Oil and Gas News Briefs
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Petronas denies report of possible sale of Canadian LNG project

(Reuters; Oct. 1) – Malaysia's state oil and gas firm on Oct. 1 "categorically denied" a Reuters report that it was considering selling its majority stake in a proposed Canadian liquefied natural gas project. Petronas is weighing several options for the project that was approved earlier in the week by the Canadian government, but has yet to take a final decision, Reuters reported on Sept. 30, citing three people familiar with the matter. Other options are also being considered, including putting the project on ice.

"Petronas reiterates that, together with the project partners, it will study the conditions that come with the (federal) approval and conduct a total review of the project prior to making a decision on the next steps forward," the company said in a statement Oct. 1. Reuters had reported a day earlier that Petronas is weighing options for the project near Prince Rupert, B.C., as a more than 50 percent slide in crude oil prices since the middle of 2014 has hit the company's profits and prompted cuts to capital expenditure and jobs.

Amid the cost-cutting, the economics of the project on British Columbia's northern coast — which took three years to win federal approval due to environment concerns — have been called into question as LNG prices in Asia have fallen more than 70 percent in two years. The project is Petronas' biggest foreign investment and seen as a sign of Malaysia's global energy ambitions. An exit would underscore the financial constraints at the state-run firm and also the soft outlook for global LNG prices.

First Nation opposition to LNG project could end up in court

(Globe and Mail; Canada; Sept. 28) - Opponents of the proposed Pacific NorthWest LNG export terminal in northern B.C. vowed to seek a judicial review of Ottawa's decision to approve construction, underscoring the complex legal landscape in British Columbia of unresolved aboriginal land claims, territory overlaps and the parallel systems of elected band councils and hereditary leadership.

"We are not going anywhere off Lelu Island, that's a given," said Don Wesley, a hereditary chief who has led an occupation of the island where Malaysian energy giant Petronas intends to build its liquefied natural gas facility. While the elected council of the Lax Kw'alaams has expressed interest in the $1.2 billion benefit-sharing offer from the Petronas-led venture, some hereditary chiefs are asserting that the band council has no jurisdiction off reserve land to made decisions in the First Nation's traditional territories.

Wesley said he expects to file for judicial review next week. “If they don’t want to sit down with us, there will be litigation.” But Joseph Bevan, the elected chief councillor of the Kitselas First Nation, welcomed the federal decision. He said it allows his Tsimshian community to benefit from the development. However, the project has strained relations between neighboring communities, he said. Along the pipeline route to the LNG plant, 16 First Nations have signed benefit-sharing agreements. But other communities have said they were not adequately consulted about impacts to traditional fishing resources.

Federal conditions not expected to stop LNG project

(CBC News; Sept. 29) - The 190 legally binding conditions that the federal government has attached to its approval of the Pacific NorthWest LNG project might seem like a lot, but one expert said the number is not surprising for a project of this size and complexity. The proposed project — which would move natural gas by pipeline from northeastern British Columbia to a terminal near Prince Rupert — was approved Sept. 27.

Kevin Hanna, director for the Centre for Environmental Assessment Research at the University of British Columbia's Okanagan campus, said 100 to 200 conditions are common for major projects undergoing environmental assessment. "They are intended to ensure that ... we do as much as we possibly can to improve the quality of the project and the way that it operates.”

Hanna said it’s unlikely that the conditions would stop the project from going forward. "There's nothing in that list of conditions that I think are eyebrow-raising in terms of being really onerous in terms of a designer-cost perspective,” he said. "Are the conditions adequate enough to truly minimize or mitigate impacts on the environment, either in the short term and long term? In some instances, we're estimating. We can make adjustments during the process if necessary."

Many of the conditions imposed on LNG project deal with fisheries

(The Mirror; Dawson Creek, BC; Sept. 29) - Now that the federal government has approved Pacific NorthWest LNG, the controversial natural gas liquefaction facility on Lelu Island, the devil is in the details. The government imposed 190 conditions on the LNG project, including rules for construction and operations around Flora Bank, a sensitive salmon habitat, as well as a cap on total air emissions from the project.

Federal conditions also create environmental monitoring committees “comprised of Indigenous peoples and federal and provincial representatives, for the first time ever,” Environment Minister Catherine McKenna said Sept. 27. Many of the conditions aim to prevent impacts on fisheries. Among the concerns are that the project’s round-the-clock construction schedule could create 24-hour daylight conditions for salmon populations.

Other conditions include limiting underwater pile-driving noise to avoid impacts on fish, and fisheries assessments for Northern Abalone and other species, as well as follow-up monitoring. Warren Brazier, an energy lawyer, said emissions will likely be the biggest hurdle for the project. Because the plant would burn its own gas for power — it would not be connected to the BC Hydro grid — it would be one of Canada's largest emitters of greenhouse gases. "There's nothing about electrification of the upstream," he said.

Opponents criticize allowable emissions from B.C. LNG project

(The Guardian; Sept. 28) - Canada's commitment to fighting climate change has been questioned after the government, led by Prime Minister Justin Trudeau, announced conditional approval for a liquefied natural gas project in northern British Columbia. The government's approval is contingent on the project meeting 190 conditions, including keeping greenhouse-gas emissions capped at 4.3 million tonnes per year, a drop of about 20 percent from the project's initial proposal.

Upstream emissions are not included in this cap and could add as much as 8.7 million tonnes of carbon emissions to the project, according to estimates from a draft report released by the Canadian Environmental Assessment Agency in February. Despite claims by the British Columbia government that the exported fuel would offer an alternative to coal-fired plants in Asia, environmentalists warned that approval of the project would undermine Canada's climate-change commitments.

"How can Trudeau claim to be a climate leader on the international stage, while approving this new project?" Karen Mahon of Stand Earth asked. "We expected better." The conditions set out by the government provided a chance to meaningfully address concerns, said Merran Smith of Clean Energy Canada. Instead, the bar was set too low. "Ottawa should have required Pacific NorthWest LNG to run on clean electricity and use available technology to reduce its carbon pollution by more than 40 percent."

Trudeau defends LNG project approval at House of Commons

(The Canadian Press; Sept. 29) - Prime Minister Justin Trudeau used a Goldilocks defense Sept. 28 in an effort to position his government in the sweet spot of the debate over energy development and environmental protection. Less than 24 hours after his government gave conditional approval to the first large-scale LNG project in northern British Columbia, Trudeau was in the House of Commons defending the decision.

"Unfortunately the members opposite either think we're not going fast enough or we're going too fast," Trudeau said after fielding questions from opposing sides of the LNG divide. "Canadians know we need to grow the economy and protect the environment right." Critics accused Trudeau's government of policy incoherence as it simultaneously promises to repair relations with indigenous communities, reduce carbon emissions and boost economic development by ensuring Canada's natural resources get to market.

The decision to conditionally approve the Pacific NorthWest LNG project on Lelu Island near Prince Rupert, B.C., was seen by some as a litmus test of Trudeau's pledge to get serious on climate change. Others viewed it as the crucible for testing whether Trudeau was credible about expanding Canada's energy resource exports. The approval also includes a first-of-its kind environmental monitoring committee that will include local First Nations representatives to watch critical salmon habitat during project construction.

Vancouver Island LNG project still a 'very, very, very long way off'

(Times Colonist; Victoria, BC; Sept. 29) - A proposed liquefied natural gas plant for Vancouver Island's Saanich Inlet is a "very, very, very long way off" — if it gets approved at all, B.C. Premier Christy Clark said Sept. 28. Clark said Steelhead LNG's plans for the former Bamberton industrial lands are more complicated than those of the Petronas-led Pacific NorthWest LNG project that received conditional federal approval for its project near Prince Rupert.

The premier said the Vancouver Island project depends on receiving permission to move Canadian gas from northern B.C. and Alberta, through the U.S. and back to Canada along a proposed 80-mile pipeline from Sumas, Wash. "We're waiting to even see if it will get approval from the Americans at this point," Clark said. "The Steelhead project is going to be very complicated. I would say that one's too early to call."

Steelhead LNG wants to build a liquefaction and export facility on former industrial lands now owned by the Malahat First Nation. The project calls for floating liquefaction and storage facilities moored to jetties along the shoreline. Steelhead CEO Nigel Kuzemko acknowledged that winning approval for the LNG plant and pipeline will be a lengthy and complicated process. "I do agree with the premier that we're a long way off."

Peru wants to cut LNG exports to Mexico, seek higher-value markets

(Interfax Global Energy; Sept. 29) - Peru's new government is working to reduce its LNG exports to Mexico as it seeks sales to higher-priced markets. However, the country has limited room to maneuver because of existing contracts between Peru LNG, Shell and Mexico, according to experts. Energy and Mines Minister Gonzalo Tamayo told the local news media last week that it was "no longer convenient" for Peru to keep exporting LNG to Mexico, and that Japan and Europe could be better markets.

"[It is unclear] if Shell has the right to send cargoes wherever it chooses without Peru LNG, or whether the government can influence where the cargoes go," Andy Flower, an independent LNG analyst, told Interfax Natural Gas Daily. Shell holds 20 percent equity in the single-train Peru LNG plant and controls 100 percent of the offtake. The 6-year-old plant is capable of producing about 4.5 million metric tons of LNG per year.

It's not the first time Peru has sought a better deal for its gas; the country clashed with Shell last year. The issue is complicated by Peru's contract to sell up to 80 percent of the plant's capacity to Mexican state-owned utility CFE. "Unless CFE agrees … it is unlikely this long-term supply contract would be reduced or interrupted," an analyst said. Cargoes to Mexico are sold at about 90 percent of U.S. Henry Hub benchmark prices. The fall in that price has hit royalties for Peru's LNG exports, which dropped to an average 12 cents per million Btu in 2016. "It is not surprising the Peruvian government wants a price increase or the volume of LNG delivered to Mexico reduced," Flower said.

[U.S. LNG heads to South America as Asia price premium disappears]

(Bloomberg; Sept. 27) - U.S. liquefied natural gas was supposed to go mainly to Asia and Europe, lured by prices as much as four times higher than those at home. So far, South America has been the destination of choice. Thanks to a global glut that has depressed prices, Cheniere Energy has sent more than half of the LNG tankers from its Sabine Pass terminal in Louisiana to South America. Premiums once available in Asia and Europe have disappeared and those regions are well-supplied from elsewhere.

Latin America is hungry for the power and heating fuel from its northern neighbor as the region lacks reliable energy sources of its own. The regional trade is easier as larger tankers can now use the Panama Canal, cutting travel time and cost. "It's certainly been good timing for all the parties," said Ted Michael, a Genscape LNG analyst in Boulder, Colo. "Cheniere is coming on and Latin America is looking for a more consistent supply." The canal can cut travel time to Chile from the U.S. Gulf by about 11 days.

But "in the longer term, the region's LNG demand story is not looking particularly bright," said Alex Tertzakian, an analyst with Energy Aspects in London. Headwinds include use of renewable energy in Brazil and Chile, as well as increased gas production in Brazil and Argentina, he said. U.S. LNG will eventually come to Europe, Carmen Lopez-Contreras, a senior analyst at Madrid-based Repsol, said at a conference in London on Sept. 21. The region has spare terminal capacity and liquid hubs to absorb the fuel. At the moment, however, there's little need for American LNG in Europe or Asia.

[Mozambique dumps energy minister amid LNG project negotiations]

(Reuters; Sept. 29) - Mozambique Energy Minister Pedro Couto has been sacked, the presidency said on Sept. 29, a month before Italy's Eni is due to finalize an offshore liquefied natural gas project worth tens of billions of dollars. No reason was given for the dismissal of Couto, who had held the energy portfolio since January 2015. A separate statement said he had been appointed president of Mozambique's Cahora Bassa hydroelectric power company.

The southern African state discovered offshore gas reserves six years ago of about 85 trillion cubic feet, one of the largest finds in a decade. The gas offers Mozambique an opportunity to transform itself from one of the world's poorest countries into a middle-income state and a major global LNG exporter. Negotiations with Eni and U.S. firm Anadarko have dragged on for years due to disputes over terms and concerns about falling energy prices. However, there have been several recent signs of progress.

Eni met with bankers in London last week about project financing to develop the Coral field, a significant step in getting the project off the ground. Eni struck a deal in July with South Korea’s Samsung Heavy as part of a consortium with France's Technip and Japan's JGC to build a floating LNG platform in a deal worth about $5.4 billion.

Growth opportunity for LNG-fueled trucks in China

(CNBC; Sept. 29) - The way our cars are fueled is changing — and fast. Consumers are seriously looking at alternatives to gasoline and diesel. According to the U.S. Department of Energy's Alternative Fuels Data Center, about 150,000 vehicles in the U.S. are powered by natural gas, with that figure at 15.2 million worldwide. In China, which is notorious for its thick smog, the liquefied natural gas revolution is gathering pace, with some truck drivers keen advocates because of cost-saving benefits.

"Since we started using LNG trucks, I would say the cost saving has been around 30 percent," truck driver Jia Yu Jun told CNBC's Sustainable Energy. "Say we drive about 15,000 kilometers a month – we save more than 100,000 yuan ($15,000) a year," he said. Private energy company ENN has helped build China's LNG infrastructure, including refueling stations.

The environmental gain is just as important as cost. "In recent years, China has made considerable efforts in dealing with the climate and environment, and the transport emissions have a major impact on the environment," said Wang Feng Shen, a vice president at ENN Energy. He sees huge potential for LNG vehicles. "At the moment there are 5.5 million heavy trucks in China and 1.2 million buses," he said. "We only have 200,000 vehicles [using LNG], so the market share is less than 3 percent. It could increase 30-fold in the future."