Oil and Gas News Briefs
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South Asia looks to be strong growth market for LNG imports

(Reuters; Aug. 2) - South Asia, long a backwater for energy markets, is emerging as a hotspot for liquefied natural gas, with Pakistan and Bangladesh set to join India as major consumers, helping to ease the global oversupply. Only India and Pakistan now import LNG in South Asia, taking in a combined 25 million tonnes, or 8 percent of global demand last year. But with a fast-growing population, economic growth and soaring energy demand, more import projects are being built, led by Pakistan and Bangladesh.

"Both countries already have extensive gas infrastructure due to legacy production from domestic gas fields," said Chong Zhi Xin, Asia LNG analyst at consultancy Wood Mackenzie." As domestic production has failed to keep up with demand, both markets are a natural fit for LNG imports." Pakistan started importing LNG in 2015, and surprised some in the industry by developing its first terminal on schedule and on budget. A second facility is about to start up and a third is expected to be completed next year.

With Bangladesh set to start imports next year, the region could take 80 million to 100 million tonnes a year by the mid-2020s, analysts said, making it the world's second biggest importer, ahead of Europe. With its own gas reserves depleting and seeking to almost double its power capacity to 24,000 megawatts by 2021, Bangladesh is tapping cheap and plentiful supplies on world markets and investing heavily in LNG. Several floating storage and regasification units are due to begin accepting cargoes in 2018.

Smaller LNG export projects may find a place in crowded market

(Bloomberg; Aug. 1) - The failure last week of a proposed LNG megaproject in British Columbia may offer a lesson to gas exporters: Go small or go home. With a global glut dragging down prices, liquefied natural gas suppliers are looking to build smaller and cheaper. Such projects — a third of the size and a fraction of the cost of most existing terminals — offer a competitive edge for serving emerging markets like the Middle East and Latin America, where buyers want intermittent cargoes of small amounts of the fuel.

Energy companies have not committed to a major new LNG production plant since the end of 2014. Instead, they are funding smaller ventures such as Coral LNG in Mozambique (led by Italy's Eni, at $7 billion) and Woodfibre LNG in Canada (led by a

Singapore investor, at under $2 billion). Ophir Energy plans to sanction Fortuna LNG (about $2 billion), a small floating facility off the coast of Equatorial Guinea, this year.

The demise of the Canadian project — at up to $36 billion, counting all costs — was “a reflection of the world that we are in,” said Ira Joseph, head of global gas and power at PIRA Energy in New York. “The market is already crowded with projects, demand is more fragmented, and there are smaller types of buyers” that need smaller sellers.

“You need to come to the market with a solution that can cost-wise compete in a market where the price is $5 to $6,” said Sveinung Stohle, CEO of Hoegh LNG Holdings, a developer of floating LNG terminals. “It’s become a buyer’s market,” Stohle said. “All the big sellers have to also work on smaller markets that they previously said no to.”

Qatar, Australia will benefit from Korea’s increased reliance on LNG

(Gulf Times; Qatar; Aug. 2) - Qatar will play a key role in meeting the burgeoning demand for liquefied natural gas in South Korea, said a new report from BMI Research. South Korea's LNG imports are set to grow at an annual rate of 1 to 2 percent over the coming years, as President Moon Jae-In's plans to gradually phase out coal and nuclear-fired power generation drive greater reliance on gas-fired electricity generation.

“The biggest beneficiaries will be South Korea's largest LNG suppliers: Qatar and Australia,” said BMI Research, a Fitch Group company. “Our view for South Korea's LNG appetite to flourish under the new Moon Jae-In administration is beginning to play out, with total imports over the first half of 2017 coming in at 19.7 million tonnes, an increase of 18.3 percent year on year,” the BMI report said.

The president has acted swiftly to temporarily shut down 10 older coal-fired power plants across the country and halt construction of two nuclear facilities, upholding his campaign pledge to reduce South Korea's reliance on coal and nuclear energy as part of a broader move to reduce air pollution and improve safety in the power sector. Qatar and Australia currently provide more than half of Korea's annual LNG imports. About 93 percent of South Korea's LNG imports are secured under long-term contracts.

LNG terminal in Maryland expects to ship first cargo late September

(Platts; Aug. 2) - Dominion Energy's Cove Point LNG export terminal in Maryland may be ready to ship its first commissioning cargo by the end of September, with construction nearly complete and the company reaching a deal with a shipper to take its initial production, CEO Thomas Farrell said Aug. 2. That would make Cove Point the second U.S. liquefied natural gas export operation to come online. Cheniere Energy’s plant in Louisiana started up in February 2016, and four others are under construction.

Farrell did not disclose the name of the third-party that would take the first cargo during plant commissioning, or where the ship might deliver the fuel. Customers under long-term contract to take LNG from the $3.8 billion terminal, after commissioning work is completed, are state-owned GAIL India and Japanese trading firm Sumitomo, which would sell the fuel to Tokyo Gas and Kansai Electric.

Once fully operational, Cove Point is expected to receive up to 800 million cubic feet of gas per day and produce up to 5.75 million tonnes of LNG per year. Dominion is adding the liquefaction and export facilities to its existing, underutilized LNG import terminal, built in the late 1970s.

Cheniere starts up fourth liquefaction train at Sabine Pass

(Bloomberg; July 31) – Cheniere Energy, the only company sending U.S. shale gas overseas, has begun liquefying the fuel at a fourth production unit, a source said, keeping the company on track to double its export capacity this year. The plant at Cheniere's Sabine Pass complex in Louisiana chills and condenses gas into a liquid so it can be loaded onto tankers. The Houston-based company is already producing LNG at three trains and is working to bring the fourth fully into service by the end of the year.

Start-up of the fourth liquefaction train stands to unleash even more U.S. gas into a worldwide market already awash with supplies. Since beginning operations at its first train early last year, Cheniere has sent cargoes to about 24 countries from Chile to China. That's delivered some relief to U.S. gas producers that are increasingly looking abroad for sources of demand and has helped bolster domestic gas prices this year. The Cheniere plant is one of six under construction along the U.S. Gulf and East coasts.

Cheniere said in a June 9 presentation that it expected the fourth train to be substantially complete in November. The fourth train still needs to be commissioned — when Cheniere's contractor hands over operations to the company. That process, which can take months, is a key step in beginning Cheniere's 20-year supply contract with GAIL India. Output from the first three trains at Sabine Pass are contracted to Shell, Spain's Gas Natural and Korea Gas.

Anadarko moving closer to Mozambique LNG project

(UPI; July 31) - Mozambique is one step closer to developing the infrastructure needed for liquefied natural gas production and export, Anadarko Petroleum said. The Texas-based company said July 31 it had finalized agreements with the government that open the door for construction of an LNG project. Mitch Ingram, a vice president for LNG development for Anadarko, said the agreements put the company on pace to reach a final investment decision for the facility, though he did not offer a timeline.

"It marks the completion of the core components of the legal and contractual framework with the government," Ingram said in a statement. "We expect to take a final investment decision once the sales-and-purchase agreements and financing are in place." The LNG facility alone is estimated at about $15 billion. Anadarko is working to develop an onshore liquefaction plant with capacity to produce 12 million tonnes a year. Partners in the venture include oil and gas companies and traders from India, Thailand and Japan.

East African basins, led by reservoirs in Mozambique and Tanzania, are home to more than 25 percent of the gas discoveries made worldwide between 2010 and 2013. In early June, Italian energy company Eni started the implementation phase for its Coral South LNG project, an $8 billion development with a floating production facility drawing on gas reserves discovered by the company in the deep waters of the Rovuma Basin off the coast of Mozambique. First gas is expected by 2022.

LNG tanker leaves Norway for Korea via Northern Sea Route

(LNG World News; July 29) - Christophe de Margerie, the world's first ice-breaking LNG tanker, has loaded a cargo at Statoil's Hammerfest LNG terminal in Norway and left for South Korea via the Northern Sea Route. Total, which holds an 18.4 percent stake in the terminal, said July 27 that the voyage marks the inauguration of the vessel, making it the "first unescorted merchant vessel to take the Arctic route, which makes it possible to reach Asia via the Bering Strait in 15 days versus 30 days by the Suez Canal."

The vessel was designed to order for Russian shipowner Sovcomflot, specifically to serve Novatek's Yamal LNG project in the Russian Arctic to carry LNG year-round in the difficult ice conditions of the Ob Bay and Kara Sea. The ship is named after a former Total CEO who died in a plane crash at a Moscow airport in 2014. The tanker, built by Daewoo Shipbuilding in South Korea, can break through ice up to 7-feet thick. Yamal plans to use the Northern Sea Route during summer months only.

Christophe de Margerie is the prototype for a series of 15 LNG carriers that are planned to be built for the Yamal project. Total holds a 20 percent stake in the Yamal LNG project, which will have 16.5 million tonnes per year production capacity at full build-out. Led by Russian gas producer Novatek, the project has started commissioning activities at the first liquefaction train. Production start-up is planned by the end of 2017.

LNG project cancellation removes credit risk, Moody's says

(The Star; Malaysia; July 31) - Cancellation of the proposed Pacific NorthWest liquefied natural gas project in British Columbia is credit positive for Japan Petroleum Exploration Co. (JAPEX), said Moody's Investor Service. The ratings agency said July 31 that it previously had not incorporated the full magnitude of the potential increase in project debt in its assessment of JAPEX, a minority owner of the proposed LNG facility, given the uncertainty and unlikelihood of the project proceeding in the low-price environment.

JAPEX holds a 10 percent stake in the Pacific NorthWest LNG project consortium, led by Malaysia's Petronas, which announced a week ago it was canceling the project in Prince Rupert, B.C., due to weak market conditions and costs.

"The elimination of the overhang of future leverage increase is credit positive for JAPEX," Moody's said. "By not engaging in the LNG project, JAPEX's future leverage would be lower than if it proceeded with the project," Moody's said, adding, "We don't rule out the possibility of large investments by JAPEX leading to rising debt levels, which would be credit negative."

Thai company pays $500 million for stake in Malaysia LNG train

(Nikkei Asian Review; July 27) - Malaysia's national oil and gas company Petronas has sold a 10 percent share in its Bintulu LNG Train 9 project to Thailand's PTT Exploration and Production Public Co. (PTTEP) for $500 million. "The acquisition of equity interest in Petronas LNG 9 is part of PTTEP's strategy … in the integrated LNG value chain to meet the country's growing energy demand," PTTEP said in a statement July 27.

Train 9 can produce 3.6 million tonnes of LNG per year. Commercial operations started up earlier this year. Thailand has been importing LNG for about six years to meet growing domestic demand for the fuel as its own production declines.

Nova Scotia LNG proponent sees opportunity in B.C. cancellation

(The Canadian Press; July 31) - A company looking to build an LNG terminal on Canada's East Coast said it is seeing more interest since a megaproject proposed for the West Coast was scrapped last week. Paul MacLean, with Bear Head LNG, a subsidiary of Australia-based Liquefied Natural Gas Ltd., said the Nova Scotia project is getting attention after more than a year of wooing Western Canada gas producers.

"We've been working with western basin producers over the past year-and-a-half presenting Bear Head as a complimentary option to what was proposed for the B.C. LNG project," MacLean said. With Malaysia's Petronas and its partners pulling out of the Pacific NorthWest LNG project proposed for Prince Rupert, B.C., Bear Head is hoping to become the choice for producers looking to get their gas to overseas markets.

The proposed $5 billion LNG export facility in Cape Breton, Nova Scotia, already has construction and environmental permits as well as federal export approval. The company's ambitious proposal would see producers in Alberta ship gas through

TransCanada's pipeline to North Bay, Ontario. From there, Bear Head would build a new pipeline to Nova Scotia, a distance of more than 1,050 miles. Toronto-based consultant Tom Adams, who watches Atlantic Canada's "energy adventures," called the proposed facility "silly talk." He added, "I'm a long-time skeptic of all the Atlantic Canada LNG proposals. … But this is the longest of the long shots."

Canadian developer signs up Japanese customer for propane exports

(The Financial Post; Canada; Aug. 1) - While liquefied natural gas export projects on Canada's West Coast are stalled, AltaGas signed a firm offtake contract Aug. 1 for an under-construction liquefied propane export terminal in British Columbia. Calgary-based AltaGas inked a deal with Tokyo's Astomos Energy to buy half of the 1.2 million tonnes of liquefied propane gas per annum the company will produce at its $500 million Ridley Island propane export terminal near Prince Rupert, B.C., beginning in 2019.

Astomos president Osamu Masuda said Japan does not have enough energy resources to meet its domestic needs and propane from Canada would help ensure a stable supply for his country. In Japan, 24 million homes use propane for heat and cooking. Astomos, a partnership between Japan's Idemitsu Kosan and Mitsubishi, is the world's largest LPG player.

The deal comes one week after Malaysia's Petronas cancelled plans for its Pacific NorthWest LNG export terminal immediately south of where the AltaGas project is under construction. The LPG terminal will be the first of its kind on Canada's West Coast. Propane — like butane, ethane and pentane — is a byproduct of natural gas. Canadian producers have struggled with persistently low prices for the commodity and ship the majority of their propane to the U.S. at a large discount.

Oil explorers return 2.5 million acres of leases in Alberta

(The Canadian Press; July 28) - In another sign the bloom is off the boom for the oil sands, the industry has returned almost 2.5 million acres of northern Alberta exploration leases to the province over the past two years. The total area covered by oil sands leases remained constant at about 22 million acres between 2011 and 2014. But it fell to about 20 million in 2016, following the crash in world oil prices. Most of the returned acreage either represents expired or surrendered leases.

Observers were surprised by the size of the returns, which they attributed to industry cost-cutting and disinterest in spending on new prospects when there is no money to build projects already on the books. "It costs money to maintain these lands," said Brad Hayes, president of Petrel Robertson Consulting in Calgary. "You can't convince shareholders to continue to put that money out if there's no prospect for success."

Alberta’s oil sands have been getting little respect lately due to the exit of large foreign companies, the province’s hard cap on oil sands emissions, increasing carbon taxes and the stumbling price of oil. Its troubles have been welcomed by environmentalists who point out the industry’s outsized impact on air, land and water pollution. “This is good news. It’s a sign that investment dollars are shifting out of carbon-intensive energy,” said Keith Stewart, senior energy strategist with Greenpeace Canada.

Explorer poised to start shale gas exploration in U.K.

(EnergyWire; July 31) – Shale gas explorer Cuadrilla Resources could soon begin drilling the U.K.’s first commercial hydraulic fracturing well despite fierce protests. Environmentalists have rejected the government's efforts to mimic the U.S. fracking boom as too risky, and the governments in Scotland and Wales have set a moratorium on shale gas production. Cuadrilla has waited six years to resume operations after a 2011 fracking test caused a minor earthquake near Blackpool in northwest England.

Police escorted a drilling rig to the company's Lancashire site before sunrise July 27 in order to sidestep anti-fracking activists, whose demonstrations have led to more than 180 arrests and totaled $1.3 million in policing costs. After the rig move, protesters blocked the entrance by locking themselves in cars and casting their arms in concrete.

Shale explorers have struggled to obtain permits in Britain, but a few firms are moving forward. Third Energy is poised to drill in North Yorkshire, and exploration licenses have been granted to chemicals group Ineos and oil and gas producer IGas Energy.

Canadian court will rule on who pays to clean up abandoned wells

(Bloomberg; Aug. 1) - A battle over whether energy-company creditors should help pay for cleaning up thousands of abandoned oil wells in Canada may be heading to the country’s Supreme Court. At the center of the dispute is Redwater Energy, a small publicly traded oil producer in Alberta that filed for bankruptcy in late 2015. The receiver that’s liquidating the company argues it should be able to sell its best wells and leave the worst behind for an energy industry-funded group to clean up.

The province’s regulator argues buyers should have to take both good and bad wells, even if it means that the sale proceeds for creditors will be lower. A court in Alberta disagreed and sided with the receiver last year. Since then, across the province the number of inactive, abandoned or otherwise orphaned sites has more than doubled to 3,200, according to the Orphan Well Association, the clean-up group. The province has given the organization a loan to fund the growing costs.

Typically, proceeds from liquidating assets go to pay back creditors. Any decision that results in lenders getting less money in bankruptcies could ultimately force banks to charge more for financing. If the lower court's ruling stands, the industry-funded Alberta Energy Regulator may have to collect more money from energy companies to help pay for clean-up and the public may need to pay some of the bill. The problem is increasingly urgent for Alberta as more oil companies go broke. Since the start of 2015, 250 North American producers and services companies have filed for bankruptcy.

FERC says impacts from $2 billion gas pipeline project 'acceptable'

(Platts; July 28) - The second-largest gas pipeline expansion project proposed in the U.S. Northeast reached a key milestone July 28 when the Federal Energy Regulatory Commission released a favorable final environmental impact statement. FERC staff concluded there would be some adverse and significant impacts from Columbia Gas Transmission's 165-mile Mountaineer XPress project running through West Virginia, but with various environmental plans, mitigation measures and further staff recommendations, those impacts would be "reduced to acceptable levels."

The Mountaineer XPress, with the ability to move 2.7 billion cubic feet of gas a day, is expected to significantly boost capacity of Marcellus and Utica shale gas. The related Gulf XPress project on the Columbia Gulf Transmission system, at 880 million cubic feet per day, is being proposed alongside Mountaineer to expand deliverability to Gulf Coast markets. Cost of the two lines is estimated at more than $2 billion. The EIS also covers the Gulf XPress. Construction is planned to start this fall for a late-2018 in-service date.

Among the impacts cited in the EIS were permanent conversion of forest habitat. FERC asked the company to confer with West Virginia regulators to find further ways to reduce forest impacts. The Mountaineer XPress is among the producer-backed, supply-driven pipelines expected to boost production in the Marcellus Shale and increase deliveries from the Northeast to neighboring regions, in particular the Gulf Coast. Calgary-based TransCanada bought the 12,000-mile Columbia Gas Transmission system in 2016.

TransCanada says it will make Keystone decision by December

(CBC News; July 28) - TransCanada, Canada's second biggest pipeline operator, will make a final investment decision on its Keystone XL project by December, the company said July 27. The December timeline is the first time the company has publicly set a deadline for making an investment decision for the oil sands pipeline since President Donald Trump approved Keystone XL in March, reversing a decision by Barack Obama.

The investment decision will be based on shipper demand and a state regulatory agency decision in Nebraska, where opponents have been active. "Our assessment of these factors will really drive our investment decision," said Paul Miller, president of liquid pipelines at TransCanada. While TransCanada has "good support" from shippers, including those that departed after Keystone's 2015 rejection, it is seeking new entrants and wants a "significant" level of commitment, Miller said, without providing specifics.

TransCanada launched an open season July 27 for additional shipper commitments for Keystone XL. The project would increase the capacity of the current Keystone system from Canada's oil-producing Alberta province to the Gulf of Mexico.