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U.S.-China trade deal may not do much to help LNG, analysts say

(CNBC; May 12) - Gas producers and liquefied natural gas exporters may see limited benefits from the U.S. deal with Beijing to open Chinese markets to U.S. gas, analysts said. The deal, announced by the Commerce Department on May 11 as part of a plan to boost U.S. exports to China, makes it easier for Chinese companies to negotiate long-term contracts to buy LNG from U.S. suppliers. Beijing will allow private and state-controlled companies to import U.S. gas and will encourage them to invest in import facilities, a source told The Wall Street Journal.

China is the world's fastest-growing market for LNG, according to energy research firm Wood Mackenzie. The deal positions the United States to capture part of that growth, said Massimo Di-Odoardo, head of global gas and LNG research at Wood Mackenzie, but he cautioned that U.S. LNG's fortunes in China "will depend on its competitiveness versus other global alternatives and Chinese buyer appetite for exposure to U.S. gas prices." The deal does not change China's status as a non-free-trade nation with the U.S., which requires Energy Department approval for LNG exports to the country.

Alan Bannister, regional director for energy pricing at S&P Global Platts, said shipping LNG to China from the U.S. Gulf Coast — where much of the export capacity is being built — would be inefficient and unlikely. "China is much nearer and much cheaper to ship from Australia, for example, or Qatar," he said. "What I think we're more likely to see in the real world is that U.S. Gulf Coast LNG will primarily go to Europe." China imported 26.1 million tons of LNG in 2016, up 32.6 percent on year. Australia supplied 46 percent of the gas; Qatar delivered 19 percent; the U.S. supplied about 1 percent.

Study questions gas demand growth in China and India

(EnergyWire; May 15) - Natural gas demand in the two giant Asian economies has an uncertain future, despite the hopes of liquefied natural gas exporters, warns a study by energy economists. Researchers at the University of Texas, Austin's Center for Energy Economics question the strength of LNG demand growth in India and China, which lack sufficient infrastructure and storage capacity and face uncertain economic directions.

The report on gas demand in India and China arrives as U.S. LNG export promoters are rejoicing over a deal forged by President Trump to ease more shipments of U.S. gas to China. “Developers will now be able to target Chinese buyers directly, potentially supporting project financing," said Massimo Di-Odoardo, Wood Mackenzie's global head of gas LNG research. "It could also support direct Chinese investment into liquefaction and upstream developments on U.S. soil."

However, the university report thinks the promise is oversold. It notes that China's primary LNG user is industrial manufacturing, which already stands at overcapacity and may be forced to downsize. Meanwhile, renewable energy has been advancing on China's grid at an equal pace to gas. And though China's gas infrastructure is far more advanced than India's, the study questions whether China will ever truly develop a commercial gas sector as sophisticated as the U.S., where gas is delivered directly to households. It also sees government-driven market distortions impeding gas demand in China. India's gas sector is plagued with the same issues, the study notes.

Wood Mackenzie says U.S. LNG to Europe could fall to low of $4

(Natural Gas World; May 11) - The price floor for U.S. LNG deliveries to Europe over the next few summers could be $4 per million Btu or even lower, Wood Mackenzie research director for European gas Massimo Di-Odoardo told delegates May 12 at a conference in Amsterdam. Europe is generally seen as the international "market of last resort" for LNG traders, as it has so much receiving capacity and liquid trading hubs.

U.S. gas production is expected to increase more than the rise in its domestic demand, said Di-Odoardo, noting there are already 2,500 U.S. shale gas producing locations with a break-even production price of $3 or less. U.S. gas in search of a market could go to Europe, adding to an oversupplied market and keeping prices low. He acknowledged there is uncertainty with price forecasts post-2021 in case LNG start-ups outside the U.S. are substantially delayed, reducing anticipated new supply in the global market.

Egypt cuts back on LNG imports as domestic gas production grows

(Reuters; May 11) - Egypt is holding talks with its liquefied natural gas suppliers to defer contracted shipments this year and aims to cut back on purchases in 2018 as surging domestic gas production squeezes out demand for costly foreign imports. Cairo's desire for gas self-sufficiency by the end of 2018 bodes ill for traders having to reshuffle LNG cargoes out of the country amid concern for the impact on global prices if replacement markets for the world's eighth-biggest importer of LNG are not found fast enough.

State-run importer EGAS aims to defer dozens of LNG cargoes due this year, sources said. It is also scaling back LNG purchase plans for 2018 from 70 to as few as 30 cargoes, an Egyptian industry source said, signaling the withdrawal of one of the fastest-growing LNG importers from the global stage. Once a top-10 LNG exporter, the country of 92 million people has so far consumed about 12.5 million tonnes of LNG since it started imports in 2015 as domestic production could not keep up with demand.

As demand growth among the old guard of Asian gas-consuming nations such as Japan slows, new LNG buyers — led by Egypt — have accounted for 86 percent of net growth since mid-2014, EDF's head of energy market analysis Teddy Kott said. Finding new buyers for LNG is key to stemming the price rout. Central to Egypt's production revival — and reduction in imports — is a stunning run of discoveries. Eni's Nooros is churning out 900 million cubic feet of gas daily, becoming Egypt's biggest producing field.

B.C. coalition government could be a problem for oil and gas projects

(Financial Post; Canada; May 10) - With voters in British Columbia demoting Christy Clark's Liberal Party government to a minority on May 9 and handing the Green Party the balance of power, major energy projects like the Trans Mountain oil sands pipeline and liquefied natural gas export projects on the coast face more political uncertainty.

Clark won 43 seats — short of the 49-seat majority she secured in the 2013 election. The B.C. Greens won three seats and 16.65 percent of the popular vote, putting party leader and climate scientist Andrew Weaver in the position of power broker. "The markets don't like uncertainty and a minority government with the B.C. Green Party holding the balance of power will mean unpredictability," said Marie Rajic, senior vice president at Hill+Knowlton Strategies.

"LNG projects awaiting final investment decision will keep waiting," Rajic said. "In the meantime, the United States will continue to realize their LNG ambitions as we in Canada watch and wonder why we allowed this economic opportunity to pass us by." If the Liberals partner with the Greens, the question is whether Weaver is prepared to tone down his agenda in exchange for being part of government, or whether he'll continue to press for killing fossil fuel projects.

FERC orders restrictions on gas pipeline construction after spill

(Bloomberg; May 10) - U.S. natural gas futures surged after federal regulators limited construction on a new gas pipeline, a move that may delay Appalachian supplies from reaching the Midwest. Energy Transfer Partners is barred from new drilling along some segments of its $4.2 billion Rover pipeline, the Federal Energy Regulatory Commission said in an order posted May 10. The move follows a request by Ohio to review spills of drilling fluid and other environmental violations related to construction of the line.

Construction is being closely watched as Rover has the potential to unlock new supply from the largest U.S. gas-producing region. Rover will deliver as much as 3.25 billion cubic feet a day from the Marcellus and Utica shales. "The market is really focused on the Rover expansion," said Kyle Cooper, research director at IAF Advisors in Houston.

“It looks like FERC is going to be in their business a lot. At a minimum, it’s really going to slow down the progress.” The order could delay the project 30 to 90 days, he said.

The initial stage of the project is scheduled to come online in July, with full start-up set for November. Energy Transfer said it is working with FERC and Ohio to resolve the matter. Depending on the outcome of a third-party review, FERC may refer the case to its Office of Enforcement for investigation. Almost 50,000 barrels of drilling fluids — used in horizontal boring for pipeline installation — spilled last month in Ohio wetlands. "Staff has serious concerns regarding the magnitude of the incident," FERC said.

U.S. Customs drops plan to push Jones Act on oil and gas industry

(Houston Chronicle; May 10) - The Trump administration has withdrawn a controversial proposal that would have forced offshore oil and gas companies to give more work to American ships and crews when drilling in U.S. waters. Announced in the final days of the Obama administration, the proposal would have done away with decades of exemptions by U.S. Customs and Border Protection that allowed international maritime crews to perform works historically reserved for Americans under the U.S. Jones Act.

The offshore oil and gas industry had warned that such a move to steer more work to U.S. companies would lead to cost increases and cause many companies to pull back from the Gulf of Mexico in favor of offshore fields abroad. The Customs decision dealt a blow to efforts by the U.S. maritime industry, which had spent $2 billion retrofitting ships and equipment in anticipation of getting an increased share of work in the Gulf’s offshore oil and gas fields, according to the Offshore Marine Service Association.

Dutch, Canadian partners will build propane export terminal in B.C.

(The Maritime Executive; May 11) - Royal Vopak, based in the Netherlands, and AltaGas, based in Calgary, have entered into a joint venture to develop the Ridley Island Propane Export Terminal in British Columbia, the first such facility on Canada’s West Coast. The terminal will be designed to ship 1.2 million tons of propane per year. Royal Vopak operates oil and gas storage terminals worldwide. AltaGas is a gas and power producer and regulated gas utility with interests across North America.

The terminal is estimated to cost between $450 million and $500 million. Construction is expected to begin this year, and the terminal is expected to be in service by the first quarter of 2019. The site is near Prince Rupert, B.C. The site has the advantage of short shipping distances to markets in Asia, notably a 10-day shipping time compared to 25-days from the U.S. Gulf Coast, the companies said in a joint statement. Booming shale gas production has led to a propane surplus in North America.

The site has railway access for propane deliveries by tanker cars. Propane from British Columbia and Alberta will be transported by 50 to 60 rail cars a day. Vopak will take a 30 percent interest in the project, with its investment underpinned by long-term customer contracts. Currently, North America propane export terminals operate in Ferndale, Wash.; Mont Belvieu, Texas; and Marcus Hook, Penn. Most of Canada's propane exports currently go to the U.S. by pipeline, truck or rail.

Enbridge plans $1 billion gas pipeline expansion to serve Vancouver

(Financial Post; Canada; May 11) - Enbridge announced plans May 11 for a $1 billion expansion of its British Columbia natural gas pipeline system to handle booming domestic gas production. Enbridge president and CEO Al Monaco said on an earnings call that the company has launched an open season, seeking commitments from gas producers to ship more gas from the prolific Montney formation in Alberta and B.C. to the Vancouver area.

Monaco said surging production from the Montney has impressed his company, which wants to move more of the commodity. The project would add compressor stations to an existing pipeline, boosting capacity by 190 million cubic feet per day and delivering the extra gas by the end of 2020. Solomon Associates director of gas services Cameron Gingrich said the proposal "will help alleviate some of the congestion" that producers face in northeastern B.C. from increased production volumes.

In recent months, several Calgary-based pipeline companies have made pitches to move more gas from Western Canada in all directions. TransCanada held an open season to send more gas eastward to Ontario, and Alliance Pipeline, partly owned by Enbridge, is looking to expand capacity on its southeast-bound line to Chicago. Gingrich said producers "need more options for getting that gas to market" and Enbridge's west-bound proposal would provide another option.

Alberta regulator wants to tackle growing number of orphan wells

(Calgary Herald; May 8) - The head of Alberta's energy watchdog is concerned about the growing number of orphan wells in the province and says changes are coming to help tackle the problem. Steps might include putting firm timelines on when producers must clean up inactive oil and gas wells, something the province lacks. "There's going to have to be policy changes here. We don't have enough within the regulatory system to do what we need to do going forward," said Alberta Energy Regulator CEO Jim Ellis.

"I'm not going to speculate what that looks like right now because we're working with it, but there is going to have to be some change," Ellis said. One of the goals is to finish a risk assessment of all energy-related assets in the province by March 2018. Ellis wants to ensure the agency understands the state of all infrastructure, from thousands of oil wells and gas plants to more than 260,000 miles of pipelines. It is also keeping an eye on the growing number of orphan wells, which lack an owner to pay for cleanup.

Low commodity prices have hammered the oil patch over the past two years, triggering at least 18 bankruptcies by Canadian producers since 2015. The province operates on a polluter-pay principle, leaving companies responsible for cleaning up their own properties. So-called “orphan” wells don’t have an active owner to pick up the bill, making them the responsibility of the Alberta Orphan Well Association. But the non-profit group, funded annually by a $30 million industry levy, is falling behind. The number of orphan wells shot up from 162 two years ago to 768 last spring.

ExxonMobil buys large petrochemical plant in Singapore

(Houston Chronicle; May 11) - ExxonMobil said it will buy a massive petrochemical plant in Singapore from a financially struggling company at a discounted price. ExxonMobil is acquiring the aromatics chemical plant, which opened in 2014 in Singapore’s Jurong Island, from the Jurong Aromatics Corp. The corporation is going through the U.S. equivalent of bankruptcy proceedings. The plant has been shut down for a majority of its existence, only restarting operations last July.

The plant was built for $2.4 billion. Although ExxonMobil won’t reveal the acquisition price, the Korea Times reported the price at $1.78 billion. Exxon outbid South Korea’s Lotte Chemical and a consortium including Paris-based Total. The Singapore facility churns out nearly 1.5 million metric tons of chemicals a year.

The aromatics plant primarily produces paraxylene and benzene, and the chemicals are known as aromatics because of their sweet odor. Paraxylene is used to make polyesters and plastics, while benzene creates other chemicals, including gasoline additives. Singapore already is home to ExxonMobil’s largest integrated refining and petrochemical complex.

Hawaii company orders LNG-fueled containerships

(Marine Link; May 11) - Honolulu-based Pasha Hawaii announced May 11 that it has selected Keppel AmFELS of Brownsville, Texas, a subsidiary of Keppel Offshore & Marine, for construction of two liquefied natural gas-fueled containerships, with the option to order two more vessels. Each ship will be able to carry 500 45-foot containers, 400 refrigerated containers and 300 40-foot dry containers, with a sailing speed of 23 knots. Delivery of the first vessel is expected first-quarter 2020.

The vessels will operate fully on LNG, reducing environmental impact and increasing fuel efficiency, Pasha Hawaii said. The company is a wholly owned subsidiary of the family-owned global logistics and transportation company, The Pasha Group. Pasha provides roll-on/roll-off freight service from the mainland to Hawaii. The company did not provide a cost for the new vessels, which will be built in a Brownsville shipyard.

Recovery pushes N.D. oil production back over 1 million barrels a day

(The Associated Press; May 13) - There are hundreds more jobs than takers in the heart of North Dakota's oil patch. Finding a hotel room, parking space or table at a restaurant is no longer easy. More than two years after the state's oil bonanza fizzled to a lull, North Dakota — the nation's No. 2 oil producer behind Texas — is experiencing a sort of boomlet that has pushed daily production back above 1 million barrels.

Industry officials and others say the uptick comes from a bump in crude prices, regulatory certainty with the more drill-friendly Trump administration, better technology, and the prospect of nearly half of the state's crude coursing through the disputed Dakota Access Pipeline, which could open markets abroad where top prices are typically fetched. The pipeline is a "game-changer that opens up everything," said Ron Ness, president of the North Dakota Petroleum Council.

The $3.8 billion pipeline — expected to be fully operating next month — opens up the possibility for North Dakota oil to be sold on the world market, where industry officials say it could earn several dollars more per barrel. Shippers can save about $3 per barrel moving the oil by pipeline rather than using the mile-long trains that have carried North Dakota oil to the Gulf Coast since 2008. "We can compete with the world," Ness said.

The increase in drilling activity has created a workforce shortage. said a spokesman for Job Service North Dakota, adding that more jobs are listed in the Williston-area than a year ago. And not just oil-related jobs. "Every business on Main Street needs staff.”