Oil and Gas News Briefs
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Exxon/Qatar venture wins LNG export approval for Texas project

(EnergyWire; April 25) - The U.S. Department of Energy on April 25 authorized an ExxonMobil/Qatar Petroleum project in Texas to export as much as 16 million metric tons per year of liquefied natural gas to countries that lack free-trade agreements with the United States, the first official move by the Trump administration on LNG. The Federal Energy Regulatory Commission approved the project in December, and the export approval now sets the stage for the partners to make a decision on the project.

The $10 billion export project is a joint-venture between Qatar Petroleum, which owns 70 percent, and ExxonMobil, at 30 percent. The plan is to build three liquefaction trains — each capable of making 5.2 million tons of LNG per year — at the site of the Golden Pass LNG import terminal near Sabine Pass, in Jefferson County, Texas. Golden Pass originally opened in 2010 to channel Qatari LNG imports into the U.S. Gulf Coast, but the U.S. shale gas boom killed the need for gas imports into the market.

There is one LNG export terminal in operation in Louisiana — Cheniere Energy's Sabine Pass facility — with more capacity under construction at that plant plus five more export terminals under construction in Louisiana, Texas, Maryland and Georgia. Adding up the projects being built and those with federal export approval but without an investment decision by their owners, the Department of Energy has approved almost 20 billion cubic feet a day of gas exports — close to 20 percent of U.S. gas production.

Feasibility study almost finished for Rosneft/Exxon LNG project

(Reuters; April 25) - A feasibility study for a liquefied natural gas plant in Sakhalin, proposed by Russia's Rosneft and ExxonMobil, should be ready by the middle of 2017, Interfax reported on April 25, citing Rosneft. International sanctions against Russia over its role in the Ukrainian crisis as well as regional pipeline bottlenecks, a competing LNG plant nearby and uncertainty over gas reserves have hampered the project schedule.

The Sakhalin-1 joint-venture in Russia's Far East has been producing oil since 2005. The partners for years have considered an LNG project to market gas reserves but have yet to commit to the multibillion-dollar investment. Owners of the nearby Sakhalin-2 LNG plant, led by Gazprom and Shell and which started up in 2009, have expressed interest in reaching a deal to handle the Rosneft/Exxon gas at the existing plant and adding a third liquefaction train for more capacity — but there has been no agreement.

Sakhalin-1 gas reserves were estimated in 2010 at more than 17 trillion cubic feet. The partners have not announced a cost estimate or production capacity for the LNG plant.

Australia will cut LNG exports if gas shortage pushes up local prices

(Reuters; April 27) - Australia's government unveiled a radical plan on April 27 to restrict exports of liquefied natural gas at times when domestic supply shortages push up local prices, aiming to ease soaring energy costs for local manufacturers. The plan would allow Australia's resources minister to impose controls on LNG exports on advice from the country’s market operator and regulator, as the government seeks to cap domestic gas prices that have become a hot political issue.

"It's not a threat. This will be export controls. They will not be able to export gas if that has the consequence of reducing the availability of gas for the Australian market," Prime Minister Malcolm Turnbull told the Australian Broadcasting Corp. Australia is the world's second-largest LNG exporter after Qatar, but local natural gas prices have rocketed over the past two years with the start of LNG exports from three newly built plants in eastern Australia to customers in China, Japan, South Korea and Malaysia.

The move drew a swift rebuke from gas producers that called instead for lifting curbs on onshore exploration to help boost supply. "Restricting exports is almost unprecedented for Australia," said Malcolm Roberts, CEO of the Australian Petroleum Production and Exploration Association. Australia’s Energy Market Operator warned in March of a gas shortage to hit eastern Australia and has already taken steps to ensure there is enough gas for power plants at peak times. Manufacturers welcomed Turnbull's move. "The government has given themselves a bigger stick to ensure the gas industry balances the needs of international customers and their obligation to supply the domestic market at a fair price," said Energy Users Association of Australia CEO Andrew Richards.

Australia LNG plant bought most of its gas from third-party producers

(The Observer; Gladstone, Australia; April 22) - More than half of the gas exported overseas by the Santos-led Gladstone LNG project at Curtis Island in eastern Australia is purchased from third-parties that could otherwise supply the tight domestic market, the company has revealed. First-quarter results released by Santos on April 20 show Gladstone LNG purchased 59 percent of the gas it liquefied and exported from its plant.

Santos is the only one among the owners of the three Curtis Island LNG projects that has not committed to supplying more gas to the domestic market, putting it under heavy public and government scrutiny. The two-train Gladstone liquefaction plant started up full operations last year. The government asked owners of the three LNG plants to be "net contributors" to the domestic gas market, and while Origin's Australia Pacific LNG project and Shell's Queensland Curtis LNG agreed, Santos put the advice "on notice."

"(At Gladstone LNG) we don't have any spare gas; we are producing below capacity of a project with sanctioned gas, so we are already producing significantly less," said Santos CEO Kevin Gallagher. The venture was approved by shareholders and the government with full knowledge that the plant would need third-party gas to fill its export contracts, he said. The Australian Competition and Consumer Commission is now scrutinizing the domestic market and exports. The Australian Energy Market Operator forecasts a gas shortage by summer 2018-19, though industry groups dispute that.

Argentina has lots of shale gas but struggles to boost output

(Bloomberg; April 25) - Argentina's Vaca Muerta, one of the largest shale formations outside of North America, offers tons of promise, but don't hold your breath waiting for it. Before the field reaches its potential, gas and oil pipelines need to be built; roads, train lines and power networks need upgrading; and drilling that costs 30 percent or more than in the U.S. need to drop, industry insiders say. "It's all about building momentum, and that will take years," Shell's Global Upstream Director Andrew Brown said at an April 18 event in the region. "If the costs come to where we want them, this will happen."

Argentine President Mauricio Macri will meet with oil and gas executives in Houston on April 26 as he seeks to drum up investment in Vaca Muerta. So far, the shale play is luring about $4 billion a year, when about $15 billion a year is needed, said Emilio Jose Apud, a board member at state-run YPF. Average drilling and completion cost of a horizontal well in Vaca Muerta was $11.2 million as of 2015 vs. $6.5 million to $7.8 million in the Eagle Ford shale in Texas, the U.S. Energy Information Administration said. The federal agency estimates Vaca Muerta gas resources at 300 trillion cubic feet.

Cutting costs isn't easy when Argentina's inflation is predicted at 23 percent this year, according to economists surveyed by Bloomberg, and logistics are expensive because of poor infrastructure links to the isolated shale fields. Neuquen, the oil town hub for the area, is more than 700 miles from refineries in Buenos Aires and 350 miles from Puerto Rosales, where state-run Energia Argentina is gauging interest in building a port to export the natural gas. The main roads in the area have just one lane going each way.

Bangladesh signs deal for second LNG import terminal

(Platts; April 21) – Bangladesh's state-owned Petrobangla has inked final deals with Summit LNG Terminal Co. to develop the country's second floating LNG import terminal, Tariqul Islam Khan, Petrobangla's manager of communication, said April 21. Agreements for the terminal in the Bay of Bengal were signed April 20. The first import terminal is being developed by U.S.-based Excelerate Energy at the same location, with start-up planned for 2018.

Petrobangla inked the deal under a special policy that allows it to bypass the usual bid process. The policy gives the government broad powers to bypass existing legislation in the energy and power sectors so that it can implement projects quickly, a senior energy and power ministry official said. The project cost is estimated at $400 million to $500 million. U.S. based General Electric will be a 20 percent equity partner.

LNG project sponsor bankrolls fight against Oregon ballot measure

(The World; Coos Bay, OR; April 20) - Opponents of a ballot measure that threatens the proposed Jordan Cove LNG project on the Oregon coast and its connector gas pipeline are funneling hundreds of thousands of dollars to ensure that the ordinance fails at the polls next month. To date, The Save Coos Jobs Committee has received $358,500 in campaign contributions, more than 30 times the amount collected by supporters of the May 16 Coos County ballot measure to block the LNG development.

The contributions include $331,000 in cash donations from Veresen’s Jordan Cove Energy Project, the Calgary-based company behind the proposed liquefied natural gas export terminal at Coos Bay, OR., and a 232-mile gas pipeline to the site. The Jordan Cove project owner has also given The Save Coos Jobs Committee in-kind contributions totaling $27,500.

The controversial measure would prohibit the transportation of fossil fuels within the county, as well as the development of any non-sustainable energy systems, particularly hydraulic fracturing of wells. Exceptions to the transportation ban include fossil fuels intended for residential, commercial or industrial use for on-site power, heat consumption and vehicle refueling. “It certainly goes against the spirit and intent of Jordan Cove [exports],” project spokesman Michael Hinrichs said in February.

Expanded Montreal LNG plant looks for customers in Vermont

(Rutland Herald; VT; April 25) – Montreal-based Gaz Metro, the parent of two gas and power companies in Vermont, is looking for potential liquefied natural gas customers in New England not served by a natural gas pipeline. The company said April 24 it has completed work tripling the capacity of its gas liquefaction plant in Montreal East and is looking to sign up industrial, institutional and utility customers across New England — for deliveries of the fuel by truck.

“With pipeline expansion proposals stalled, this could be a significant new energy source for the New England market,” said Merina Zeller, of Gaz Metro. The expanded liquefaction plant is capable of making more than 100 million gallons of LNG per year, handling about 25 million cubic feet of gas per day. So far, Gaz Metro has not signed up any Vermont businesses for the new service, but it has signed up a utility, National Grid, which will use the LNG for its Massachusetts and Rhode Island subsidiaries, Zeller said.

LNG already enters the New England market through an import terminal in Boston Harbor, with most of it regasified back to its gaseous state and piped to customers while some is trucked as LNG to buyers throughout the region.

Yamal LNG runs contest to put art on storage tanks

(The Independent Barents Observer; April 25) - Arctic landscape as far as the eye can see. The flat land of the Yamal tundra stretches endlessly along the coast of the Kara Sea on Russia’s northern coast. On the ground are huge areas of wetlands, and under the ground are vast reserves of natural gas. This is where Russian gas producer Novatek and its partners are building a liquefied natural gas plant, which now rules the horizon on the northeastern part of the peninsula.

The multibillion-dollar plant, which is due to start production late this year, will look beautiful, Novatek has decided. In a tender announced on the company website, the gas producer invites artists to bid for a €20,000 ($22,000) art project. "The work of four competition winners will be painted on four LNG storage tanks, over 40 meters in height.” Designs are due by May 26. Each winner will receive 5,000 euros in prize money. The jury will be comprised of modern art experts from various countries.

Each piece of artwork can be as large as 50,000 square feet, the tender announcement said. Among the proposed themes for the art design project are: “Gaining Arctic Strength,” “Working Toward Results,” “Arctic Energy for People,” “Harmony Between People and Nature,” and “LNG as Art.”

Growth projected for LNG as marine fuel

(Bloomberg; April 25) - When Russia’s biggest tanker operator launches four new vessels next year, they won’t just be carrying oil to northern Europe but the hopes of the liquefied natural gas industry. Sovcomflot’s Aframax ships, each capable of moving 600,000 barrels of oil through the icy waters of the Baltic Sea to the port of Rotterdam, will be the first tankers run on LNG.

That’s good news for LNG supplier Shell and other energy companies that have poured more than $700 billion into liquefaction projects worldwide over the past decade. While ships won’t transform the market — Energy Aspects estimates LNG as a marine fuel will account for less than 2 percent of total global demand by 2025 — Russian tankers and Mediterranean cruise liners will help ease the supply glut. “People need to find more customers for LNG,” said Michael Newman, a shipbroker at Fearnleys in London.

Since 2014, the spot price of LNG has dropped by two-thirds to $5.40 per million Btu as supply swelled and large buyers slowed purchases. That’s pushing the industry to look beyond long-term contracts with power utilities for new buyers. At the same time, stricter environmental rules are pushing shipowners to consider cleaner fuels such as LNG, which contains virtually no sulfur. The number of LNG-fueled ships will jump to 200 by 2020 from 77 last year and just five in 2005, said London-based Energy Aspects. That would boost LNG bunkering demand to as much as 5 million to 7 million tons by 2025.

Statoil plans to drill 5 wells in Arctic Barents Sea this year

(Reuters; April 24) - Norway's Statoil has played down concerns that drilling in the Arctic is risky, days before it kick-starts its drilling campaign in the Barents Sea — where the country believes about half of its remaining oil and gas resources could be located. Despite opposition from environmentalists, Statoil plans to drill five exploratory wells in the Norwegian sector of the Barents Sea, including Korpfjell, which will be the world's northernmost well and is located in a formerly disputed border area with Russia.

"We will start drilling the first well, Blaamann, during May ... followed by Kayak, Gemini (Nord), Korpfjell and Koigen (Central)," said a Statoil spokesman, adding each might take about a month to drill. All the wells are in areas free of sea ice thanks to the warm Gulf Stream, with sea and wind conditions similar to the North Sea, and some 250 miles away from the "ice-edge zone" — where at least 10 percent of the sea is covered by ice.

Statoil said it would have vessels on standby round the clock in case of any emergency. The company also said Norway and Russia had a joint contingency plan in case an oil spill from the Korpfjell well drifted to Russian waters some 20 miles away. Greenpeace, which is taking the Norwegian government to court over Arctic drilling plans, said any permanent oil platforms in the region would be particularly risky. Greenpeace plans to send its vessel to observe Statoil's Arctic drilling.

Renewable energy supporters see gains against coal in India

(ClimateWire; April 26) - India's energy world is changing so swiftly that researchers are having a tough time keeping up with it. Prospects for the country's coal sector continue to drop along with the falling price of renewable energy. Some situations seem to be developing in the time it takes to produce a research paper. Last July, a survey said 370 new coal-fired power plants were in the pipeline in India, totaling 243 gigawatts. But between when the survey was conducted and the research paper was written, the government concluded it would not require any new coal plants for at least a decade.

"When I worked on this back in June, I thought, wow, these coal plants are really going to lock out renewables," said Christine Shearer, a senior researcher with CoalSwarm, regarding the study. "It's amazing how quickly things are changing." Shearer and her colleagues said that India's climate goals, which include reducing emissions by 35 percent from 2005 levels by the end of the next decade, would be a distant dream if the coal plants were completed. Moreover, she said, many of the coal plants are unneeded.

"India has been pursuing a lot of power bids recently for solar and wind, which are coming in even cheaper than coal. So what we're really seeing is kind of the vestige of the previous perception of coal being a way to meet power needs, now coming up against a new reality where renewable power can deliver the same thing," she said. "The financial case for coal just doesn't exist in India anymore," said Greenpeace senior campaigner Ashish Fernandes