Oil and Gas News Briefs
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May 4, 2017

Pakistan negotiates lower price in 15-year LNG deal with Eni

(Reuters; May 2) - Italian oil and gas company Eni said May 2 it had clinched a 15-year, 11-million-tonne liquefied natural gas deal to supply state-run importer Pakistan LNG, ending months of wrangling over the cost. The deal had been delayed since January, when Eni emerged as the winner of a bid to supply Pakistan's gas-starved domestic market. At issue was trading house Gunvor's separate deal to supply Pakistan with LNG for five years at a price significantly below what Eni had offered in its 15-year contract.

While Pakistan swiftly approved Gunvor's deal, officials there started negotiations to persuade Eni to more closely align its prices with that of Gunvor, a Pakistani energy official and industry sources told Reuters. The negotiations resulted in Eni lowering its price, sources said. No details were announced. LNG buyers have been able to demand better pricing terms during the current global oversupply of the fuel.

Multi-year LNG deals tend to be linked to Brent crude oil prices, as a percentage of the price of a barrel. Gunvor's winning bid for the five-year supply came in at 11.6247 percent, and Eni's winning bid for the 15-year deal was 12.29 percent. At $50 oil, the LNG from Gunvor would be priced at about $5.80 per million Btu, while the Eni gas would have cost Pakistan about $6.15 before negotiations lowered the cost. Eni will source most of the LNG for Pakistan from Indonesia, the company said.

Economics, trade talks could get in the way of U.S. gas exports

(New York Times; May 1) - The Trump administration's move to make the United States the world's leading exporter of natural gas is a central component of its energy and trade policy. But whether global markets, currently awash with gas, will play along remains a long shot over the next several years. And any breakdown of talks on the North American Free Trade Agreement, which sets the regulatory framework that has allowed pipeline gas exports to Mexico to triple since 2010, could get in the way.

The administration's export ambitions were explained emphatically last month by Gary Cohn, director of the National Economic Council, and were followed up by the Energy Department's authorization last week for an ExxonMobil/Qatar Petroleum liquefied natural gas export terminal on the Texas coast. In recent years, there was strong domestic opposition to gas exports, from manufacturers and others, out of fear that domestic gas prices would increase, and the Obama administration moved cautiously.

With U.S. gas supplies bountiful, and other countries aiming to increase their own gas production and exports, opposition in the U.S. to exports has mostly abated. For the Trump administration, the economic benefits of gas exports are paramount. Each LNG export terminal can produce thousands of construction jobs and consume millions of pounds of steel — plus additional drilling to produce even more gas. But the global LNG market is oversupplied, hurting project economics. “The pace follows the market and not the wishes of the U.S. government,” said Nikos Tsafos of the Washington D.C.-based consultancy enalytica. “No one is really out there fishing for new projects right now.”

Merged company plans to continue quest for LNG project in Oregon

(Portland Oregonian; May 1) – Portland turned away Calgary-based Pembina Pipeline in 2015 when it tried to build a controversial propane export terminal at the Oregon port. But the company, with more than 6,000 miles of pipeline in Western Canada, will be back in the Oregon spotlight after announcing May 1 it will acquire Canadian rival Veresen, the sponsor of a controversial 12-year push to build a liquefied natural gas export terminal in Coos Bay, Ore., 100 miles north of the California border.

The $7.1 billion deal would give the combined company access to more oil and gas resources, a wider geographic reach and scale to pursue larger projects, including the Jordan Cove LNG terminal, the companies said in a joint statement. "This was always the project that was just a little too big for Veresen, but it's not too big for the combined entity," Veresen CEO Don Althoff said in a conference call. He and Pembina CEO Mick Dilger said the company might seek to sell stakes in the project.

Veresen spent hundreds of millions of dollars on the LNG project, only to see the Federal Energy Regulatory Commission deny its application last year. FERC found insufficient evidence of market need for the gas exports, ruling that the project’s unsubstantiated benefits failed to overcome the impact of its 232-mile feeder pipeline on landowners. The company has made some changes to the project and filed again with FERC, hoping to receive a different answer under the Trump administration.

LNG export restriction could hurt Australia’s reputation

(Reuters’ columnist; May 2) - When governments adopt new policies, the benchmark for success should be that the change works, is efficient and fair to all and does not create unintended consequences. The Australian government decision to restrict exports of liquefied natural gas if the domestic market is constrained meets none of these criteria, although it may just persuade an angry public that the authorities are doing something.

Whether the new policy serves some short-term political objective shouldn't distract from the view that this is a radical change that will serve mainly to undermine Australia's reputation as an investment destination of choice for the natural resource sector. The new policy could hurt Australia's emerging status as the world's top supplier of LNG, but the likely impact on the supply of LNG is largely immaterial as it would only involve relatively small volumes and only at times of peak domestic demand for gas.

It's not exactly clear how the government's plan will work. No matter what is ultimately adopted, it's unlikely to please everyone. Rather, the players should face some truths. For domestic users, they should realize that after Australia embarked on its major LNG build-up, domestic prices would rise to match export prices. The gas industry should accept that it will have to do everything it can to supply the domestic market, even if it means accepting lower prices on occasion. But the biggest loser is likely to be Australia as a whole. Once your reputation is harmed, it's extremely difficult to get it back.

Qatar's RasGas delivers 2,000th LNG cargo to Korea Gas

(Gulf Times; Qatar; May 1) – Qatar's RasGas last month delivered its 2,000th cargo of liquefied natural gas to Korea Gas Corp. The cargo was carried by the KOGAS vessel SK Summit, which also carried the first cargo of LNG supplied by RasGas to South Korea in August 1999.

In October 1995, RasGas signed its first-ever long-term sales and purchase agreement with KOGAS, with deliveries starting in 1999 from the first of seven liquefaction trains RasGas built and operates with its partners in Qatar. Additional capacity was added to the plant in 2004, 2005, 2007, 2009 and 2010. Subsequent to the 1995 deal, RasGas and KOGAS entered into two more long-term agreements, and today RasGas delivers more than 9 million metric tons of LNG a year to KOGAS.

Panama Canal CEO expects an LNG carrier every day by 2021

(Platts; May 3) - The number of LNG carriers transiting the Panama Canal could average one a day by 2021 as more U.S. supply comes on stream and targets demand in North Asia, said Panama Canal Authority CEO Jorge L. Quijano. "During the past nine months of operation of the Panama Canal we have seen LNG flows that we never expected a few years back," Quijano said on the sidelines of last week's Sea Asia Conference, held in conjunction with the Singapore Maritime Week 2017.

The initial projection was for one LNG ship a week, but already traffic is up to three or four ships per week, he said. Much of the future traffic will be driven by emerging LNG exports from the U.S. Gulf Coast. Cheniere Energy has three fully operational liquefaction trains at its export terminal in Sabine Pass, La., with a fourth train expected online in the second half of 2017. Train 5 is under construction and slated to become operational in 2019. Cheniere also has two trains under construction at its LNG project near Corpus Christi in Texas, with start-up planned for 2019, the company said.

Other U.S. LNG export projects slated to start production in the near future include Freeport LNG in Texas, Cameron LNG in Louisiana and Cove Point LNG in Maryland. "The prospects are really good for LNG transits for us," Quijano said.

Start-up planned in 2018 for gas pipeline from Caspian Sea

(Reuters; May 1) - BP plans to complete by mid-2018 the shorter Georgian section of an eventual $40 billion pipeline bringing Caspian Sea gas from Azerbaijan into Europe, the company's country manager for Georgia said. The so-called Southern Gas Corridor, which is intended to reduce the European Union's dependence on Russian energy, will start at Azerbaijan's Shah Deniz II gas field and cross through Georgia, Turkey, Greece, Albania and Italy. It is the largest attempt so far to bring new gas supplies to Europe.

About 365 billion cubic feet per year of Azeri gas should reach Europe by 2020 through the Trans-Adriatic Pipeline, with an additional 200 bcf a year destined for Georgia through the existing South Caucasus Pipeline and Turkey through the Trans-Anatolian Pipeline that is expected to start up in 2018. "All of the project's components are ... on schedule … for when commercial operations are due to begin in the middle to the later part of the next year," BP's Chris Schlueter said, referring to the Georgian section.

"Later this year we'll start to introduce gas to the pipeline in order to get it ready for operations," Schlueter said. The project's capital expenditure in 2016 was $550 million, he said. "Peak spending was last year and we will start to slow down (in terms of investment) this year." Schlueter said peak production from the Shah Deniz II field is expected to occur several years after 2020.

U.S. oil production could pass 10 million barrels a day next year

(Bloomberg; May 1) - The U.S. is in position to be energy-dominant, not just independent, thanks to fracking and plans to loosen federal regulations on drilling, Interior Secretary Ryan Zinke said May 1. Oil production across the U.S. may increase to a record 10.24 million barrels a day by the end of next year as companies cut costs and become more efficient in drilling, especially in areas such as West Texas and North Dakota. Domestic output hasn't surpassed 10 million barrels a day since 1970.

"In 1983, I was told we're going be out of oil and fossil fuels definitively in 2003. That's not true," Zinke said at the Offshore Technology Conference in Houston. "And, you know, I always say God's got a sense of humor — he gave us fracking. And fracking is a game-changer, certainly a global game-changer." Zinke is pushing forward President

Donald Trump's plans to expand oil and gas drilling and reconsider regulations that might limit development of U.S. natural resources.

"My task is to look at it, look at where we're going to make changes, recommendations across the board," Zinke said. He has signed two orders, one designating a counselor position to the Secretary for Energy Policy within the department, and the other directing the Bureau of Ocean Energy Management to develop a new five-year plan for offshore exploration that reconsiders regulations currently governing those activities.

U.S. crude stockpiles down, but refined product inventories increase

(Bloomberg; April 30) - Excess crude oil inventories in the U.S. are clearly in retreat as OPEC's output cutback nears the end of its fourth month. But those looking for higher oil prices shouldn't get too excited just yet — the surplus may just be moving elsewhere. U.S. refineries are helping to drain the glut as plants have come back into operation after normal seasonal maintenance. But if the products being produced are not consumed, the glut is simply being transferred from crude to refined products.

In the most recent week's data, the volume of gasoline and middle distillates in storage rose, more than offsetting the draw down in U.S. crude stockpiles. Gasoline stockpiles have been increasing for the past two weeks. In order to really clear the glut, crude must first be processed into products and then those products need to be consumed. But the early surge in U.S. oil use seems to be waning. Although four-week-average gasoline deliveries soared in February and March, they have plateaued at about 9.3 million barrels a day since late March, down around 100,000 barrels a day year on year.

U.S. crude exports have soared after a 40-year ban was lifted in December 2015. That has helped to drain the crude glut, but may just be moving it elsewhere because, at the same time, oil imports from Middle East OPEC countries show no sign of falling. It's as if the crude that's been extracted in the U.S. and exported is just swapping places with oil that is being extracted in the Middle East and sent to the U.S. Oil bulls should worry that, far from easing, the U.S. oil glut is just being shifted downstream and overseas.

Norway hopes for multibillion-barrel Arctic oil discoveries

(Bloomberg; May 2) - With the oil industry barely recovering from its most brutal slump in decades, you might expect the Arctic Ocean to be the last place explorers would hunt for new discoveries. The Barents Sea off Norway's northern tip is different. Norwegian authorities expect companies including Sweden's Lundin Petroleum and Austria's OMV to drill a record 15 wells in the Barents this year. Statoil's Songa Enabler, a drilling platform the size of two football fields, is in the vanguard of those efforts as it embarks on a five-well exploration campaign.

The Barents enjoys a number of advantages over other Arctic prospects. Thanks to the Gulf Stream, it's largely ice-free, unlike Alaska and Greenland. Its relatively shallow waters mean drilling is less costly. And the potential is huge: The Enabler's fourth well will be Korpfjell, probably the largest prospect to be tested offshore Norway since the 1990s. Norway is betting the underexplored Barents could boost its oil output, which has fallen by half since 2000. Korpfjell is high-risk but has multibillion-barrel potential.

There could be more than 17 billion barrels of oil and gas yet to find in the Barents Sea, or almost 65 percent of Norway's undiscovered resources, according to estimates from the Norwegian Petroleum Directorate. Statoil, Lundin and OMV have already made discoveries totaling more than a billion barrels in the Barents Sea since 2010, and Eni last year started producing oil from Goliat, the area's first platform.

Opponents focus on 64-year-old oil line under Great Lakes

(Reuters; May 1) - The growing protest movement against U.S. oil and gas pipelines has so far focused on stopping or delaying new construction, with some high-profile successes. Now, in Michigan, a broad coalition of opponents is entering a new frontier: Pushing to rip out and reroute an existing oil pipeline — Enbridge's aging Line 5, which crosses the Straits of Mackinac between Lake Michigan and Lake Huron. They fear the line will leak into the Great Lakes, which contain about a fifth of the world's fresh water.

Those concerns have far-reaching implications for energy firms and consumers. The 645-mile pipeline carries 540,000 barrels per day of light Canadian crude and refined products between Wisconsin and Ontario, across Michigan, making it a key link in Enbridge's network transporting western Canadian oil to eastern refineries. It also delivers about half the propane used to heat Michigan homes. Moving the pipeline, built in 1953, would cost Enbridge an estimated $4.2 million per mile, about $2.7 billion total.

An Enbridge spokesman said the line is structurally sound and constantly monitored, tested and inspected. Pipeline opponents include businesses and churches, Michigan and national environmental groups. The unprecedented demands to move an existing pipeline present steep political and regulatory challenges, said Dirk Lever, with AltaCorp Capital in Calgary. "Move it? The question is where," he said. "Good luck with building a new pipeline." Michigan officials have ordered reports, expected in June, on the pipeline's reliability and potential alternatives if the state moves to revoke its easements.

Last of new LNG-fueled ferries on its way to British Columbia

(LNG Global; April 29) - BC Ferries' Salish Raven, the third and final Salish Class vessel, is on its way from the shipyard to British Columbia. The vessel departed from

Gdansk, Poland, on April 28 for the 12,000-mile journey. The Salish Class vessels are BC Ferries' first natural gas-fueled vessels. The 345-foot ferries are dual-fuel and can operate on liquefied natural gas or ultra-low sulfur marine diesel.

The voyage will take approximately 45 to 55 days, depending on weather. The journey will include stops for refueling in Santa Cruz, the Canary Islands and Panama City, Panama. The vessel will transit the Panama Canal and sail up the West Coast of North America to British Columbia.

Salish Orca, BC Ferries' first dual-fuel vessel, will be introduced into service next month on the Powell River-to-Comox route. Salish Eagle, the second vessel, will start service on the Tsawwassen-to-Southern Gulf Islands route in late June. Salish Raven will be introduced in the Southern Gulf Islands in the fall. Each ferry can carry 145 vehicles and 600 passengers. Total construction cost for the new ships is about $200 million.