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Compiled by Larry Persily
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China also signs deals with two U.S. Gulf Coast LNG developers

(Bloomberg; Nov. 9) - Cheniere Energy and China National Petroleum Corp. signed a memorandum of understanding during President Donald Trump's visit to China for the long-term sale and purchase of liquefied natural gas. The announcement at the signing ceremony said the deal was worth $11 billion, a figure neither company has disclosed, nor has either company provided details. Cheniere owns the only U.S. LNG export facility currently in operation, in Sabine Pass, La., though several others are being built.

Cheniere has been trying to lock in buyers to build a sixth gas liquefaction train at its Sabine Pass terminal and a third unit at the Corpus Christi terminal being built in Texas. Also during Trump's visit, Delfin LNG and China Gas Holdings signed a deal where details were not disclosed for the sale of up to 3 million tonnes a year of LNG. Delfin has proposed an offshore gas liquefaction and shipping terminal in the Gulf of Mexico.

China has already signed deals with suppliers in Qatar, Australia, and other nations for more than 40 million tonnes a year of LNG through 2030, but still needs more than 20 million tonnes to meet demand by 2030, according to Bloomberg New Energy Finance. Chinese LNG buyers have not yet inked any long-term agreements or investment deals with U.S. LNG exporters. The U.S. is more eager than China to sign long-term LNG contracts, Vice Finance Minister Zhu Guangyao said at a briefing in Beijing on Nov. 10.

B.C. lost two LNG projects with Chinese partners in recent months

(Business in Vancouver; Nov. 9) - Just a few months after Malaysia's Petronas and its partners pulled the plug on a liquefied natural gas project in British Columbia, one of the partners has reappeared in Alaska. The state-owned Alaska Gasline Development Corp. announced a joint development agreement Nov. 8 for its proposed LNG project in Alaska. Among its potential partners is China Petrochemical Corp. (Sinopec), which held a 15 percent stake in the now-dead Petronas-led Pacific NorthWest LNG project.

Just two months after Petronas abandoned its project, Nexen, owned by China National Offshore Oil Corp., announced that it too was done with B.C., and called a halt to the feasibility study on its Aurora LNG plant, also near Prince Rupert. Jihad Traya, manager of natural gas consulting for Solomon Associates, doesn't think Canadian projects can compete with Alaska LNG because the Alaska project would have the state government as an equity partner, whereas in British Columbia the government's main role has been as a would-be tax collector.

He said the former Liberal Party government made a fatal mistake when it signaled to the industry that it was viewed as a cash cow, and established a special LNG tax that LNG producers don't face in other countries. But Blake Shaffer, a former director of energy trading for TransAlta Corp., said the Alaska agreement is far from a done deal. Although he agrees Alaska has some advantages, building its 800-mile pipeline would be costly, though Shaffer said he expects the pipeline would be built with Chinese steel to reduce the costs. "It's going to be all Chinese steel, valves and engineering."

Analysts question whether China-Alaska LNG deal will materialize

(Kallanish Energy News; Nov. 10) - Despite all the pomp and circumstance around the announcement by Chinese companies, including Sinopec, to help develop the Alaska liquefied natural gas project, analysts suggested Nov. 8 that the political alliance isn't likely to commercially materialize, Kallanish Energy reports. "The main issue for the Alaska LNG project is its high cost. It's a large project at 20 million tonnes of capacity, with an 800-mile pipeline," said Kerry-Anne Shanks, head of Asia gas at consultancy Wood Mackenzie. "Sinopec may be able to secure cheaper LNG supply elsewhere."

The five-party joint development agreement was signed during President Trump's visit to China this week. However, little detail has been disclosed and a lot has to be done before the project can progress, including gas purchase agreements with Alaska oil and gas producers such as BP and ExxonMobil. "The Alaska LNG project is at an early stage of development. Wood Mackenzie classifies it as speculative, which means the commercial structure and marketing plan are not yet clear," Shanks said.

"It is likely to take a few years before the project is ready for final investment decision," she said. Hugo Brennan, Asia analyst at global risk consultancy Verisk Maplecroft, isn't convinced the deal will materialize. "This kind of commercial agreement allows Trump to portray himself as a master dealmaker," Brennan said, "while distracting from a lack of progress on structural reforms to the bilateral trade relationship. … The deal is politically expedient, yet its non-binding nature gives Sinopec the flexibility to quietly back away."

Analysts question Chinese investment in West Virginia gas

(Bloomberg; Nov. 10) - During President Donald Trump's visit to Asia this week, a Chinese energy company pledged to spend almost $84 billion helping West Virginia build an entire supply chain that would bring the benefits of America's shale gas boom to bear. But much of it will probably never materialize. China Energy Investment Corp. and West Virginia have grand — albeit non-binding — plans to build gas-fired power plants along with complexes to store the fuel and chemical plants to turn it into plastics.

West Virginia's Department of Commerce said China Energy Investment would spend $83.7 billion over 20 years. China Energy Investment was formed from the combination of Shenhua Group, the nation's largest coal miner, and China Guodian, one of its top-five power generators. But as Bloomberg Intelligence analyst Michael Kay points out, not even U.S. pipeline giant Kinder Morgan budgets that much for growth projects.

There just are not enough infrastructure opportunities in Appalachia with high enough returns to make it worthwhile, Kay said. One reason is that the Gulf Coast is an easier and often cheaper option with existing pipelines to power plants, chemical plants and storage tanks. "When you already have a market established in the Gulf Coast, it's easy to expand it," said Prachi Mehta, a gas liquids analyst for Wood Mackenzie. And a major constraint in the eastern U.S. is the regulatory process. Some projects have spent over a year waiting for approval as landowners and environmentalists lodge complaints.

Conoco may develop new gas field to feed Australia LNG plant

(Australian Financial Review; Nov. 10) - The prospects for extending the life of ConocoPhillips' Darwin LNG plant a further two decades have dramatically brightened after successful drilling and cost-reduction efforts at the Barossa field in the Timor Sea. Conoco and Australian partner Santos this week both talked up the multibillion-dollar project to develop the offshore field, which would help keep the Darwin plant at full production after gas flows from the Bayu-Undan field wind down early next decade.

Replacing Bayu-Undan gas with gas from Barossa is also expected to give Santos the opportunity to increase its stake in the Darwin plant because it has a bigger share of the Barossa field. Santos CEO Kevin Gallagher said Nov. 8 the company would like to raise its stake in Darwin beyond its existing 11.5 percent. The 11-year-old Darwin plant has capacity to make 3.7 million tonnes of LNG per year. Developing Barossa gas to backfill the Darwin plant would much more cost-effective project than a new liquefaction plant.

Conoco's executive vice president of production and projects Al Hirshberg told investors that drilling at the Barossa field this year had "resolved volume uncertainties" and lifted the volume of recoverable gas thought to be held in the field by more than 40 percent. Santos put the latest estimate for Barossa gas at 4.3 trillion cubic feet. A decision to start initial engineering and design work is targeted for the June quarter of 2018, ahead of a final investment decision in the September quarter of 2019.

Mozambique continues to wait for large-scale onshore LNG project

(The Financial Times; UK; Nov. 8) - Producing Mozambique's large gas reserves — much of it for energy-hungry Asia — means solving a logistical, technical and financial puzzle. Political and economic instability has not made the task any easier. And one of the factors holding back development is the growth in the world's supply of LNG. "The LNG glut has meant that the Mozambique onshore projects have basically gone on ice," said Giles Farrer, research director for global LNG at consultancy Wood Mackenzie.

This June, Italy's Eni signed a final investment decision — the holy grail of the industry — on an $8 billion floating LNG facility that will produce up to 3.4 million tonnes per year. The aim is to start production by 2022. Eni has secured a deal with BP, which will buy the gas for 20 years. But while that offshore liquefaction project is moving ahead, Mozambique's plans to build larger, more expensive onshore projects are progressing more slowly. Gas finds offshore Mozambique total in the tens of trillions of cubic feet.

"To put that kind of investment in place you need a fairly cast-iron legislative framework," Farrer said. Progress has been made during years of discussions to get a satisfactory regulatory framework in place, he said, but it is not final. And although Anadarko, the lead in one onshore project, is believed to have a purchase agreement from Thailand's state-owned PTT, it still lacks enough sales. Analysts warn nothing is likely to happen for at least six months, and probably not until 2019.

Nigeria rich in gas but short in gas production

(The Financial Times; UK; Nov. 6) - Nigeria has Africa's largest gas reserves, yet for decades has suffered chronic power shortages. The irony is not lost on Emmanuel Kachikwu, the minister in charge of rebooting Nigeria's energy sector. He believes the oil-rich country needs to urgently refocus on gas. "We are really a gas nation with some findings of oil," Kachikwu said. "But we are very late in developing [the gas sector]."

Nigeria has exported LNG since 1999, and was No. 4 worldwide in 2016. The country is seeking to capitalize on its 188 trillion cubic feet of gas reserves. There are more than $50 billion worth of investment opportunities in the processing and distribution of gas, the government said. The push to promote gas production comes at a critical time for Nigeria. The oil-price crash since 2014 has put pressure on an energy industry that was already reeling from corruption scandals and battered by militancy in the Niger Delta.

"Nigeria is experiencing a full-blown energy crisis in spite of its abundant gas resources," according to a government policy document. A significant amount of the country's gas is flared because many oil fields are unable to capture the associated gas production. Government data show that 12 percent of the country's gas output was lost to flaring in 2015. Meanwhile, output is held back in parts of Nigeria because facilities have not been built to produce the gas and send it to homes, businesses and factories.

Global majors stick with oil and gas; renewables may come later

(Reuters; Nov. 8) - Two decades ago, BP set out to transcend oil, adopting a sunburst logo to convey its plans to pour $8 billion over a decade into renewable technologies, even promising to power its gas stations with the sun. That transformation — marketed as “Beyond Petroleum” — led to manufacturing solar panels in Australia, Spain and the United States, and erecting wind farms in the United States and the Netherlands.

Today, BP might be more aptly branded “Back to Petroleum” after exiting or scaling back investments in renewables. Lower-cost Chinese components upended its solar panel business, which it shed in 2011. A year later, BP tried to sell its U.S. wind power business but couldn’t get a buyer. “We made very big bets in the past,” said CEO Bob Dudley. “A lot … didn’t work. We’re not sure yet what will be commercially acceptable.”

Even as governments and environmentalists forecast a peak in oil demand within a generation, leaders of the world’s biggest oil firms are not buying the argument that their traditional business faces an imminent threat. An analysis of clean-energy investments and forecasts by oil majors, along with interviews with top oil executives, reveal mostly token investments in alternatives. Today, renewable projects get about 3 percent of annual spending by the five top oil firms, according to consultancy Wood Mackenzie.

BP, Chevron, ExxonMobil, Shell and Total are instead milking their assets to finance investor payouts now and bolster balance sheets for the future. They believe they can enter new energy sectors later by acquiring companies or technologies.

Conoco boosts global capital spending to $5.5 billion a year

(Bloomberg; Nov. 8) - ConocoPhillips has sent a clear signal to global energy markets: For all the recent talk of caution among U.S. drillers, the industry’s still in growth mode. The world’s biggest independent oil explorer said Nov. 8 it expects its capital spending to average about $5.5 billion a year in the next three years, according to a statement released before its annual analyst conference in New York. That would be $1 billion, or 22 percent, over what Houston-based Conoco has forecast for its budget this year.

Conoco and other U.S.-based drillers have preached restraint in recent months, bowing to investors who fumed about the industry spending on new shale wells as dividends and stock prices withered. With its Nov. 8 news, Conoco tried to establish a middle ground, promising more share buybacks but also more production. The company cut its capital budget twice this year and sold off $16 billion in assets in the U.S. and Canada.

In comments to analysts, Conoco CEO Ryan Lance said the volatility in energy markets is “here to stay," and that the company is focused on ensuring it can ride out the waves. After unloading less profitable properties over the past year, Conoco touted the $40-per-barrel average break-even cost for its wells. “It was a pretty lonely place to be a year ago, and I think people have come around to the value proposition of returns versus just absolute growth," Lance said in a Bloomberg TV interview.

Alberta goes to court over clean-up costs of bankrupt wells

(The Financial Post; Canada; Nov. 9) - The Alberta government has been keeping a tab of the clean-up costs that bankrupt oil companies have handed over to the Orphan Well Association (OWA) since a court decision last year made it easier for companies to dump liabilities. That tab has now passed $100 million. The Financial Post has obtained a copy of the list of assets that have been transferred to the OWA, which cleans up oil and gas sites whose owners have gone bankrupt, since a controversial May 2016 Court of Queen’s Bench decision that the Supreme Court of Canada has said it will review.

The lower court allowed the trustee for Redwater Energy to send the company’s uneconomic oil and gas wells to the OWA but keep control of better-performing wells, which could be sold to repay the company’s debt. The decision prioritized the rights of debt holders over environmental remediation in bankruptcy. Alberta appealed the decision to the Supreme Court out of concern it would lead to more companies stripping off bad assets and handing the bill to the OWA and, potentially, onto taxpayers.

The Supreme Court said Nov. 8 it would hear the appeal. The list obtained by the Post shows how many assets have been disclaimed since the lower court decision: 12 defunct oil and gas companies have disclaimed responsibility for 1,628 licensed oil and gas sites. The deemed liabilities for those sites exceed $100 million. The cost of cleaning up orphaned oil wells has become a political flashpoint in Alberta, where hundreds of thousands of wells dot the landscape and thousands have been orphaned.

Alberta holds post-mortem for canceled Energy East oil sands line

(Calgary Herald; Nov. 8) - Hundreds gathered over lunch in a Calgary hotel on Nov. 7 to hash out one of the questions festering at the heart of Alberta’s politics: What happened to Energy East? The TransCanada pipeline was intended to be a win-win: Alberta would gain access to tidewater for its beleaguered oil sands bitumen; oil would travel to a refinery on Canada’s east coast; resources would stay in the country. But in October the company killed it, inspiring interprovincial rancour and darkening Alberta’s sour mood.

The company cited “delays resulting from the regulatory process,” among other obstacles. Andrew Leach, an energy policy professor at the University of Alberta and one of the architects of Alberta’s climate-change policy, was among the loudest voices crying foul over TransCanada’s implication. Abandoning Energy East was a reasonable business decision inspired by low oil prices, reduced oil sands production forecasts and the imminent approval of Keystone XL line to the U.S., Leach said after the news.

Leach gathered Nov. 7 with Dennis McConaghy, a former executive at TransCanada, and Martha Hall Findlay, president of the Canada West Foundation, to hash out the matter. Energy East’s fate was clear after Trump took over, Leach said. With Keystone back in play, the less-efficient Energy East was doomed. “It was the most expensive of the pipeline projects, so the one you naturally take off the deck,” he said. McConaghy rejected that position, adding that Energy East had shipping contracts lined up. But the regulatory process has become so unpredictable that no company will throw billions of dollars behind a project that can be cancelled on a political whim, he said. “There is total uncertainty in this country about whether we can get anything built,” Hall Findlay said.

Opponents drop lawsuit against oil sands pipeline in British Columbia

(The Canadian Press; Nov. 8) – A nonprofit group has abandoned its legal challenge of the Trans Mountain oil sands pipeline project in British Columbia, saying that losing the case could bankrupt the organization. Duff Conacher, of Democracy Watch, said the advocacy group decided to withdraw its legal action after the B.C. Supreme Court judge assigned to the case suggested from the bench that the provincial premier was not responsible for the decision to grant environmental approval for the pipeline expansion.

The lawsuit alleged that the decision to sanction the project was “tainted” by political donations made by its proponents to former premier Christy Clark and her political party. Conacher said many of the pipeline’s proponents had applied to intervene in the case and that if the government won, the proponents would have asked Democracy Watch to pay legal costs amounting to tens of thousands of dollars. The Supreme Court judge’s comments indicated that the pipeline opponents could lose their case.

The petition is one of numerous legal challenges aimed at blocking construction of the Trans Mountain pipeline expansion project between the Edmonton area in Alberta and a shipping terminal in Burnaby, B.C. The pipeline expansion would nearly triple the line’s capacity and increase tanker traffic sevenfold along B.C.’s southern coast.