Oil and Gas News Briefs
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B.C. and LNG project sponsor reach deal with two First Nation groups

(Bloomberg; Feb. 15) - A proposed LNG plant near Prince Rupert, B.C., got a boost after the province agreed to provide tens of millions of dollars in funding for indigenous groups. The deal with two First Nation groups will allow Malaysia's Petronas and its partners to work "on a common goal of realizing the project," Wan Badrul Hisham, chief project officer for Pacific NorthWest LNG, said in Victoria on Feb. 15. The negotiated funding would go toward community, economic and social initiatives; some of the funds would be tied to gas production and the plant's liquefied natural gas output.

The project won approval from the federal government last September following years of regulatory reviews and opposition from indigenous communities, environmentalists and scientists who warned it could disrupt an area critical to migrating salmon. In addition to the financial deal with the First Nation groups, Petronas is looking at changing the site of its LNG loading terminal to avoid the sensitive salmon habitat area.

Among the reported benefits for the Metlakatla community and the Lax Kw'alaams are: An immediate $7 million payout upon a final investment decision by Pacific NorthWest LNG, with more funds to come later; about 2 cents for every ton of LNG that is shipped, going to a coastal fund; and the Lax Kw'alaams would get an additional $4.18 million payout for the gas pipeline to supply the LNG facility, plus $815,000 a year in royalties.

Petronas and its partners — China Petrochemical Corp., Japan Petroleum Exploration Co., Indian Oil Corp. and Brunei National Petroleum Co. — are reviewing government permit conditions and reassessing project costs before making an investment decision.

Total CEO says first production from Yamal LNG by October

(Oil and Gas Eurasia; Feb. 13) – The CEO of Total, France's largest oil and gas company, said Feb. 9 that the first shipment from the $27 billion Yamal LNG project in the Russian Arctic could be loaded this fall. Total is developing the project with Russian gas producer Novatek. Total CEO Patrick Pouyanne said during a call with investors that Novatek CEO Leonid Mikhelson told him the first LNG shipment would leave the facility by October.

"Mr. Mikhelson promised to me that they will deliver LNG by October 2017. … I trust him," Pouyanne said during his presentation. Total, which bills itself as the world's fourth-largest oil and gas company, produces an average 2.3 billion barrels equivalent of oil and gas per day. It holds a 20 percent stake in Yamal LNG; Novatek is the project operator with a 50.1 percent stake. China National Petroleum Corp. holds 20 percent, and China's Silk Road Fund has a 9.9 percent stake.

The first of three planned liquefaction trains at Yamal is scheduled to start production this year while construction will continue on the next two units. Almost all of the volumes from the project have been contracted, according to the partners.

Sabine Pass LNG export plant continues to ramp up production

(Platts; Feb. 10) - LNG exports from Cheniere Energy's year-old Sabine Pass, La., terminal hit a record in January, according to data from Platts Analytics. Export volumes reached 52 billion cubic feet of gas, versus a monthly average of just under 18 bcf since the plant started loading cargoes in February 2016. The increase in production comes with ramp-up of the facility's second liquefaction train, which was handed over to the operator in September. The plant's third train will start up later in the year.

Following a period of planned maintenance from September into October, when both trains were brought offline, export volumes have been increasing steadily. The majority of cargoes produced at Sabine Pass have ended up staying in the Americas, with 43 percent of all cargoes produced in its first 12 months going to Mexico or South America. Mexico has been the largest recipient of Sabine Pass cargoes so far, taking 17 percent of all volumes produced.

That's followed by exports to the Middle East and India, which accounted for 24 percent of exports. More recently, deliveries to East Asia have increased significantly, moving from only one cargo during the first nine months of production to 11 cargoes between November and January. With this increase, deliveries to North Asia now account for 17 percent of all volumes produced in the first 12 months. Deliveries to Europe, meanwhile, have been infrequent, with only five cargoes delivered since the start of production.

Opponents turn out against gas pipeline and LNG proposal in Oregon

(The News-Review; Roseburg, OR; Feb. 14) - About 100 protesters greeted members of the Roseburg Area Chamber of Commerce as they made their way to a monthly membership meeting Feb. 13 to hear an update on the natural gas pipeline that would serve a proposed liquefaction plant and export terminal at Coos Bay, OR. The 232-mile pipeline would connect with the interstate gas line system at Malin, in southcentral Oregon, and pass just south of Roseburg on its way to the Jordan Cove LNG terminal.

"I believe there are serious public benefits to all of Southern Oregon," Jordan Cove spokesman Michael Hinrichs told the chamber. "There are so many jobs associated with this project." After its rejection last year by the Federal Energy Regulatory Commission, the Jordan Cove LNG project sponsor, Calgary-based Veresen Inc., initiated a new pre-filing with federal regulators to try again. FERC accepted the pre-file on Feb. 3.

Protestors chanted along the street leading to the chamber meeting. "We're here to tell the company to expect resistance, that we've defeated you twice before and now it's not going to be any easier for you, even with the new FERC members coming in with the Trump administration," said Colin Kerosky of Phoenix, OR. "We're appalled that Jordan Cove has refiled again and that they've come to Douglas County to try to convince the chamber of commerce this is a good idea," said Francis Eatherington, of Roseburg.

Largest coal plant west of Mississippi will close in 2019

(ClimateWire; Feb. 14) - The owners of the Navajo Generating Station in Arizona voted Feb. 13 to close the largest coal plant west of the Mississippi River, a dramatic move that underscored the painful economic landscape facing the coal industry nationally. The 2,250-megawatt plant will shut down at the end of its lease in 2019. Coal plant closures have become common in recent years. In 2015, about 80 percent of all power plant retirements nationwide were coal-fired stations.

The move means the 43-year-old plant will close 25 years ahead of schedule, upending roughly 800 jobs at the plant and coal mine that serves it, and eliminating one of the country's largest emitters of carbon dioxide. It also means the Central Arizona Project, which provides drinking water to the cities of Phoenix and Tucson, will need to find a new power supply. The plant provides electricity for the pumps that push water from the Colorado River to Arizona's largest metropolitan areas.

The vote highlighted how falling natural gas prices have altered the U.S. power sector. The four utilities that own the plant cited falling gas prices as the reason for their vote. In 2015, the Central Arizona Project said it was not economical to diversify its power supply. But in a recent report, it estimated the project in 2016 would have saved $38.5 million by buying power on the open market. "The electric market has fundamentally changed over the past few years to the point that [the coal plant] … is now significantly more expensive than other energy alternatives," a Central Arizona Project official said.

Lower-price imports compete with China's domestic LNG

(Interfax Global Energy; Feb. 13) - The start-up of four regasification terminals in China this year is set to intensify the rivalry between imported and domestically produced LNG in the world's third-largest gas market. Adding just the first phase of each terminal will boost China's import capacity to more than 53 million metric tons per year. Independent

Guanghui Energy will bring a facility online in Qidong of Jiangsu province, while China National Offshore Oil Corp. and Sinopec will launch projects in Guangdong and Tianjin.

The import facilities will launch during what is expected to be another year of global LNG surplus. Oversupplied markets have provided buyers with significant bargaining power. Spot prices have been weak the past two years, and analysts at Energy Aspects expect them to fall below $5 per million Btu in the second half of 2017. Low prices will help as coal-to-gas switching in Chinese industry is expected to maintain its strong momentum from 2016, as local authorities boost gas use to reduce air pollution.

Cheap spot LNG, imported to terminals and then trucked to users, is proving popular with gas customers. Pressured by the influx of cheap imports, domestic LNG plants have cut prices to stay competitive. A sales manager at an LNG plant in Inner Mongolia said its profit margins are razor-thin as a result of the price war with imported LNG. "We'll stop production if this continues," he said. One-third of China's domestic LNG production capacity was offline at the end of 2016.

Oil and gas industry talks against tax changes in Australia

(The West Australian; Feb. 10) - If there's one thing that unites resources companies, it's opposition to tax and royalty increases. While the mining industry is in full cry against Western Australia Nationals Party leader Brendon Grylls' proposed levy increase on iron ore majors, oil and gas giants are lining up against potential changes to the country's petroleum resource rent tax. Mindful of the rise of populist policymaking, oil and gas companies have been keen to demonstrate just how much tax they pay.

Chevron said it has paid billions in federal and state taxes, though acknowledging it has paid nothing since 2015 in the profits-based resource rent tax. "This criticism ignores the fact that the oil-linked gas price has fallen, that Gorgon LNG only commenced production in 2016 and Wheatstone will not start up until later than 2017," Chevron said of its two multibillion-dollar LNG investments in Australia. The federal government is reviewing its resource rent tax amid criticism that it does not produce enough revenue.

Chevron said the nation's fiscal and regulatory regimes are increasingly uncompetitive. "For Australia to be competitive at attracting constrained capital, it needs to offer a more globally attractive fiscal regime, not adverse changes to the resource rent tax." Shell mounted a similar argument, reminding the government that it paid more than $3.6 billion in direct taxes 2011 through 2015. Shell's country chair for Australia, Andrew Smith, said Australia's image of tax and political stability could be threatened.

Refinery overcapacity a worry in Asia

(Wall Street Journal; Feb. 13) - Oil companies' bet on demand in their fastest-growing market is getting less lucrative. Companies are investing billions of dollars over the next several years in new and existing refineries across Asia, where consumption of refined fuels like gasoline, jet fuel and petrochemicals had been growing faster than anywhere else. But the plans are butting up against a glut in refined fuels that analysts say could last years — due to China's slowing demand and excess global refining capacity.

This year, production of gasoline and diesel in the region will exceed demand by about 750,000 barrels, or 5 percent of annual Asian consumption, according to a forecast by BMI Research. The imbalance, which began to balloon in 2008, is set to persist until at least 2021, BMI said. That overhang is a hurdle for refiners, whose biggest markets are in Asia. Roughly one out of every three barrels of the world's oil is refined in Asia.

The latest sign of the tougher landscape is Saudi Aramco's abandonment of a joint venture with Malaysia's Petronas for a $20 billion refining and chemical complex in the Malaysian state of Johor. Saudi Arabia's national oil company decided against the project after concluding it wouldn't generate sufficient returns, people familiar with the matter told The Wall Street Journal. "We really don't need one more giant refining complex" in the region, said Nelson Wang, energy analyst at CLSA in Hong Kong. Analysts say they expect more delays or even cancellations of projects in the works.

Singapore will add more LNG imports later this year

(Reuters; Feb. 14) - Shell Eastern Petroleum and Pavilion Gas will start supplying Singapore with liquefied natural gas later this year under contracts awarded last year, the city-state's trade minister said Feb. 14. The two firms have exclusive franchises for three years, or until their shipments reach 1 million tonnes a year, whichever comes first. Singapore is planning to import more LNG as long-term contracts for natural gas supplied via pipelines from Malaysia and Indonesia are due to expire in the early 2020s.

Singapore imported about 320 billion cubic feet of gas via pipelines in 2015, and less than one-third that volume as LNG. Pavilion Gas, a unit of privately held Singapore-based Pavilion Energy, and Shell Eastern Petroleum, a unit of Shell, join BG Singapore Gas Marketing as the country's approved LNG importers. BG Singapore, now part of Shell, was the first company to import LNG into Singapore in April 2008.

U.K. expects to buy more Norwegian gas as it phases out coal power

(Platts; Feb. 10) - The U.K. will be more dependent on Norwegian natural gas imports in the future given the U.K.'s move to phase out coal-fired power generation, the ministers of the two countries said Feb. 10. In a joint statement following a meeting in Oslo, the

U.K. Energy Minister Jesse Norman and his Norwegian counterpart Terje Soviknes stressed the close relationship between the two countries in the energy sphere.

"British interest in Norwegian gas is set to grow as the U.K. looks to phase out power generation from unabated coal in the transition to a lower carbon energy mix," they said. Norwegian exports via pipeline to the U.K. hit a record high in January, according to data from Platts Analytics' Eclipse Energy, about 25 percent higher than a year ago.

The U.K. and Norway also plan to build a 1.4-gigagwatt electricity interconnector to link the countries' two power markets. Norway's Statnett and the U.K.'s National Grid have moved to the construction phase of the 1.5 billion to 2 billion Euros ($1.59 billion to $2.13 billion) interconnector, which is expected to be completed by the end of 2021. The U.K. can send power to Norway at times of high wind-generated electricity, while Norway can export power to the U.K. when there is little wind.

N.D. hit by oil production drop, low prices, gas lines plugged with ice

(EnergyWire; Feb. 16) - North Dakota's oil production took its biggest-ever dip from November to December, while energy companies continue to receive below-average prices — which could mean more bad news for the struggling state economy. Production dropped 92,000 barrels a day, from 1.034 million barrels a day in November to 942,000 barrels a day in December. Prices remained below $40 a barrel in December and climbed to $42.50 this month, still roughly $10 less than the U.S. benchmark price.

North Dakota, the nation’s second-biggest oil-producing state, has watched its government revenue shrink as the oil downturn cut into both production taxes and sales taxes. Lawmakers are projecting that production will drop to 900,000 barrels a day and the price will average $47.85 a barrel for the 2017-2019 budget cycle. The latest production figures confirmed that forecast, said state Mineral Resources Director Lynn Helms. "It's going to tend to cement that lower revenue forecasting in place," he said.

North Dakota was flush during the shale-drilling boom as companies poured money into the Bakken Shale field. But oil prices fell by almost two-thirds from 2014 to 2016. Now North Dakota and other oil-patch states are struggling to cope with drops in tax revenue, along with unemployment and population losses. North Dakota's hard winter contributed to some of the drop. Some producers had to flare gas at the well because their pipelines were plugged with ice. So much snow accumulated that companies were forced to shut in some oil wells because it was too expensive to plow their access roads, Helms said.

More good times ahead for Permian, even after 30 billion barrels

(Forbes commentary; Feb. 12) - The Permian Basin has been a key research area of mine for over a decade. The massive oil and gas play stretches over 75,000 square miles from west Texas into southeastern New Mexico. There could be more than 200 billion barrels of oil available for tertiary operations in the Permian. In my opinion, the Permian is the heart of the nation’s carbon dioxide-injected enhanced oil recovery industry — which will be the next oil revolution after shale.

The Permian can be split into two zones: The Delaware Basin on the west and Midland Basin to the east, both loaded with oil and gas. Since 1920, the Permian has produced over 30 billion barrels of oil and more than 75 trillion cubic feet of gas. Yet, the best days of this giant could still lie ahead. Today, at about 2 million barrels of oil per day, the Permian accounts for more than 20 percent of the country’s crude production and is the second largest field in the world after Saudi Arabia's legendary Ghawar field.

Despite the historic fall in commodity prices, the Permian has chugged along thanks to lower costs and widespread infrastructure. Its multiple shale formations stacked on top of each other allow vertical wells to be drilled through many shale plays at once and then drilled horizontally through even more liquid-rich shale — producing more oil and gas per well and lower breakeven costs. Besides, Texas is a friendly place for oil and gas producers. One problem for the shale industry in Pennsylvania and Ohio is that these are new producing states, and citizens are not yet used to oil and gas build-outs.