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Novatek says first Yamal LNG shipments expected second half 2017

(Reuters; Sept. 19) - Novatek, Russia's second biggest gas producer, plans to launch liquefied natural gas production at Yamal in the second half of 2017 and to ship its first cargoes before the end of that year, a senior executive said. Novatek, which is under Western sanctions over Moscow's role in the Ukraine crisis, needs to deliver its Yamal project on schedule to reassure investors that put up some of the $27 billion cost of what will be Russia's second LNG plant.

"The most important thing … was that the shareholders were 100 percent committed to finance the project … and that there were no delays in the project," Chief Financial Officer Mark Gyetvay told Reuters. Novatek is majority owner of Yamal LNG. Junior partners are China National Petroleum Corp., China's Silk Road Fund and France's Total. Chinese banks agreed to put up more than $12 billion in financing in April while the project also has the backing of Russian banks and Russia's National Wealth Fund.

Gyetvay said the second and the third trains at Yamal are expected to start up in the second half of 2018 and second half of 2019, respectively, bringing the total capacity to 16.5 million metric tons of LNG per year. The northern route for cargoes to Asia will be used during summer when the ice recedes enough to allow passage, while the twice-as-long western route around Europe will be used in winter. Ninety-six percent of Yamal's LNG has been pre-sold to clients in Asia-Pacific, as well as France and Spain.

Gyetvay forecast the global LNG market would swing into a deficit in 2023-2025 as no final investment decision has been taken on any project globally over the past two years, and no such decisions are expected next year either.

LNG still not competitive on price with coal for Asian power plants

(Reuters; Sept. 22) - Natural gas producers have long yearned for higher coal prices to make it easier to compete in Asian power plants. Yet even a 50 percent jump in coal prices this year has not been enough for liquefied natural gas to gain an advantage over its dirtier fossil-fuel cousin. The use of gas — when not supported by government policies — has typically been hampered in countries such as China, Indonesia and Vietnam by cheap coal as they seek the cheapest fuel to energize their economies.

This year, things started to look different. An ongoing slump in oil and gas coincided with coal prices surging to nearly $75 per tonne from $49 in January, leading many to believe there would finally be a chance for gas to compete. But even with Goldman Sachs calling coal one of this year's "hottest commodities," and LNG prices not that far above a multi-year low of $4 per million Btu in April, gas has not become competitive.

"I don't think (the coal price gains) are large enough to incentivize people to switch from coal to LNG, especially in Asia," said Mangesh Patankar, Asia-Pacific head of business development for energy advisory Galway Group. "We need to see LNG prices falling further or coal prices rising further for that change to actually take place," Patankar told Reuters at an industry event in Singapore. "It looks hard at this stage that on a long-run marginal cost level, an LNG-fired power plant can be cheaper than a coal-fired plant."

Cheniere expects more U.S. LNG will go to Europe

(Platts; Sept. 21) - Contracted buyers of U.S. LNG in Europe, such as France's Engie and Spain's Gas Natural, could bring their volumes to their own home markets in the next few years as other LNG supplies linked to rising oil prices could make U.S. LNG more attractive, Cheniere Marketing's Genevieve Solomon said at a gas conference in London on Sept. 21. Cheniere began exporting from its Louisiana plant in February, though only two cargoes out of 30 have come to Europe; most went to South America.

This is partly due to the low gas prices in Europe and a pick-up in Russia, Norwegian and Algerian pipeline supplies. Solomon said that by 2018 or 2019, U.S. LNG is expected to be cheaper than oil-indexed gas in Europe as prices for crude could rise, bringing up oil-indexed gas at the same time. This, she said, should incentivize some of Cheniere's contracted buyers to bring their LNG cargoes to Europe.

Until then, U.S. LNG exports are "less compelling" because of the oil price fall than had been the case when most of the U.S. projects were sanctioned. And while new markets are opening up across the world for LNG, many of the new countries buying LNG — such as Egypt, Jordan and Pakistan — have relatively low credit ratings. This can mean difficulty in agreeing to financing for new LNG projects, Solomon said. "It's a challenge, and the banks and industry players will have to work together to manage that."

Equatorial Guinea looks to sell LNG from new project in Europe

(Reuters; Sept. 21) - Equatorial Guinea is negotiating pricing terms with potential off-takers for production from its proposed Fortuna floating liquefied natural gas project, eyeing Europe as its key market. While Asia remains a key LNG customer for Equatorial Guinea, which started production at its onshore LNG plant in 2007, the small west African country has "to compete with all the supply that is going to Asia," said Equatorial Guinea Energy Minister Obiang Lima, referring to new projects in Australia and the U.S.

"We are seeing that the European market is becoming more attractive for the future than Asia," Lima said in an interview with Reuters on Sept. 21 on the sidelines of an industry conference in Singapore. LNG producers such as Equatorial Guinea are benefiting from European buyers trying to wean themselves off Russian gas by taking advantage of short routes from Africa for the super-chilled fuel shipped in tankers.

The Equatorial Guinea government is targeting a break-even cost of about $6 to $7 per million Btu for LNG from Fortuna shipped to Europe. "We are coming to the final phases of designating our off-takers ... (but) one of the key criteria of this project that has not been decided is the fiscal terms that the government would provide to the project," Lima said. The final investment decision will be made by the end of this year, with completion set for 2019, he said. The plant would produce 2.2 million metric tons per year.

Papua New Guinea’s gas potential draws increasing interest

(Australian Broadcasting Corp.; Sept. 21) - Major multinational oil and gas companies are looking to expand in Papua New Guinea, taking advantage of the country's low production costs, despite a global oversupply and slump in energy prices. ExxonMobil along with Australian company Oil Search last week announced coinciding purchases of 40 percent shares in two offshore exploration permits in the Gulf of Papua.

Oil Search managing director Peter Botten said the deep-water area about 90 miles south of Port Moresby had been identified for "significant gas potential.” The move comes after ExxonMobil successfully won a bidding war for Papua New Guinea-based InterOil, which owns stakes in significant gas fields in the Pacific Island nation. "PNG is one of the few bright spots in the world oil and gas industry," said Erik Anderson, a senior partner at Garden Lawyers who works with the industry.

"Since the 1990s they were drilling for oil but only finding gas, which was frustrating then but it's a lot more desirable now," Anderson said. "It's well located geographically, it's reasonably close to the Asian markets and it has got a lot of potential.” ExxonMobil's successful $19 billion Southern Highlands LNG project, which began exporting to Asian markets in 2014, had boosted international investor confidence in Papua New Guinea’s potential for major projects, Anderson said.

Papua New Guinea wants new LNG plant and existing plant expanded

(Bloomberg; Sept. 21) - Papua New Guinea is backing a new greenfield liquefied natural gas project led by France’s Total in addition to an expansion of the existing $19 billion ExxonMobil-led Papua New Guinea project that started up in 2014. The Pacific nation expects its gas reserves to feed both the expansion and the new LNG project, said Wapu Sonk, managing director of Kumul Petroleum, the state oil company.

Plans to develop both projects have been in doubt since ExxonMobil bought a stake in natural gas fields that were originally slated for the second project and said it intends to funnel that gas through an expansion of its LNG plant. “Exxon has been operating in the country for a long time and it knows what the government wants,” Sonk said Sept. 21. “That’s two supermajors and two separate projects.”

Papua New Guinea’s abundant resources, lower taxes and cheap labor are a bright spot as LNG developers, punished by slumping prices amid a global glut, seek to delay investments and cut costs.

Some buyers, sellers looking at LNG linked to U.K. gas hub prices

(ICIS; Sept. 20) - One major end-user in East Asia is considering the purchase of short-term LNG supply indexed to the British gas hub price starting next year, with others reporting similar offers, market sources told ICIS. Portfolio suppliers that have quoted offers to Pacific Basin buyers at prices linked to the hub, called NBP, for National Balancing Point, include Shell, Paris-based Total and U.K.-based BP, sources said.

Other European companies have also approached buyers in Asia with gas-linked offers, one market source said, rather than traditional oil-linked pricing deals for LNG. Sellers and buyers have turned to the NBP, which is deemed liquid enough to provide reliability. “Market participants use NBP as a gauge for LNG pricing because the gas hub has strong trading liquidity,” one end-user in East Asia said.

From the sellers’ perspective, buyers will swing toward any price index that makes the most sense for them at that point in time. First, it was the Henry Hub futures price to buy U.S. LNG, then switching to prices linked to the Brent oil benchmark. “LNG market participants are a bunch of lemmings who have a herd mentality,” Andrew Seck, former head of LNG trading at Uniper in Asia, said at the ESI gas conference last month.

India’s top LNG importer sees opportunity in transportation market

(The Hindu Business Line; India; Sept. 15) - Petronet LNG, India’s largest importer of the fuel, is betting big on liquefied natural gas as an option to meet India’s transportation needs, company CEO Prabhat Singh said. “We are awaiting a green signal from the government following a proposal to the Ministry of Road, Transport and Highways to use LNG as a fuel in vehicles,” he said. India’s government is making it a priority to boost demand for gas over oil and coal for power generation and other energy needs.

LNG, which is cheaper than compressed natural gas, is not an approved fuel for vehicles in India right now. However, its widespread use would reduce the cost of road transportation as well as the country's dependence on oil, Singh said. The differential saving in terms of energy equivalence would be $12 per barrel by using LNG as a transportation fuel instead of oil, he said.

To create awareness on the use of natural gas for road transportation, he said Petronet LNG has approached Tata Motors to procure 100 LNG-fueled trucks to operate in India.

Natural gas demand on the rise in Qatar and throughout Mideast

(The Peninsula; Qatar; Sept. 22) - Consumption of natural gas in Qatar has seen a rapid rise the past few years. The country, the largest exporter of liquefied natural gas in the world, has witnessed a steep rise in domestic demand of 40 percent over the past five years. Gas consumption in Qatar was at 1.13 trillion cubic feet in 2010, climbing to almost 1.6 tcf in 2015. Production totaled 6.4 tcf in 2015, with 75 percent leaving the country as exports.

Power generation and water desalinization plants account for most of the gas consumption in Qatar. Increasing population and expanding infrastructure are adding to the demand growth. Other Mideast countries also are consuming more gas. Consumption in Kuwait grew 4.2 percent in 2015 after an 18.6 percent gain in 2014. Saudi Arabia's consumption was up 4 percent in 2015, while the United Arab Emirates saw its consumption go up 4.3 percent. In total, Middle East gas demand grew by more than 1 tcf in 2015 over 2014.

European-based petrochemicals company will import U.S. shale gas

(International Business Times; Sept. 18) - Importing natural gas from the U.S. to the U.K. and Europe, taking advantage of the shale gas boom, makes perfect geopolitical and commercial sense, said Tom Crotty, director of corporate affairs at multinational chemicals company Ineos. "For Ineos, importing U.S. gas is a no brainer. A key facet of our commercial agreement with American gas exporters is security of supply," Crotty said during an industry visit to a shale gas production site in Ohio.

"As a company, we have invested $2 billion (£1.54bn) toward shipping more than 800,000 tonnes a year of ethane gas from Pennsylvania to Grangemouth (U.K.) and Rafnes (Norway). The undertaking includes commissioning of eight vessels," Crotty said. Security of supply is crucial to Ineos, which uses the feedstock for its chemicals manufacturing business. "Competitive exports from the U.S. meet that criterion."

Furthermore, with Ineos poised to embark on shale exploration of its own in the U.K., the information and technological exchange with U.S. partners adds another dimension to the company's undertaking. "We are closely monitoring U.S. gas extraction sites, scouting for talent and expertise," Crotty said.

FERC looks at safety of LNG plants within miles of rocket launch site

(San Antonio Business Journal; Sept. 16) – Federal regulators are looking into whether or not SpaceX and three liquefied natural gas plants proposed for deep South Texas will make good neighbors. Space Exploration Technologies has already started construction for a rocket launch site on Boca Chica Beach, just a few miles east of where Texas LNG, Rio Grande LNG and Annova LNG are seeking permission to build export terminals at the Port of Brownsville.

The Federal Energy Regulatory Commission is reviewing the applications for the LNG export terminals, which plan to take natural gas from the Eagle Ford south of San Antonio, liquefy it and export the LNG to overseas customers. FERC officials have asked each of the three LNG applicants and SpaceX to address potential safety impacts for the proposed LNG facilities.

Environmentalists, who were critical of the SpaceX project and oppose the LNG plants, said the launch site is too close to the proposed export terminals. "This announcement should be a wake-up call and warning that putting LNG terminals within six miles of the SpaceX launch site is a bad idea," Lower Rio Grande Valley Sierra Club Chair Jim Chapman told the Business Journal. "You don't have to be a rocket scientist to know that idea won't fly."

Small Alberta gas producer invests in LNG export proposal

(The Canadian Press; Sept. 19) – An Alberta producer dismayed by Canada's "grossly oversupplied" gas market is investing in a company that has vowed to build a liquefied natural gas export terminal on Vancouver Island. Calgary-based Seven Generations Energy said it will take a minority stake in Vancouver-based Steelhead LNG, adding that the two have agreed to explore pipeline development and overseas markets for LNG. The producer last year averaged 50,000 barrels of oil equivalent per day.

Analysts estimated the preliminary investment at less than $55 million, but the exact cost of the equity position was not disclosed. Steelhead has proposed two LNG export projects, Malahat LNG and Sarita LNG, that would use floating production and storage units moored to marine jetties. It has National Energy Board licences to export LNG and is partnered with the Malahat First Nation. In addition to a pipeline to move gas across the water to Vancouver Island, the project also faces the same economic, marketing and financing hurdles as all the other LNG projects proposed for the B.C. coast.

TransCanada offers lower gas line tolls for new long-term contracts

(Bloomberg; Sept. 20) - TransCanada and Alberta natural gas producers agree they need a new pipeline deal to fend off rival U.S. supplies. The challenge is to agree on how long it should last. The pipeline operator is striving to get commitments for decade-long contracts to ship fuel east to Central Canada in exchange for lower tolls. The idea is to help Canadian supplies remain competitive even as two new pipelines are set to link giant shale plays in the eastern U.S. to markets in Ontario and Quebec.

But the length of the contracts is becoming a point of contention. “What’s really got some of these guys concerned is how long you have to commit to,” said Jeff Tonken, CEO of gas producer Birchcliff Energy. Holding on to clients in Canada’s two most populous provinces is becoming critical for western gas producers as U.S. production crowds Canada out of the neighboring market at the same time as projects to liquefy and export gas from the British Columbia coast struggle for approval.

TransCanada has proposed tolls 40 to 50 percent cheaper than the current rates for new firm, 10-year contracts if it can secure 2 billion cubic feet a day of commitments to ship from Empress, Alberta, to the Dawn hub in Ontario. The new tolls would be just under 80 cents per 1,000 cubic feet. The requirement to sign up for a decade means producers would need to line up buyers for the fuel and would face fluctuating currency exchange rates, Tonken said. TransCanada is optimistic it can overcome the producers’ concerns in time to start an open season to solicit interest in the tolls next month.