gas Association event. A big question mark after 2040 is the retirement of nuclear power plants. As the U.S. nuclear fleet ages, many are coming up against the end of their intended life span. Another variable that will affect demand for U.S. gas is global trade, he said, adding that if opposition to hydraulic fracturing is translated into a dramatic reduction in its use in the U.S., the price impacts would be sharp. Fracking is used to produce half the oil and 60 percent of the gas in the U.S.

## Gas supply shortage leads to overnight service cutbacks in Pakistan

(Dawn; Pakistan; Oct. 18) - Domestic consumers in Pakistan's Punjab province will face severe gas shortages during the upcoming winter due to the curtailment of supply between the hours of 10 p.m. and 5 a.m. daily, the National Assembly's Standing Committee on Petroleum was informed on Oct. 17. Minister for Petroleum and Natural Resources Shahid Khaqan Abbasi told a meeting of the committee that the worst year of gas shortages for consumers in Punjab had started.

He said a gas load-management plan had been activated and gas shortages were being felt in certain areas of the province. The minister expressed concern over priority access to gas enjoyed by provinces that are producers of the resource. "This restriction should not apply to domestic users," the minister said, adding that the issue is important because Punjab is Pakistan's largest consumer of gas and yet the smallest producer.

He said that despite Pakistan's start-up of liquefied natural gas imports more than a year ago, the gas supply shortfall remains significant and the costly imported LNG would be consumed mainly by industrial consumers. Gas demand in Punjab is more than 500 million cubic feet a day above the available supply. The country produces about 4 billion cubic feet of gas a day, meeting about half of its needs.

## Pakistan in negotiations with Russia, Malaysia for LNG supplies

(The Express Tribune; Pakistan; Oct. 19) - As Pakistan is seeking additional liquefied natural gas supplies to do away with long-running energy shortages, Russian and Malaysian companies are likely to win the race for billions of dollars in contracts, officials say. Other energy companies, particularly from the Middle East and Europe, are also vying to win LNG supply orders, but they're lagging behind. Pakistan opened its LNG import terminal in March 2015, and its initial supply contract is with Qatar.

Already, Russia is at an advanced stage of talks on laying a $2 billion pipeline from Karachi to Lahore for the transport of imported gas. Pakistan's Ministry of Petroleum and Natural Resources is seeking the go-ahead of the Economic Coordination Committee to start negotiations on LNG prices with Russian and Malaysian companies and award them supply contracts, officials say.

According to officials, Pakistan LNG has informed the petroleum ministry that it is engaged in negotiations with Petronas of Malaysia and Gazprom of Russia in a bid to strike LNG supply agreements. For the past few years, Pakistan has been enduring acute gas shortages both for electricity generation plants and for general use. Pakistan produces nearly 4 billion cubic feet of gas per day, far short of the demand for 6 bcf a day, which is continuously rising.

## Iran negotiates for foreign investment to boost oil and gas production

(Bloomberg; Oct. 19) - Iran is negotiating with 16 international energy companies to help operate and manage 50 oil and gas projects around the country to boost production after years of international sanctions. The projects are feasible even with oil at $40 a barrel, Gholam-Reza Manouchehri, a deputy director of the National Iranian Oil Co., told reporters Oct 19. The South Azadegan field on Iran's southwest border will be the first deal announced, and probably needs $10 billion to add 600,000 barrels a day of output.

"We have a lot of companies" approaching the Iran, Manouchehri said. "I'm not sure when we'll sign the first contract. I hope it will be earlier" than a year from now. Iran is recovering from sanctions that strangled its economy and choked off investment in its oil and gas industry. An easing of sanctions in January has allowed the country to ramp up oil exports to 2 million barrels a day in July from 1.4 million at the end of last year, Joint Organizations Data Initiative data show.

The Persian Gulf nation is seeking to further boost production at oil and gas fields, and will need about $200 billion over the next four years for energy investments, according to figures provided by Iran's Petroleum Minister Bijan Namdar Zanganeh on Oct. 18. Iran wants to produce about 4 million barrels of crude a day to regain its pre-sanctions share of the market, Zanganeh said. Iran's output was 3.63 million barrels a day in September, according to data compiled by Bloomberg.

## Alberta creates committee to look at diversifying oil and gas industry

(Edmonton Journal; Oct. 13) - A committee announced by the Alberta government Oct. 13 will look at how to diversify the province's oil and gas sector. It's all about value-adding — partial upgrading, refining, petrochemical and chemical manufacturing will all be on the table. Energy Minister Margaret McCuaig-Boyd said she's not going to dictate which direction the committee should take.

"Innovation" was somewhat of a buzzword at the announcement, with Economic Development and Trade Minister Deron Bilous and co-chair Jeanette Patell both pointing to it as the way the energy industry can realize its full potential. "We can't live in what was in the past, we need to go forward and get our industry in the best shape and look to the future of our energy industry," McCuaig-Boyd said.

The seven-member panel was born from recommendations made by the provincial royalty review panel. With a budget of $150,000, the Energy Diversification Advisory Committee has one year to consult with industry and the public and come up with recommendations for government. It is to present a draft report next summer and its final report in early fall 2017. Its members come from diverse backgrounds — organized labor, engineering, the energy industry and indigenous organizations.

## Business plan for Tacoma LNG plant goes before judge this week

(The News Tribune; Tacoma; Oct. 17) - For more than a year, state utilities regulators have grappled with a simple question about the complex financial machinations attached to Puget Sound Energy's proposed liquefied natural gas production, storage and fueling depot on the Tacoma waterfront: Will it put ratepayers at risk? After protracted negotiation, the company, regulators and a handful of other parties now say they have worked out a compromise that they say will not put ratepayers at risk.

Their agreement lays out an intricate system of split ownership and management for the $300 million LNG plant between the utility and the private investor group that owns it. This week, the agreement goes before a judge, who will hear public comments and evidence before deciding whether he approves. If the deal wins approval, it will alter a pledge Puget Sound Energy's Australia-based owners made to state and federal regulators to win permission to buy the utility in 2008.

That approval included an agreement that the holding company that owns Puget Sound Energy would not own or operate another business besides the regulated utility — that was intended to keep the utility's accounts separate from any financial risks associated with business ventures of the Macquarie Group, its owner. The plan now is for the LNG project to be co-owned by the regulated utility and an unregulated subsidiary, with the two supplying the fuel to different markets (such as utility customers and marine fuel buyers). Opponents question the cost-sharing allocation and risks to utility ratepayers.

## London conference consensus pegs oil at $50 - $60

(Bloomberg; Oct, 18) - The world should get used to oil between $50 and $60 a barrel as falling costs in U.S. shale fields counteract OPEC's renewed commitment to supply management. That's the consensus among executives, traders and officials gathered at the annual Oil and Money conference Oct. 18 in London. A prolonged period of crude prices in that range would signal that while the worst has passed, there'll be more financial pain ahead for oil-exporting nations and subdued profits at energy companies.

The price outlook was reinforced in an unusually open speech by a board member of state-owned monopoly Saudi Aramco, where he suggested the world's biggest oil exporter doesn't expect prices to rally much further before the end of the decade. "A $50, $60 oil price — absent a supply accident — is sufficient to develop the low-cost resources to provide increases that will be necessary over the next three to four years," said Andrew Gould, board director at state-owned Saudi Arabian Oil Co.

Others were equally skeptical about the prospect of markedly higher prices. The decision to rein in production by OPEC members last month succeeded in pushing prices above $50 a barrel, but a sustained rally will be held back by the return of U.S. shale oil production from fields previously rendered unprofitable by the two-year slump in crude, the head of the International Energy Agency said. The bosses of three of the largest oil traders — Vitol Group, Gunvor Group and Mercuria Energy Group — forecast prices would be between $55 and $58 a barrel in a year's time.