Oil and Gas News Briefs
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BP agrees to buy entire output of Mozambique LNG project

(Bloomberg; Oct. 4) - BP has agreed to buy all of the liquefied natural gas production from a proposed offshore project in Mozambique for a period of 20 years. The company will purchase cargoes from the Coral South Floating LNG plant being developed by partners including Italy's Eni, which is due to get final investment approval by the end of this year, BP said Oct. 4. The project is expected to have a capacity of more than 3.3 million metric tons a year, BP said, without disclosing commercial terms of the deal.

"I would suspect they have received pricing terms that they view as profitable for re-sale into their end markets," said Jason Gammel, an analyst at Jefferies. "BP and others do offtake incremental volumes because they can make a profit trading it." As the world moves toward cleaner energy, many major oil companies are increasing their focus on gas, which is considered a crucial bridge fuel in the transition to a low-carbon future. "The agreement adds to the diversity of our natural gas portfolio beyond the end of the decade," said Paul Reed, chief executive of BP's supply and trading business.

Production will start in late 2021 at the earliest, Filippo Gotti, vice president of LNG Mozambique at Eni Gas & Power, said last month. Eni is the operator of the project, with a stake of about 50 percent. China National Petroleum Corp. has an indirect holding of 20 percent, while Portugal's Galp Energia SGPS, Korea Gas Corp. and Mozambique's Empresa Nacional de Hidrocarbonetos each have 10 percent.

Thailand negotiates 15-year LNG purchase deal with Shell and BP

(Nikkei Asian Review; Oct. 4) – PTT, Thailand's state-owned oil and gas conglomerate, will sign a 15-year contract for liquefied natural gas with Shell Eastern Trading and BP Singapore before the end of the year. LNG imports will begin in April, a year later than initially planned. PTT postponed an earlier contract because the sharp drop in global oil and gas prices opened the way to cheaper LNG purchases through spot contracts. Meanwhile, energy demand in Thailand has been weakened by the sluggish economy.

The new contract is awaiting cabinet approval and priced in a way that should save PTT roughly 100 billion baht ($2.88 billion) over the 15 years, PTT CEO Tevin Vonvanich said Oct. 3. He said the new formula is more resilient to price fluctuations, though the company did not disclose the pricing terms or volumes under the contract.

Thailand meets 70 percent of its energy needs with gas, and with diminishing reserves in the Gulf of Thailand it is increasingly turning to imported LNG and investing in foreign gas fields. PTT's first long-term LNG purchasing agreement was signed in 2015 when it entered into a 20-year contract with Qatar Gas to buy 2 million metric tons annually.

Total exec says Africa could be growth market for LNG demand

(Reuters; Oct. 4) - Africa could become a significant global market for imported liquefied natural gas by 2025, with Egypt the main driver, as more countries eye gas-to-power projects, a senior official at Total said Oct. 4. With hundreds of millions of people living without electricity in the world's poorest continent, African countries are increasingly turning to gas to take advantage of lower global LNG prices amid a supply glut.

"It could be collectively a 20 to 30 million tonnes per year market by 2025," Tom Earl, vice president of gas and power development at the French oil major, told Reuters on the sidelines of a gas conference in Cape Town, South Africa. He said Egypt could be importing between 15 million to 20 million tonnes annually within a decade, although actual volumes would depend on the development of Egypt’s huge Zohr gas field, which holds an estimated 30 trillion cubic feet of gas.

West Africa could be importing 5 million tonnes a year, Southern Africa 4 million and Morocco 2 million tonnes by 2025, Earl said. "Africa really is going to take a central role. The projects may be typically of smaller scale, but nevertheless they will collectively be very important.”

Canadian analyst says LNG markets could return to balance in 2021

(Financial Post; Canada; Oct. 4) - International LNG markets could return to balance as early as 2021, ushering in another wave of opportunity for Canadian project developers, commodities analyst Martin King said. Demand for the fuel has fallen in recent years as the rapid build-out of new LNG export facilities in the U.S. and Australia has led to a global supply glut, dampening prospects for Canadian exports. “There’s still a window open,” said King, director of institutional research at Canada’s GMP FirstEnergy.

“A decision would have to be made, say in the next 12 to 24 months, if you’re going to go ahead with a project and potentially capture the opening of that second wave of supply opportunity,” King said Oct. 4 at an industry event in Calgary. That opportunity largely hinges on demand. Global need for LNG could hit 400 million metric tons a year early next decade under a high-demand scenario, outpacing today’s available supply. But a lack of strong demand build would delay the need for new LNG export projects.

South Africa moving toward LNG imports, gas-fired power plants

(Reuters; Oct. 3) - South Africa will announce preferred bidders for multibillion-dollar gas-to-power projects by next March as part of its push to diversify electricity production away from environmentally harmful coal plants, a government document said. Bidders have been asked to submit plans to build South Africa's first liquefied natural gas import terminal, gas-fired power plants, storage facilities and gas pipelines, according to a Department of Energy memorandum due to be released and seen by Reuters.

ExxonMobil and Shell are among more than 100 bidders for the gas projects, which South Africa hopes will add more than 3,000 megawatts to its current power production capacity of 42,000 megawatts. South Africa already imports pipeline gas from neighboring Mozambique and could buy LNG from major African producers such as Nigeria and Angola, analysts said.

A drop in global LNG prices has encouraged South Africa to push ahead with gas-to-power projects as it looks to quickly boost electricity supply following nationwide outages last year. "The current global gas and LNG market conditions are expected to represent an opportunity for South Africa to achieve an economically beneficial pricing arrangement," the government document said. The Department of Energy prefers floating LNG regas and storage facilities due to the speed at which they can be built.

Ivory Coast signs with Total to start LNG imports mid-2018

(Reuters; Oct. 4) - Ivory Coast signed a partnership pact Oct. 4 to create a consortium headed by France's Total to build a liquefied natural gas import terminal that could begin receiving gas shipments by mid-2018. Ivory Coast has emerged from years of political turmoil to become one of Africa's fastest-growing economies and demand for electricity is increasing by 10 percent annually, according to the energy ministry.

"The arrival of LNG in Ivory Coast opens a new era in the production of electricity," Energy Minister Adama Toungara said at a signing ceremony in the commercial capital Abidjan. Ivory Coast, French-speaking West Africa's largest economy, has the region's most reliable power production sector and exports electricity to its neighbors. However, a lack of new domestic gas discoveries has raised concerns of a supply crunch.

The project aims to conceive, build and operate a floating storage and regasification unit with initial capacity of 100 million cubic feet per day that would gradually be brought up to 500 million cubic feet, according to an energy ministry statement. The ministry estimated the cost at $200 million. Total would be the project's operator. Other members of the consortium include Shell, Houston-based Endeavor Energy, Ivory Coast state oil company Petroci, CI-Energies, Azerbaijan's SOCAR and Golar LNG.

Energy minister firing in Mozambique could be a good sign

(Natural Gas Daily; Oct. 3) - The dismissal of Mozambique's energy minister and the promising outcome of meetings between the country, the International Monetary Fund and foreign banks are good news for Eni's proposed Coral floating LNG project. Senior representatives from the IMF visited Mozambique Sept. 22-29 to discuss resumption of lending to the East African nation, which was halted following suspicions of corruption.

A statement released by the IMF suggested discussions had ended on a positive note, with the fund welcoming economic measures taken by Mozambique. "A solid track record of implementation of sound macroeconomic policies and an effective initiation of the audit process in the near term would help to create the conditions for a possible resumption of program discussions with the IMF," the fund said. The IMF suspended lending in April because it deemed the country had violated the terms of an agreement.

Eni hopes for first gas from the field by 2019, but industry insiders say the timetable is ambitious because of the various political and financial risks in Mozambique. The firing of the energy minister, however, has been interpreted by many as a sign that the government wants to speed up development. "It's still not clear why he's been sacked, but I don't think it will have much of a negative impact," said Stefano Ghirardi, from London-based political risk consultancy Menas Associates.

Destination of tanker carrying U.S. LNG a mystery to traders

(Bloomberg; Oct. 4) - A liquefied natural gas tanker plying Mediterranean waters has created a guessing game for energy traders. The Maran Gas Delphi has taken a meandering course after loading up on U.S. gas a month ago at Cheniere Energy's Sabine Pass LNG terminal in Louisiana. The ship anchored off the coast of Greece for several days, prompting speculation it would deliver its cargo in the region. Instead, it is now bound for the Red Sea, raising the prospect it may instead head to Southeast Asia.

The ship's winding track is a testament to how an LNG glut fed by surging production from countries including the U.S. and Australia is complicating global trade of the fuel. The rise of so-called "homeless LNG," or supplies not already committed to customers, is confounding efforts by traders and analysts to get a grasp of the market and make bets. "It's bit of a mystery," Jason Feer, head of business intelligence at ship broker Poten & Partners in Houston, said of the Maran Gas Delphi. "Normally, LNG logistics are pretty well-rehearsed, and having an LNG carrier cooling its heels is expensive."

Cargoes of LNG not committed to customers will peak at 80 million metric tons a year by 2020, up from 50 million now, Feer said. This comes as buyers demand more flexible terms and as long-term contracts expire amid the global market oversupply, he said.

“There’s going to be a larger number of pieces going forward and people are going to have to make sense of that,” Feer said. Anangel Shipping Enterprises, owner of the vessel, and Shell, which chartered the ship, declined to comment.

B.C. LNG project waiting for ‘suitable time’ for investment decision

(The Northern View; Prince Rupert, BC; Oct. 5) - Pacific NorthWest LNG, led by Malaysia’s Petronas, is waiting for a “suitable time” for oil and gas prices to prove more favorable before making a final investment decision on its multibillion-dollar liquefied natural gas project on Canada’s West Coast. Pacific NorthWest CEO Adnan Zainal Abidin said the global LNG supply glut is having an impact on the timing of the decision.

“There’s a glut of LNG at the moment, so I think our shareholders will have to see when will be a suitable time,” Abidin said. The company also is evaluating the construction and operational conditions imposed by the federal government in granting approval for the British Columbia project last week. “Our team will need a bit of time to see what works and then analyze the impact of those conditions to the project before we report the recommendations to the shareholders.”

Among the conditions, the federal approval imposes a cap of 4.3 million tonnes of carbon dioxide emissions per year on the plant, a reduction from the 5.2 million tonnes proposed by the developer. The Pacific NorthWest LNG technical team is evaluating whether the project can meet the lower emissions limit, Abidin said. Petronas and its partners have been working on the project for several years, taking more than three years to get through Canada’s environmental review process.

First Nation chief tells industry, ‘build respectful partnership’

(Calgary Herald; Oct. 3) - First Nations officials told a Calgary crowd their communities could benefit from pipeline projects mired in gridlock, but they also believe indigenous groups have a right to stand up against industry. National Chief Perry Bellegarde, of the Assembly of First Nations, said Oct. 3 at a conference on breaking the resource gridlock that he was hopeful industry and indigenous people can reach common ground on pipelines, though he noted unanimity is “totally unrealistic.”

“We have chiefs that say, ‘No, no, no,’ to pipelines, but we also have chiefs who say, ‘Yes, yes, yes’ to pipelines, but sustainable ones, ones that are safe,” Bellegarde said. Leaders from government, industry and First Nations gathered in a downtown Calgary hotel to discuss the lack of progress toward building pipelines that would deliver Alberta oil sands production to wider markets.

Bellegarde tread a fine line acknowledging that many First Nations are opposed to any pipelines, while noting that others are struggling with poverty at a time that industry wants to spend billions building projects. “Build a respectful relationship with indigenous peoples,” he told industry. “We can be your best partners or sometimes your worst enemies, if you don’t build that respectful relationship.” Bellegarde said government and industry can begin to solve the impasse, not by tinkering with the regulatory system, which he said denied rights to aboriginal people, but through a complete overhaul.

First Nations take up battle against pipelines in Canada

(Montreal Gazette; Oct. 2) – Vanessa Gray’s hand shakes as she talks about the prison sentence dangling over her head. The 23-year-old activist said she’s “a little scared,” but also hopeful she won’t be convicted of mischief endangering life when her case goes to trial next year. Prosecutors charged Gray and two others last December after they allegedly sabotaged an oil pipeline in Sarnia, Ontario. If convicted, the three could serve time in a federal penitentiary.

Gray, who hails from the Aamjiwnaang First Nation in Southern Ontario, was at McGill University in Montreal last week, talking about her fight against the energy industry. Last December, Gray and her co-defendants shut down Enbridge’s Line 9 oil pipeline by manually switching off a valve along the structure. They then used bicycle locks to chain their necks to the machine until police cut them loose and arrested the protesters.

Her action is part of a larger struggle that aboriginal people across the continent have taken up — challenging projects in court, protesting in the streets and, in some cases, placing their bodies in harm’s way. Last month, aboriginal leaders met in Montreal and signed a treaty with 50 First Nation groups across North America to jointly fight pipelines that carry Alberta oil sands production. The chiefs fear what might happen to their traditional territory — and drinking water — in the event of a pipeline rupture.

Former TransCanada CEO says regulatory process is flawed

(The Canadian Press; Sept. 30) - Delays caused by the replacement of a federal panel reviewing the Energy East Pipeline show that Canada’s regulatory system is flawed and must be fixed, said a former CEO of project sponsor TransCanada. Hal Kvisle said the recusal of a National Energy Board panel in early September just after hearings on the oil line project began was a victory for activists whose only goal is to block the process.

“I think it’s another failure of (the) regulatory process in Canada that we can’t even commence a regulatory process without it coming off the rails,” he said. “I’ve been making the point to the government of Canada for about 12 or 13 years there needs to be significant improvements in the regulatory process and here we're just had it thrown in the ditch again by people whose objective is really just to stop the whole thing."

The NEB's review broke down after hearings in Montreal were disrupted by protesters. Critics charged the panel was biased after learning that two of three panellists met last year with former Quebec premier Jean Charest, then a consultant for TransCanada. Kvisle, who spoke on the sidelines of the Global Business Forum in Banff on Sept. 29, said the controversy was a "tempest in a teapot." He retired from TransCanada in 2010.

Canada's Natural Resources Minister Jim Carr has said new panelists will be appointed as soon as possible but the review period could be delayed, as could the NEB's goal of having a decision by March 2018. The 2,800-mile pipeline would cost $15.7 billion and carry 1.1 million barrels of oil per day from Alberta to Canada's eastern shore.

Carnival signs up Shell to supply LNG for new cruise ships

(Platts; Oct. 3) - Shell has signed an agreement with Carnival to supply LNG to fuel two of the world's largest passenger cruise ships, the cruise company said Oct. 3. This would be the first time LNG in dual-fuel engines will be used to power cruise ships, both in port and at sea. According to the agreement, one Carnival cruise ship will refuel from Shell's LNG bunker vessel that will load at the GATE terminal in the Netherlands. The second ship is expected to refuel at a western Mediterranean port.

Both ships should start sailing in Northwest Europe and the Mediterranean in 2019. The announcement represents a continuation of Shell's LNG bunkering endeavors. In August, the government of Gibraltar signed an agreement with Shell for LNG supply for power generation, with "potential for LNG bunkering operations in the future," according to a government statement. Qatargas and Shell in April signed a memorandum of understanding to explore development of LNG as a marine fuel in the Middle East.

Demand for LNG as a fuel in the shipping industry is growing, facilitated by International Maritime Organization emissions-reduction requirements. In Europe, strict regulation on fuel sulfur content in the Baltic and the North Sea has been in place since 2015 and will tighten further in 2020, while in North America newbuild ships must also comply with nitrogen-oxide emissions regulations.