Oil and Gas News Briefs
Compiled by Larry Persily
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Malaysia needs to find buyers for expanded LNG capacity

(Interfax Natural Gas Daily; Jan. 13) - Malaysia's annual liquefied natural gas export capacity is set to rise by 4.8 million metric tons in 2017 with start-up of a ninth train at the country's LNG plant and Malaysia's first floating LNG production facility, but analysts say the country could struggle to find markets for all its new capacity. Malaysia's uncontracted LNG supply is forecast to grow to 17 million tons per year over the next decade, said Edi Saputra, a specialist in Southeast Asia gas at Wood Mackenzie.

"This [oversupply] is driven by additional supply … and [as] major LNG export contracts expire, particularly with Japanese buyers," Saputra told Interfax Natural Gas Daily. "Consequently, [Malaysian state-owned oil and gas company] Petronas will need to manage its long position through securing contract rollovers, signing new LNG sales agreements and by delivering some volumes to the [domestic] market."

However, the domestic market is oversupplied, leaving few opportunities for Petronas. "Peninsular Malaysia is facing an oversupply situation through 2020, considering both piped gas and LNG import contracts," said Peter Lee, an oil and gas analyst at BMI Research. And to make it worse for Petronas, major buyers such as Japan are planning to reduce the amount of LNG they purchase under long-term contracts because of declining domestic demand and a strategy to secure more cargoes on the spot market.

South Korea wants to boost imports of U.S. oil and gas

(Platts; Jan. 13) - South Korea will seek more oil and gas imports from the U.S. as part of its efforts to cope with any possible trade disputes after the Trump administration takes over in Washington, the vice minister of trade, industry and energy said Jan. 13. "We are looking for what we can take to expand energy cooperation with the U.S., such as shale gas imports, with the Trump administration's looming protectionist policies," Woo Tae-hee, vice minister in charge of energy, told S&P Global Platts in Seoul.

South Korean companies have been increasing U.S. oil and gas imports to diversify their supply sources, Woo said. GS Caltex imported 2 million barrels of Eagle Ford crude November-December, the country's first U.S. purchase other than condensate and Alaska oil since the U.S. lifted a 40-year restriction on oil exports in late 2015. Minister of Trade, Industry and Energy Joo Hyung-hwan has stressed the need to import U.S. oil and gas to ease a trade deficit and boost South Korea's energy security.

State-owned Korea Gas has a contract to import liquefied natural gas from the Cheniere Energy terminal in Sabine Pass, La., starting in July. SK E&S, a major private power utility and city gas provider, plans to import LNG from the proposed Freeport terminal in Texas for 20 years starting in 2019. Another major power producer, GS EPS, plans to buy LNG under a 20-year contract from Sempra Energy's plant under construction in Hackberry, La., starting in 2019.

Analyst doubts East Timor will succeed with onshore LNG plant

(Australian Broadcasting Corp.; Jan. 12) - Political and energy analysts have expressed serious doubts that East Timor will ever be able to benefit from a major natural gas project unless it changes its policy requiring an onshore liquefaction plant in the country. East Timor and the Australian government on Jan. 9 announced they would abandon a 10-year-old treaty on disputed maritime borders of the Timor Sea, which includes the Greater Sunrise gas field and its estimated 5 trillion cubic feet of gas.

East Timor insists the field be developed by piping the gas to an onshore plant to boost economic development and create new industries for the fledgling country, which only gained official independence from Indonesia in 2002. But technical issues, a looming global LNG supply glut and high development costs render the option unfeasible. Independent analyst Peter Strachan said the biggest technical stumbling block is a subsea trench along the pipeline route two- to three-miles deep at its deepest point.

"Imagine having to put … steel pipe down and up the other side of that trough," he said. Piping the gas in the other direction, toward an LNG plant in Darwin, Australia, would make more economic sense, he said. The single-train plant, which started up in 2006, could be expanded, but would need additional gas supplies to add capacity. Though about 200 miles to Darwin vs. 100 miles to East Timor, a line to Australia would avoid the deep trench. ConocoPhillips is majority partner and operator of the Darwin plant.

New gas fields could restore Egypt as seasonal LNG exporter

(LNG Industry; Jan. 12) - Wood Mackenzie says Egypt's gas market is set to undergo profound changes within the next five years, and claims that these could impact the global LNG market, with Egypt positioning itself as a prominent seasonal supplier. After five years of decreasing gas production, Egypt changed from a net exporter to a net importer. The energy consultancy said new offshore gas developments are due to come on stream in the next few years, pushing the country's gas market back to a surplus.

The projects include BP's West Nile Delta and Atoll fields and Eni's massive Zohr discovery, which combined are expected to add a cumulative 4 billion cubic feet a day of gas production by 2022. Nevertheless, Wood Mackenzie said the surplus will be seasonal. Improved gas availability will boost domestic consumption in Egypt’s power sector, peaking in the summer months.

In the medium-term, Wood Mackenzie said LNG imports may still be crucial in balancing the market in the summer, with Egypt exporting surplus volumes during the winter months, taking advantage of the Northern Hemisphere’s higher winter LNG prices. The country’s two LNG production and export terminals started up in 2005, but have been mostly silent of late due to lack of supply.

Asian buyers sign non-binding deals with Texas LNG developer

(Natural Gas World; Jan. 12) - Houston based Texas LNG, which proposes to build a liquefied natural gas plant and export terminal in Brownsville, Texas, said Jan. 10 it had signed non-binding agreements with four buyers in Southeast Asia and China for a total of 3.1 million metric tons of LNG per year. Although the company did not name the buyers, it said they were a mix of state-owned and private entities that currently own, or plan to construct, LNG receiving facilities in the next few years.

Texas LNG is now oversubscribed for the first phase of its project (2 million tons), a key requisite for a final investment decision, the company said, adding that it still needs to negotiate “definitive” 20-year sales contracts. Under the terms of the agreements, Texas LNG would be paid to liquefy gas, store it and load it on LNG carriers arranged by the buyers. Phase 2 of the project would boost capacity to 4 million tons a year.

The company said it plans to make an investment decision next year. It’s application for export authority to coveted non-free-trade nations in Asia is pending before the U.S. Department of Energy. Texas LNG in March 2016 filed its application with the Federal Energy Regulatory Commission for authority to build and operate the plant; FERC is working on its environmental review. The company is targeting start-up in 2021. The project is estimated at under $2 billion.

Traders send more U.S. LNG to Asia to profit from price spread

(Oil and Gas Investor; Jan. 12) - The biggest spread between U.S. and Asian natural gas prices in a year has created an opportunity for tankers delivering liquefied natural gas from the U.S. Gulf Coast. U.S. gas prices at the Henry Hub benchmark in Louisiana traded around $3.25 per million Btu on Jan. 11, while spot-market LNG sales in Asia were near a two-year high of $9.75. Even with adding liquefaction and shipping costs, the spread is attractive for LNG traders.

"China is experiencing colder-than-normal conditions, demand has kicked higher and prices have followed," said Matt Smith, director of commodity research at energy data provider ClipperData in Louisville, Ky. Of the 17 LNG carriers that left Cheniere Energy's terminal in Sabine Pass, La., since the start of December, at least 10 have either delivered their cargoes in East Asia or were moving in that direction across the Pacific Ocean, data from Reuters and ClipperData show.

Those 10 ships have the capacity to carry about 33.2 billion cubic feet of gas, worth about $120.6 million to producers, based on the Henry Hub average. The U.S. consumes on average about 75 bcf of gas a day. Shell's BG Group has a contract for LNG capacity from the first and second liquefaction trains at Sabine Pass, with Spain's Gas Natural Fenosa also holding a contract for some of the capacity of the second train.

Ports worldwide look at adding LNG fueling facilities

(Bloomberg; Jan. 11) - The tightening of emissions limits for deep-water ships has some of North America's busiest ports chasing a new opportunity. The U.N.'s International Maritime Organization last year cut limits on sulfur in marine fuels to 0.5 percent from 3.5 percent, starting in 2020. The target is bunker fuel, a cheap, tar-like oil residue used by ships. Ports in Vancouver, Los Angeles and Tacoma are studying if they can profit from supplying liquefied natural gas, which emits almost no sulfur, as a cleaner fuel.

While the use of more expensive fuel oil or bolt-on scrubbers can help existing ships slip under the limit, LNG is the fuel of the future for new vessels, according to Norway-based DNV, which certifies ships for safety. ExxonMobil's 2016 energy outlook sees use of LNG growing to 10 percent of marine fuels by 2040 from 1 percent in 2016. "It's something that we want to be at the leading edge of," said Robin Silvester, CEO of Vancouver's port authority, which is set to issue a study shortly on the potential market.

The heftier infrastructure that ports will need to supply LNG to deep-sea ships is just starting to emerge. In 2014, Rotterdam became the first port where ship-to-ship LNG fueling was allowed. The first onshore LNG fueling station opened in 2015 at Norway's Stavanger port. Fueling stations have been built in Jacksonville, Fla., and at Louisiana's Port Fourchon, with a $300 million LNG depot planned for 2019 in Tacoma, Wash.

Delays in new U.S. shale gas pipelines could cause price spikes

(Bloomberg; Jan. 12) - Potential delays looming over three major U.S. gas pipeline projects are threatening to sour a popular wager on the fuel. Gas for delivery in April 2018 is trading at a steep discount to the March 2017 contract, signaling that traders anticipate ample supplies in 2018. The spread, known as the "widow maker" for its volatility, could end up swinging from a discount to a premium if new lines designed to move shale gas from Pennsylvania, Ohio, and West Virginia don't start up on time.

Plans for a vast expansion of pipelines to deliver low-cost gas from the Marcellus and Utica reservoirs are facing setbacks amid lengthy reviews from regulators and heightened opposition from environmental groups. The possible delays threaten to prolong supply bottlenecks, leaving the market at risk of price spikes. “Traders could be in for a surprise because the market could be quite short of gas supplies,” said Het Shah, an analyst with Bloomberg New Energy Finance.

“We’re not really sure what the timeline is due to delays” in regulatory approvals for some of the projects, Shah said. TransCanada’s $1.4 billion Leach XPress pipeline, Energy Transfer Partners’ $4.2 billion Rover gas line, and Spectra Energy and DTE Energy’s $2 billion Nexus project, all scheduled to start this year, could miss deadlines, said Teri Viswanath, managing director for gas at PIRA Energy Group in New York. Together, the links have enough capacity to deliver 6.25 billion cubic feet a day of gas.

Qatar wealth fund looking for deals

(Bloomberg; Jan. 11) - Qatar is regaining its appetite for deals. In the past two months alone, the world’s richest country per capita has invested in Turkey’s biggest poultry producer, Russian oil giant Rosneft, and U.K. gas company National Grid. Investments are made through the Qatar Investment Authority, created in 2005 to manage the country’s windfall from liquefied natural gas sales. Qatar started LNG exports with a couple of projects in the late 1990s, but significantly ramped up production 2005-2010.

Since 2005, the country has amassed $335 billion in assets around the globe, making its sovereign wealth fund the 14th largest in the world, according to the Sovereign Wealth Fund Institute. After a raft of high-profile deals that gave the fund, known as the QIA, and other Qatari investors, holdings in Hollywood, New York office space, London residential property, luxury Italian fashion and even a soccer team, transactions slowed in 2015 and 2016 as oil prices slumped.

With oil’s recovery since last year, Qatar is back in the deal-making business. With much of its major investment confined so far to Europe, Qatar is now setting its sights on the United States. The QIA opened an office in New York in 2015 and laid out plans to invest $35 billion in the country by 2020 to diversify its oil and gas holdings. QIA was the fourth-biggest investor in U.S. office space in 2016, mostly in New York and Los Angeles, according to Real Capital Analytics.

Norway’s wealth fund may exclude biggest greenhouse-gas polluters

(Reuters; Jan. 11) – The ethics watchdog for Norway's $880 billion wealth fund will focus this year on identifying firms with the biggest emissions of greenhouse gases and will recommend excluding them from the fund's investments, the ethics agency said.

The fund, built from Norway's government take of the oil and gas industry, has stakes in more than 9,000 companies in 78 countries, owning some 1.3 percent of all listed shares globally. It is the world's largest sovereign wealth fund.

Norway's parliament set a mandate, in force since 2016, to restrict the fund's investment in companies that emit excessive volumes of climate-changing gases. "We've begun to study some industries where there are reasons to believe unacceptable emissions are found," the chairman of the fund's ethics panel, Johan Andresen, told Reuters on the sidelines of a business conference Jan. 11. He declined to identify which companies may be targeted for exclusion or name the industries that were being scrutinized.

The wealth fund has a separate target to cut its exposure to coal companies and companies profiting from the use of coal, and has sold out of dozens of firms in mining and power generation as a result. It is also forbidden by law from investing in firms that produce nuclear weapons or anti-personnel land mines, or are involved in serious and systematic human rights violations, among other ethical criteria.

Landowner complaints against energy industry on the rise in Alberta

(Edmonton Journal; Jan. 10) - Disputes between private landowners and energy companies are on the rise in Alberta, in part due to the financial woes of an oil patch struggling to pay its bills, the province’s acting property rights advocate said Jan. 9. Karen Johnson told a legislature committee that her 4-year-old office has experienced a surge in calls and e-mails, many of them from frustrated property owners who say petroleum producers are failing to live up to their obligations.

Increasingly common are disputes that arise when an oil company goes bankrupt or falls into financial distress, and becomes either unwilling or unable to compensate a property owner for using their land. “We are hearing from people they are not getting paid for their leases, and that oil companies continue to operate on their property,” Johnson said. Bankruptcies have also led to situations where electricity bills meant for an energy firm are instead diverted to the landowner, she said.

In other cases, owners are left wondering how to deal with wells left behind by defunct companies. Johnson called on the government to form a committee that would discuss how to systematically “modernize” Alberta’s property rights framework to make it more coherent and responsive. She said the province’s current land-use legislation is largely geared toward facilitating oil and gas development, and typically gives private landowners little recourse to block companies from coming onto their land.

Half of laid-off oil workers in Texas may give up on industry

(Houston Chronicle; Jan. 9) - Nearly 90 percent of surveyed workers who lost their jobs during the oil bust either remain unemployed or opted to leave oil and gas entirely, according to an ongoing study being conducted by University of Houston researchers. Roughly a quarter of laid-off energy workers who participated in the study — out of 720 respondents thus far — found jobs outside of the oil and gas industry, while more than 60 percent remain out of work. Only 13 percent have found new jobs within the industry.

The two-year oil bust resulted in more than 215,000 U.S. jobs lost — including about 100,000 in Texas — and many of those workers may never return to the industry. More than 70 percent of the study participants said they're nervous about the industry's future and about 55 percent said they're considering giving up on the sector entirely. The study focused on energy workers who lost their jobs within the past two years.

The numbers could make it harder to find good job candidates as hiring ticks back up with the rebounding oil price, said Christiane Spitzmuller, with the Center for Applied Psychological Research at the University of Houston. "A good number of people are lost to other industries," she said. The permanence of many leaving the industry will translate into high recruitment and training costs for new hires, who may not have had prior energy industry jobs, Spitzmuller added.

Oil industry starting to hire back workers

(Bloomberg; Jan. 9) - The oil industry is expected to boost spending for the first time in three years after slashing almost half a million jobs globally during the downturn, according to industry consultant Graves & Co. More than three-quarters of the jobs eliminated around the world through the end of 2016 came from the oil and gas field service providers, drilling contractors and equipment makers, said John Graves, whose Houston firm assists in oil and gas deals with audits and due diligence.

Graves has tracked layoffs from all parts of the industry since the downturn began in mid-2014. About a third of the cuts came in the U.S., Graves estimates. Oil companies are starting to hire back workers as they add rigs to the shale patch in North America to take advantage of oil prices above $50 a barrel. After unprecedented cutbacks the past two years, explorers are forecast to boost capital spending by 7 percent this year, David Anderson, an analyst at Barclays, wrote Jan. 9 in a note to investors.

But "attrition of qualified labor into less cyclical industries with greater job security, more stable income and better work/life balance could create cost inflation and bottleneck a sharp recovery," Graves said. After the world's four largest service companies spent $3.12 billion in severance costs over the past two years, the industry is acutely aware of the heavy reliance on manpower in the oil patch, Art Soucy, president of products and technology for Baker Hughes, said last month at an investor meeting.

Investment decision on oil sands pipeline expected in March

(Vancouver Sun; Jan. 12) - Kinder Morgan’s Trans Mountain oil pipeline expansion still faces its biggest step before construction begins on the $6.8 billion Alberta-to-British Columbia project — a final decision from its board of directors. The B.C. government’s decision Jan. 11 to declare that Kinder Morgan has met its five conditions for allowing the pipeline, including payments to the province of up to $1 billion over 20 years, removes one more hurdle.

Kinder Morgan continues to work on Trans Mountain project planning and design, engagement with communities and environmental permitting to meet the 157 conditions imposed by the National Energy Board, as well as 37 conditions from the province’s decision, said project spokeswoman Ali Hounsel. Despite continued fierce opposition to the project from First Nations and environmental groups, Kinder Morgan is expected to start construction by September, with an in-service date by late 2019.

“Next steps will include a final investment decision by the Kinder Morgan board of directors,” expected before the end of March, Hounsel said. Kinder Morgan has lined up a roster of 13 customers that want to ship oil and diluted oil sands bitumen on the pipeline. Between them, shippers have committed to move up to 707,500 barrels per day — about 80 percent of the expansion’s 890,000-barrel capacity — in 15- to 20-year binding agreements on a ship-or-pay basis.

Opponents turn attention to Canadian oil lines into Wisconsin

(Greenwire; Jan. 13) - The saga surrounding controversial oil pipelines is far from over. Even as Native American tribes and environmentalists won their battles against two pipelines — Dakota Access and Keystone XL — companies have been quietly shuttling large volumes of oil through the Great Lakes region, potentially imperiling the world's largest freshwater ecosystem. Though President Obama rejected Keystone in 2015, Enbridge lines with three times the capacity already run from Alberta into Wisconsin.

"The Enbridge Mainline system is the largest in the country," said Paul Blackburn, a lawyer who has represented environmental groups in court battles. "A lot of oil goes through there. Much more than people understand." Enbridge's current capacity equals 20 percent of total U.S. oil imports. And the corporation is planning another pipe that would span 1,000 miles and carry 370,000 barrels per day from Alberta to Superior, Wi. The line would balloon total capacity to 3 million barrels per day into Wisconsin alone.

Environmental groups have raised concerns that the pipelines could leak and lead to ecological disasters, and that burning so much fossil fuel could have dire climate impacts. But supporters argue the pipelines create jobs. "Enbridge has taken a different approach [to building pipes], which is sort of piecing together a whole network based on incremental pipeline expansions and really avoiding the scrutiny some of these other big pipelines are getting," said Doug Hayes, an attorney with the Sierra Club.