Oil and Gas News Briefs
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July 24, 2017

Canadian court sends gas pipeline case back to energy regulator

(Terrace Standard; Terrace, BC; July 20) - A successful legal challenge regarding provincial jurisdiction of TransCanada's proposed Prince Rupert Gas Transmission pipeline may place the project in the hands of federal regulators. Michael Sawyer, a former environmental consultant from Smithers, B.C., argued that the $5 billion, 550-mile pipeline to serve a proposed LNG export terminal should be regulated by the National Energy Board and should not have been transferred to provincial jurisdiction.

Insisting that TransCanada is a nationwide network of gas pipelines, Sawyer filed an application with the NEB to declare the gas pipeline under federal jurisdiction. He was denied, but then the Federal Court of Appeal delivered its judgment in Ottawa on July 19, ruling in favor of Sawyer. "The court found that the board (NEB) essentially had been too quick to dismiss the request by Mr. Sawyer to have a hearing into jurisdiction over the pipeline," Sawyer's lawyer said. TransCanada has 60 days to appeal.

"The NEB didn't take into account the jurisdictional consequences of the fact that the purpose of the Prince Rupert pipeline is to bring gas from the northeast of B.C. to Prince Rupert for export — it's that 'for export' that is a factor pointing to federal jurisdiction," the attorney said. The line would serve the Pacific NorthWest LNG project, proposed by Malaysia's Petronas. The B.C. government approved the pipeline earlier this year. Petronas has yet to make a final investment decision on the multibillion-dollar project.

Japanese companies will bid to supply the Philippines with LNG

(Nikkei Asian Review; July 24) - Tokyo Gas, Osaka Gas and trading house Mitsui & Co. are trying to join a liquefied natural gas import project planned near Manila, offering LNG procurement as part of the package. State-backed Philippine National Oil will select the winning bid for the project as early as this year. Should the Japanese win, total investment would come to about 200 billion yen ($1.79 billion). With gas fields in the Philippines expected to dry up in the mid-2020s, LNG imports are crucial.

The project is part of a broader effort among Japanese companies to win all-in-one energy projects overseas. Tokyo Gas and others have experience in buying the fuel, as well as in building and operating import terminals and power-generation facilities in Japan. Various LNG procurement channels the Japanese have established will allow for a stable supply of the fuel to Southeast Asia nations. Japan's energy-efficient power plant technologies are also highly regarded.

The government will support the effort via the Japan Bank for International Cooperation, working to promote Japan's LNG infrastructure expertise to Association of Southeast Asian Nations countries and other markets with strong demand forecasts. Top government officials will promote the effort at summits and elsewhere. Japan's gas companies are focusing on Southeast Asia as they work to overhaul earnings structures amid intensifying competition in Japan due to this April's deregulation of gas retail sales.

Gas from large offshore Australia field may go to existing LNG plant

(The Australian; July 20) - Woodside Petroleum says partners in the North West Shelf LNG project at Karratha are aligned on liquefying third-party gas at the plant and have invited proposals in what could pave the way for a $US30 billion development of the long-awaited offshore Browse gas fields. "The North West Shelf Project participants achieved a major milestone by proposing non-binding key terms to process gas through the Karratha Gas Plant to other resource owners," Woodside CEO Peter Coleman said.

"The participants are negotiating with the resource owners and targeting preliminary agreements in early 2018," he said. The Browse venture, led by Woodside with four other partners, is aligned on its gas going to the existing LNG plant as "the reference development concept," subject to reaching terms with the six North West Shelf partners, the Australian and West Australian governments. The Browse fields, about 250 miles offshore western Australia, are estimated to hold 15 trillion cubic feet of gas.

Work to extend the life of the almost 30-year-old North West Shelf plant could cost $US5 billion, Woodside said. The tolling charge to liquefy third-party gas at the plant would be lower than charged by U.S. LNG projects, Coleman said. North West Shelf, which started operations in 1989, has five liquefaction trains with a combined capacity of 16 million tonnes a year. The partners in Browse looked at building their own stand-alone LNG project, but have instead opted for sending their gas to an existing plant.

Canadian gas industry should blame itself for local opposition

(Bloomberg; July 17) - The Canadian gas industry shouldn't blame environmentalists, First Nation communities or the government for its failure to get LNG export projects built. It should blame itself. That's the view of Seven Generations Energy founder Pat Carlson, who stepped down as CEO of the Calgary-based gas producer last month. Carlson, who made community relations a hallmark of the company, said the industry needs to do a better job of involving those most affected by its operations.

Businesses can't rely on the government to push projects past the objections of local communities, the 63-year-old Carlson said in a wide-ranging interview with Bloomberg News. Instead, governments should provide a final examination of operations that have already been mostly agreed on. That philosophy helped Seven Generations build its Kakwa River Project for gas and gas liquids production in northwest Alberta, he said.

A project that needs government assistance to overcome local resistance represents a failure of the free-market system and a step toward a state-controlled economy, he said. Industry should work to convince environmentalists that getting Canadian gas to the coast for export fights climate change by cutting China's dependence on coal, he said.

Texas LNG hopeful sees opportunity in selling to Ireland

(Houston Chronicle; July 22) - Texas-based NextDecade would like to ship liquefied natural gas from its proposed LNG facility near Brownsville to Ireland. NextDecade has signed a memorandum of understanding with the Port of Cork in Ireland to work toward maybe developing a floating LNG import and storage terminal designed by Norway-based Flex LNG to restore the liquid to its gaseous state for piping to customers.

NextDecade's Rio Grande LNG project would liquefy U.S. shale gas for export. The project, however, has faced community opposition, while local officials have rejected some tax breaks sought by the company. But that hasn't stopped NextDecade from trying to move forward. NextDecade and the Port of Cork are planning an event Aug. 2 in Ireland to highlight the potential benefits of the project.

NextDecade is one of several companies developing LNG terminals as the so-called shale revolution transforms the U.S. into an energy exporter. NextDecade, meanwhile, is on the verge of becoming publicly traded on the Nasdaq stock exchange through a merger with Harmony Merger Corp., a public company whose purpose is to serve as a vehicle giving private businesses easier access to public markets and financing.

Columnist questions if Qatar and Iran have deal over gas production

(Bloomberg columnist; July 20) - The world's biggest natural gas field lies between Qatar and Iran, and the half-competitive, half-cooperative race to exploit it has taken a new turn. For both countries, this enormous resource is also a source of political power. Now, with the Qatar at odds with Iran's foe, Saudi Arabia, its tacit cooperation with Iran is gaining, even as the two are set to compete more intensely in gas markets.

Qatar started liquefied natural gas exports in 1997 and has become the world's top LNG supplier, the wealthiest country per capita, a major global investor and an expansive political actor across the Middle East. Despite Qatari maps showing the gas field ended at the border, Iran drilled its sector in 1991 and established that it had about a third of the reserves. But it was slowed by sanctions, mismanagement and political infighting.

In 2005, Qatar imposed a moratorium on further development of the North Field, and that moratorium has only just been lifted. Meanwhile, Iran's production has been gaining rapidly as long-delayed phases of its share have finally been completed. By 2020, Iran's output from South Pars will exceed Qatar's from the North Field. Much of the production will initially go to the domestic market, but later could support Iran's first LNG exports.

The interesting question is, what deal or understanding did Iran reach with Qatar over its expansion? The Saudi-led blockade has pushed Qatar closer to Iran, and at the same time the Iranians, seeing a chance to divide their Arab neighbors, may be willing to make life easier for the Qataris. Cooperation suits both owners of this field — for now.

Accidents delay start-up of $4 billion pipeline to move shale gas

(Wall Street Journal; July 20) - Accidents happen, but these were expensive ones by any measure. Energy Transfer Partners had hoped to have the first phase of its $4.2 billion, 713-mile Rover gas pipeline up and running by now, transporting natural gas from America's most prolific shale gas basins in Appalachia to markets around the country. Rushing to complete construction in a tight regulatory window, the company allegedly spilled drilling fluid into a protected wetland and demolished a historic house.

Federal investigations into both have likely delayed start-up possibly until fall for the project to move Marcellus and Utica shale gas. This is bad not only for the project developer but also several large energy producers that are selling their gas at a steep discount because of a shortage of pipeline capacity to reach market. The August futures contract price at a local gas hub in Pennsylvania was $1.30 per million Btu below the main U.S. futures price in late June.

That's real money for Southwestern Energy, EQT, Range Resources, Chevron and Cabot Oil & Gas. Any pipeline delays are a setback in a region where drilling is expanding quicker than transport. At full capacity, Rover would be able to move 3.25 billion cubic feet of gas per day. There are $20 billion in planned pipeline projects in the region, according to Citigroup, yet even that may not be enough to absorb the boom in output. Pennsylvania, alone, produced an average of almost 15 bcf of gas a day in April.

Total in talks to supply LNG and possibly a power plant for Myanmar

(Bloomberg; July 19) - Total is in talks with Myanmar to supply the country's most populous city, Yangon, with liquefied natural gas. The French energy giant may also build a power plant, said Xavier Preel, general manager of Total E&P Myanmar. Total is seeking to expand its footprint in downstream activities like regasification terminals, pipelines and power plants to help create new gas demand as it refocuses from oil.

The push by Total into downstream operations underscores the concern of global LNG producers as they try to lure new buyers to sop up excess supply that has cut prices about 70 percent since 2014. Myanmar, which ended 25 years of military rule in a 2015 election, had electricity consumption of about 217 kilowatt hours per person in 2014, according to data from the World Bank and the International Energy Agency. That's less than a tenth of the amount of power consumed per capita in neighboring Thailand.

Myanmar will solicit bids for a $2 billion project that includes a floating LNG import terminal with an annual capacity of 3 million to 4 million tonnes and a 1-gigawatt gas-fired power plant. Total, which has been operating in Myanmar since 1992, already produces gas from the Yadana field in the Andaman Sea off the country's west coast that meets about half of the country's gas needs, according to the company's website.

Australian gas producer trims exports to serve local market

(Platts; July 20) - Australia's Santos reduced liquefied natural gas export sales volume from its Gladstone project in Queensland in the April-June quarter of this year and boosted the facility's contribution to the domestic gas market, the company said July 20 in its quarterly results. The Gladstone LNG project has come under political pressure as a cause of gas shortages on Australia's East Coast, which has led to the federal government's measures to limit export volumes.

The limitations give the government the power, starting Jan. 1, 2018, to restrict LNG exports in the event of a domestic gas shortfall. Santos voluntarily cut its third-party purchases of Australian gas production for the Gladstone LNG plant by about 2.5 percent in April-June from the previous quarter, while significantly boosting the volume of gas supplied to the local market. Santos is a 30 percent owner of the two-train liquefaction plant and export terminal.

Santos CEO Kevin Gallagher said more efficient, lower-cost operations have enabled the company to increase drilling activity in the Cooper Basin and across its Gladstone LNG project acreage. "These additional wells will help boost production over the next few years, so Santos can deliver increased gas supply for the domestic market."

Disney orders new cruise ships, powered by LNG

(UPI; July 17) - Three new cruise ships slated for the fleet of Walt Disney Parks and Resorts will be powered by liquefied natural gas, the company's chairman said. The new ships will be powered by clean-burning LNG and will be approximately 135,000 gross tons with about 1,250 staterooms, which is slightly larger than the newest Disney Cruise Line ships, the Disney Dream and Disney Fantasy, the company said July 15.

Disney said the three vessels would be at sea by 2023. The marine fuels sector is emerging as a niche consumer of LNG. Last week, French energy company Total said it had signed an agreement with regional company Brittany Ferries for LNG as a fuel. Brittany Ferries ordered its newest ferry for regional waters in June, and is slated to start service in 2019. Carnival last year became the first major cruise line to order new ships built to use LNG. The first of its vessels is expected to enter service in 2020.

Significant growth in LNG as marine fuel not expected until after 2020

(Platts; July 20) - Commercial interests — meaning competitive pricing — and infrastructure development — meaning investment in refueling facilities — will be critical to acceleration of liquefied natural gas as a marine bunker fuel globally, despite environmental considerations and market fundamentals strongly in favor of its use, sources at an industry event in Singapore said this week.

"Despite LNG's many advantages, including it being non-toxic and a fuel with relatively high energy density, people are worried about its potential for bunkering and are still pondering over how it is going to develop," Peter Godfrey, managing director for Singapore at the Energy Institute said at the 3rd LNG Marine Fuel Forum 2017.

LNG bunkering will likely consume 1 million to 3 million tonnes of LNG annually by 2020, but is expected to accelerate after 2025 as infrastructure build accelerates, said John Harris, of Enerdata. More stringent emission requirements for shipping, including the International Maritime Organization's 0.5 percent global sulfur cap starting Jan. 1, 2020, and new emission control areas, which require ships to burn cleaner fuels, have prompted the industry to assess LNG's viability for bunkering, among other options.

Construction still set to start in September on oil sands pipeline

(The Canadian Press; July 20) - The Trans Mountain oil sands pipeline expansion remains on track to begin construction in September, Kinder Morgan Canada president Ian Anderson said July 19, despite environmental and political opposition that threatens to derail the project. Anderson, speaking on Kinder Morgan Canada’s first quarterly earnings call since it went public in May, said he looks forward to working with the new government of British Columbia Premier John Horgan, who was sworn in a day earlier.

In Horgan, Anderson faces a premier that has vowed to use whatever means he can to stop the $7.4 billion pipeline project because of environmental concerns. But for weeks, Horgan has not elaborated on how he would stop the development. Experts have said that while the Trans Mountain expansion has secured federal and provincial approvals — the previous B.C. Liberal government endorsed the project — Hogan’s New Democrats could still disrupt it by delaying or denying permits.

“We continue to need a good number of local permits from British Columbia, and Alberta for that matter, as they relate to crossings, road crossings, utility access, Crown land, etc.,” Anderson said. The project would nearly triple the capacity of the 714-mile line running from Edmonton to Burnaby, B.C., to 890,000 barrels of oil per day. Critics have raised concerns over risks to marine life from increased tanker traffic, the potential for leaks at land or sea, and higher emissions from production of oil sands crude.

Battle shapes up over federal aid for Louisiana oil and gas project

(Bloomberg; July 20) - For a landmark fossil-fuel program deep in Trump country, it’s not environmentalists who are the biggest threat. It may be Donald Trump himself. The $3.8 billion project in Lake Charles, La., would take waste from oil refining and turn it into synthetic natural gas while capturing emissions. The products would be turned into high-value chemicals like methanol and hydrogen. Carbon dioxide, the greenhouse gas blamed for global warming, would be injected underground to stimulate oil production.

It could spur 1,000 jobs and showcase cutting-edge machinery to help decarbonize oil. The catch: The technology isn’t broadly proven, so banks won’t yet finance it. That means there are few sources of project debt. The most obvious lender would be a U.S. Energy Department loan program that some Republicans are intent on neutering.

Debate whether government should lend a hand could divide Republicans, just as the Keystone XL oil sands pipeline did for President Obama’s administration. It pits backers against the Tea Party and the Heritage Foundation, which oppose corporate handouts. “This will be their Keystone: Do you support job creation or ideology?’’ said Brendan Bell, formerly of the federal loan program. “There’s going to be a reckoning here.’’

In the waning days of Obama’s term, the department conditionally approved a loan guarantee of up to $2 billion for Lake Charles Methanol, a Houston-based developer. Federal help could enable the project to bring in more backers. But Republicans have criticized the loan program for years. “It’s an ideological debate dividing the Republican Party,” said Josh Freed, vice president at Washington-based think tank Third Way.