Oil and Gas News Briefs
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Russia-to-Japan gas pipeline an 'ultra high-risk' project

(Nikkei Asian Review; Aug. 3) - A proposed gas pipeline linking Japan and Russia remains on hold, even though it was discussed at a meeting between Japanese Prime Minister Shinzo Abe and Russian President Vladimir Putin in April. The governments are aware of the economic difficulties facing the project but have kept the idea alive to show that, at least superficially, they are trying to strengthen bilateral economic ties.

A joint study by a group of Japanese lawmakers in the ruling party, along with Japan Oil, Gas and Metals National Corp. and a Russian energy company, envisions building a 900-mile pipeline to transport gas from the southern tip of Sakhalin — a Russian island rich in gas resources — to Japan's Kanto region via Hokkaido, Japan's main island in the north, and the Tohoku region. The project is estimated at $6 billion.

Gas-fired power plants produce more than 40 percent of Japan's total electricity, and the country relies entirely on costly maritime deliveries of liquefied natural gas. Since gas can move by pipeline without the added expenses of liquefaction and regasification, power-generation costs could drop by 30 percent to 40 percent. But Japanese and Russian energy experts have long regarded the pipeline as unrealistic. In recent years, however, Russia has confided with Japan its readiness to hold talks on the project.

Still, hurdles remain. The two countries have yet to pick a gas field to tap. Sakhalin fields have been reserved for Asia, and a Russian expert said there is no surplus gas for the pipeline. Meanwhile, Japanese experts warn the pipeline and gas supply network may cost much more than estimated. Energy companies in Hokkaido have already spent huge amounts on LNG import terminals, and few would welcome the pipeline. A Japanese trading firm executive said the pipeline is an "ultra-high risk" project.

Shell-led LNG Canada could make investment decision 2018 or 2019

(Reuters; Aug. 3) - LNG Canada, a joint-venture led by Shell, is aiming for an investment decision next year on building a liquefied natural gas export terminal on the British Columbia coast, its chief executive said Aug. 3. Andy Calitz said work on the up to $US32 billion project is "extremely active" and has not been slowed by Malaysian oil and gas company Petronas' decision last week to scrap its own LNG project in the Western Canadian province, nor by a recent change in provincial government.

"We want to be in construction in 2018. ... It means that you need to take a FID (final investment decision) in 2018," Calitz said. Despite the project CEO's 2018 decision date, Shell CEO Ben van Beurden last week said the project partners could look at an investment decision in the "next 18 months or so." The timing is ultimately up to the partners. Shell has a 50 percent stake, PetroChina owns 20 percent, and Japan's Mitsubishi Corp. and Korea Gas each hold 15 percent.

Last year, the group delayed a final decision to find ways to reduce costs at a time when prices for LNG were hit by a global glut. They gave no new timeline for a decision on the project in Kitimat, B.C. LNG Canada also is keeping a close eye on a proposed increase in the province's carbon tax, which will add costs to the project, Calitz said.

Smaller LNG project in B.C. looks to 2018 construction

(Squamish Chief; Squamish, BC; Aug. 3) - Despite falling global prices for liquefied natural gas and last week's news declaring a major LNG project in Canada dead, the small-scale Woodfibre LNG facility is moving forward in Squamish, B.C., just north of Vancouver, said spokesperson Jennifer Siddon. The equivalent of a final investment decision has been made, though a date to start construction is unclear, Siddon said.

The goals are to look into contracts and then starting construction in 2018, she said. "We've been doing work on the site for the last couple months," with activity on cleanup and maintenance rather than construction, she said. A pulp mill used to occupy the waterfront site. "We have a 40-year export license for 2.4 million tonnes of LNG a year," she said. "You are able to control your cost more when everything is smaller." The project is estimated at under $2 billion.

Her remarks came after the Pacific NorthWest LNG project – one of the highest-profile LNG ventures in B.C. – was cancelled. The led sponsor, Malaysia's Petronas, said the decision was made after "a careful and total review of the project amid changes in market conditions." Woodfibre LNG is confident its project will proceed, Siddon said. The venture is owned by a Singapore-based investment company.

Inpex expects no more delays in start-up of Ichthys LNG Australia

(Reuters; Aug. 4) - Japan's biggest oil and gas explorer Inpex Corp. expects offshore production from a seabed installation destined to feed its Ichthys liquefied natural gas project in Australia starting around the end of the year, a senior company executive said Aug. 4. Production would begin with condensate, LNG and liquefied petroleum gas, in that order, the executive said. Inpex in late April delayed LNG start-up to the first quarter of next year, citing delays in the installation of offshore production facilities.

The floating production, storage and offloading unit for the $37 billion project finally set sail last month to the Ichthys gas-condensate field from South Korea and there have been no further delays, Inpex's Senior Managing Executive Officer Masahiro Murayama said. "There was some delay, but it's going smoothly now," he told reporters. Gas from the offshore field will be piped almost 550 miles to an onshore liquefaction plant. Liquids will be produced and shipped directly from the floating offshore unit.

Ichthys is designed to produce 8.9 million tonnes of LNG per year and 100,000 barrels of condensate a day at its peak. Partners with Inpex include France's Total, Taiwan's CPC Corp., and Japanese utilities Tokyo Gas, Osaka Gas, Toho Gas, Kansai Electric and JERA Co., a utility joint-venture.

Sempra reports delay likely in first LNG from Louisiana plant

(San Diego Union Tribune; Aug. 4) - San Diego-based Sempra Energy is making big investments in the burgeoning liquefied natural gas market but during an Aug. 4 call with analysts to discuss the company's second-quarter earnings, executives announced that Sempra's massive LNG export project in Louisiana is running behind schedule. It marks the second time in the past nine months that news of delays have come out regarding construction of the Cameron LNG facility in Hackberry, La.

LNG processing units are called "trains," and Train 1 of the Cameron facility was originally scheduled to go online in 2018, with Trains 2 and 3 following in close order. But after talking to the project's contractors, Sempra CEO Debra Reed said Aug. 4 "we think it is reasonable" to expect that Train 1 may get delayed into 2019, with Trains 2 and 3 following through later that year. CB&I and the Chiyoda Corp. are the contractors for the project. Sempra officials did not go into details about what is causing the delay.

Sempra's president of infrastructure businesses said the company has contract provisions to shield it from financial exposure due to construction delays. The $10 billion Cameron project is a partnership of Sempra, Mitsui and Mitsubishi of Japan and France-based ENGIE. At full production, the plant will be capable of making 13.5 million tonnes of LNG per year. The project is one of five being built in the United States to add gas liquefaction and export capabilities to an underutilized LNG import terminal.

Partner in canceled B.C. LNG project may scout for cheaper site

(Reuters; Aug. 3) - Indian Oil Corp. said it is in talks with its partners to scout for a cheaper alternative site for the proposed Pacific NorthWest LNG terminal — in case the venture ever goes ahead. Malaysia's state-owned Petronas, which held a 62 percent stake in the project in Prince Rupert, B.C., said last week it was abandoning the plan

due to weak global prices. Sanjiv Singh, chairman of Indian Oil, which has a 10 percent stake, said the company is still interested in the gas production piece of the project.

"We are very much positive going ahead with the upstream part of it, which is gas production," he said. "Liquefaction and transportation … we are not pursuing, I mean, we don't want to pursue very aggressively as of now. … We're also looking at a different location which might be much less expensive." The proposed site for the liquefaction plant and marine terminal was on an island in front of Prince Rupert, requiring extensive development costs and encountering strong opposition over impacts to salmon habitat.

The other partners in the project are Chinese oil and gas giant Sinopec, with 15 percent, Japan Petroleum Exploration Co., with 10 percent, and Petroleum Brunei, at 3 percent. Indian Oil had planned to take 1.2 million tonnes of LNG a year for 20 years from the project. The partners also share in 800,000 acres of leases in the Montney Shale gas play along the British Columbia and Alberta border. Gas production is currently sold into the North American market, and Petronas said last week it expects to boost production.

Toshiba sets up LNG subsidiary to market LNG

(EnergyWire; Aug. 4) - The troubled technology titan Toshiba is staking out a new business direction: liquefied natural gas. Still reeling from its failing Westinghouse Electric nuclear power business and the fallout from bankruptcy proceedings, Toshiba America, the U.S. subsidiary of the Japanese electronics giant, announced Aug. 3 a new energy business division to be headquartered in Houston.

The new LNG venture will be based close to the Houston offices of major Japanese buyers that have recently set up shop to do business with companies pursuing LNG export deals. Osaka Gas and Chubu Electric have established offices in Houston as a result of major LNG export projects being built along the U.S. Gulf Coast.

In this new venture, Toshiba America LNG looks to purchase gas, pay for liquefaction and then export the fuel to buyers overseas. The company said it will focus on markets in the Caribbean, Latin America and Asia. The company already has a contract to take 2.2 million tonnes of LNG per year for 20 years from the three-train liquefaction plant under construction in Freeport, Texas. Output at Freeport LNG is scheduled to start up late 2018. The project is one of five underutilized U.S. LNG import terminals converted to also export the fuel. Toshiba six months reported it was looking to sell off its Freeport LNG commitment to avoid taking a loss on the take-or-pay contract it signed.

Lack of LNG exports will put price pressure on Canadian gas

(Reuters; Aug. 4) - Petronas' decision to cancel its Pacific NorthWest LNG project is a blow to the growth outlook for Canada's largest shale play, eliminating a potentially huge source of future demand. Gas from the Montney Shale in Western Canada would have supplied the LNG project in coastal British Columbia. Instead, Petronas subsidiary Progress Energy will keep developing and selling gas from its vast Montney position into the North American market where prices have languished at historically low levels.

Any boost in output from Progress, which holds the largest land position in the Montney, would weigh on prices in Western Canada, while the loss of a major source of demand means much of the potential could go untapped. "The Montney resource is huge and with significant market demand you could see a doubling of production," said Mark Pinney, manager of gas markets and transportation at the Canadian Association of Petroleum Producers. "But without LNG growth … it's a missed opportunity."

CAPP estimates the Montney, which covers 50,000 square miles of northeastern British Columbia and northwestern Alberta, currently produces around 4 billion cubic feet a day of gas and even without LNG will grow to about 5 bcf a day. But that forecast falls well short of the 8 bcf a day of production CAPP expected when LNG projects looked likely to proceed. A glut of gas and plans by Progress to keep selling into an oversupplied market instead of exporting to Asia will keep pressure on prices.

U.S. sanctions unlikely to stop Russia's new gas lines to Europe

(Reuters; Aug. 2) - New U.S. sanctions will make it harder for Russia to build two natural gas export pipelines to Europe but the projects are unlikely to be stopped. President Donald Trump has reluctantly signed into law further sanctions on Russia, but some of the measures are discretionary and most White House watchers believe he will not take action against Russia's energy infrastructure. This would allow Gazprom's two big gas pipeline projects to go ahead, although at a higher price and with some delays.

The Kremlin, dependent on oil and gas revenues, sees the pipelines to Germany and Turkey — Nord Stream 2 and TurkStream — as crucial to increasing its market share in Europe. It fears that Western partners, which it needs to help develop the deepwater, shale and Arctic gas deposits that will fill the pipelines, will be scared off by U.S. sanctions. Gazprom warned investors last month that the sanctions "may result in delays, or otherwise impair or prevent the completion of the projects by the group."

The Russian gas giant is taking steps to reduce the impact of sanctions. It has accelerated pipe-laying by Swiss contractor Allseas Group under the Black Sea for TurkStream, even though there is no final deal on where the pipe will make landfall in Turkey. It is also hurriedly building a second TurkStream line to export gas to Europe.

"Construction of the second line is just in case the sanctions hit," a Gazprom source said. The sanctions also are expected to hamper Gazprom's efforts to raise money.

Tokyo Gas buys stake in Vietnamese gas distributor

(Reuters; July 31) - Japan's biggest city gas supplier Tokyo Gas said July 31 it has acquired a 24.9 percent stake in Vietnamese gas firm PetroVietnam Low-Pressure Gas Distribution Joint Stock Co., a unit of PetroVietnam Gas. Tokyo Gas officials said the stake was worth about 5.4 billion yen ($49 million). Tokyo Gas will use its technology and expertise to expand the Vietnamese firm's gas sales to industrial users, officials at the Japanese company said. Vietnam is the second country after Malaysia where Tokyo Gas has taken an equity stake to participate in gas sales.

Panama Canal transit slots fill up far in advance

(ICIS; Aug. 3) - Booking transit for LNG carriers through the Panama Canal in advance has become increasingly difficult as some companies are finding a majority of the slots already taken, according to market sources. One shipping source said it appears that bookings have been made as far as into the first quarter of 2018. Sources said portfolio seller Shell, LNG plant operator Cheniere Energy and Spain’s Gas Natural Fenosa have taken up most of the reservations, although this could not be immediately confirmed.

The expansion of the locks at the Panama Canal just over a year ago coincided with Cheniere’s start-up of its gas liquefaction plant and export terminal at Sabine Pass, La. The canal expansion was designed primarily to allow for larger containerships to move between the oceans, though it also allowed the new U.S. LNG trade to take advantage of the shorter route, cutting travel days between the Atlantic to Pacific by a third.

In January and February 2017, there were 19 LNG canal transits a month, and then a monthly average of 10 transits March to May, before stepping down to five transits in June. Even with the downturn this summer, market sources said it may be difficult this winter to secure advanced reservations as most of the slots appear to be already taken. Starting by Oct. 1, the Panama Canal Authority will lift restrictions on daylight transits of the canal by LNG vessels, which could ease congestion and allow for night-time transit.

Opponents fight 3.5 miles of gas pipeline in Maryland

(Washington Post; Aug. 3) - The pipeline that TransCanada wants to build is short, 3.5 miles, cutting through the narrowest part of Maryland. It would duck briefly under the Potomac River at Hancock, MD., population 1,500, bringing what business leaders say

is much-needed natural gas to the eastern panhandle of West Virginia. But environmentalists say that brief stretch could jeopardize the water supply for about 6 million people, including most of the Washington metropolitan area.

That's why dozens of protesters have gathered each weekend this summer at various points along the upper Potomac, part of a growing national movement that opposes oil and gas pipelines and wants businesses and governments to embrace green energy instead. Inspired by the Dakota Access oil pipeline protest at Standing Rock, N.D., the protesters hope to convince Maryland Gov. Larry Hogan and his energy secretary to stop the pipeline, which got an enthusiastic green light from West Virginia.

"It's got me worried," said Andy Billotti, 53, as he erected his tent at the Paw Paw Tunnel Campground near Oldtown, Md., for a recent protest. "If something were to happen, that fracked poison would come down the river … right into our wells." The activists want Hogan, who earlier this year banned fracking in Maryland, to deny TransCanada a water quality permit to cross the Potomac. The state has asked for more information from the company and will hold a public hearing on the application.

FERC regains a quorum, can start working pipeline, LNG backlog

(Bloomberg; Aug. 3) - The main U.S. energy regulator can get back to the business of approving multibillion-dollar natural gas pipelines after the Senate moved to fill two of four vacancies at the long-crippled agency. Senators on Aug. 3 confirmed the nominations to the Federal Energy Regulatory Commission of Robert Powelson, former chairman of the Pennsylvania Public Utility Commission, and Neil Chatterjee, a senior aide to Senate Majority Leader Mitch McConnell.

With their appointments, the five-seat panel regains the quorum it needs to approve liquefied natural gas export terminals, clear gas pipelines and issue rules governing wholesale power markets. FERC was without a quorum for six months, a stalemate that potentially slowed $50 billion of energy ventures under consideration by the agency. The commission still is waiting for two more members to reach its full contingent. Those nominees are scheduled to testify Sept. 7 before the Senate Energy Committee.

The most pressing matter facing the new commissioners is approval of the $2 billion Nexus pipeline that was expected to start moving natural gas by November from Ohio to Ontario. The slow pace of filling FERC vacancies has forced the Nexus developers to push their in-service date to 2018. The project still awaits FERC approval to start construction. At least five other gas pipelines worth at least $10 billion are also awaiting FERC permits while facing increasingly narrow construction windows.

Detroit utility plans $1 billion gas power plant to replace coal

(EnergyWire; Aug. 1) - DTE Energy plans to build an 1,100-megawatt natural gas-fired power plant by 2022 to replace generating capacity that will be lost as the utility closes three coal plants. When complete, the company said, it would be the "most efficient power plant in Michigan." The announcement Aug. 1 is a concrete step to advance CEO Gerry Anderson's initiative to reduce carbon emissions by 30 percent by the early 2020s and close all of its coal-fired power plants by 2040.

Detroit-based DTE earlier this year unveiled a plan to curb its carbon dioxide emissions 80 percent by 2050. As part of that program, the utility is building 6,000 megawatts of renewable energy capacity and adding 3,500 megawatts of natural gas capacity. The project announced Aug. 1 is the first installment. "Gas-fired plants will be a critical part of our power generation capacity in the decades ahead," said Trevor Lauer, DTE Electric president and chief operating officer.

The project about 40 miles northeast of Detroit will cost nearly $1 billion and provide power for 850,000 homes beginning in 2022. Lauer said the move is evidence of "a fundamental transformation" as the utility transitions from coal to gas. DTE is among utilities nationwide moving away from coal. Idaho Power told state regulators June 30 it would retire its coal plants earlier than previously planned to adjust to "a new energy world, driven by technological innovation and changing customer preferences."

OPEC doesn’t want to ‘shock the markets’ when output curbs end

(Wall Street Journal; Aug. 2) - OPEC and other big oil producers are facing a new high-wire act: How to keep the oil market calm if they decide to lift their output curbs and ramp production back up. Saudi Arabian Energy Minister Khalid al-Falih said last week the Organization of the Petroleum Exporting Countries doesn’t want to “shock the markets” when it unwinds its agreement to withhold almost 2 percent of global oil supply. The deal is set to expire in March 2018.

“We will work on a smooth exit from the agreement. We will make sure it’s not abrupt,” Falih told reporters in Russia after meeting with other oil ministers. Since the deal, analysts and investors have raised questions about how the group will extricate itself from the arrangement. Investors worry the coalition of OPEC and other big producers like Russia — an alliance that accounts for 55 percent of worldwide oil output — could simply return to pumping full tilt when the deal expires, potentially sinking prices.

“The producers have created a Catch-22 situation,” said Harry Tchilinguirian, head of commodity strategy at BNP Paribas. “There has been no guidance about a formal mechanism for exiting the agreement, and that’s unnerving the market.” One challenge is beyond OPEC’s control: With U.S. drillers able to respond quickly, any price increase

would be met with a rise in U.S. output. “U.S. shale has introduced a short-cycle supply which is quick to react,” he said. “The exit will be more difficult because of shale.”

U.S. shale oil producers continue to boost production

(Reuters; Aug. 3) - With slumping crude oil prices stuck below where they started this year, U.S. shale oil producers have cut more than $1.2 billion from their 2017 spending budgets — even as they pledge to pump more oil. That more-for-less approach highlights the shale industry's ability to ramp up production and keep improving the process of drilling and fracking a well to increase its clout in global oil markets.

U.S. shale oil producers expect to pump at least 160,000 more barrels per day this year than previously announced, according to a Reuters review of second-quarter regulatory filings. That’s despite the fact that the industry has slowed rig expansion plans first put in place earlier this year. U.S. oil and gas companies added 10 drilling rigs in July, the fewest in any month since May 2016.

"We essentially can do more with less," said Lee Tillman, CEO of Marathon Oil, which on Aug. 2 shaved its 2017 spending plan by between $200 million and $300 million after posting a quarterly loss. Still, Marathon boosted its production forecast by about 7 percent for the year. Wall Street has been pushing shale producers to cut spending in the face of stubbornly high global oil inventories that have depressed prices.