Oil and Gas News Briefs
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South Korea reverses policy, will restart work on two nuclear reactors

(Reuters; Oct. 20) – The South Korean government said it will bow to public support for nuclear power and will resume construction of two new reactors after a public opinion survey found a majority of people support the reactors — contrary to a government policy to steer the country away from nuclear-generated electricity. President Moon Jae-in came to power in May after calling for reducing South Korea's nuclear and coal-fired power generation in a push to use more natural gas and renewables.

Those plans were dealt a blow Oct. 20 when a public opinion survey found almost 60 percent in favor of resuming the stalled construction of two 1,400-megawatt nuclear reactors. Building the reactors could cut into liquefied natural gas demand of the world's second-largest LNG buyer. "Full implementation of Moon's election promises could have resulted in around 10 million tonnes (a year) of extra LNG demand by 2030. This now seems unlikely," said Kiah Wei Giam, of energy consultancy Wood Mackenzie.

Stability of power supply was cited as a primary reason for the choice in survey responses, said the government-organized committee to study the nuclear projects. "We respect the will of the committee," said a presidential spokesman. The size of the win in favor of the projects meant the government likely had no choice but to go with the committee's recommendation.

Global LNG markets well supplied into mid-2020s, says IEA

(Reuters; Oct. 23) - Global liquefied natural gas markets will remain oversupplied into the 2020s due to a surge in production, although soaring demand especially from China may tighten the market earlier than expected, the IEA said Oct. 23. "We will see massive amounts of new LNG capacity coming to the market ... so we will probably continue to have well-supplied markets into the middle of the 2020s," said Keisuke Sadamori, director of energy markets and security at the International Energy Agency.

"The Qataris, for example, are going to increase liquefaction capacity by 30 percent by 2024, which we have not included in our 2017 gas market outlook report," Sadamori said while in Singapore. Qatar, which is being challenged by Australia as the world's biggest LNG exporter, said in July that it planned to increase its annual output by 30 percent to 100 million tonnes within the next 5 to 7 years. LNG production in the United States is also soaring, thanks largely to the shale gas boom of recent years.

But Sadamori said soaring demand could rein in oversupply. Asian spot LNG prices have fallen from a peak of $20.50 per million Btu in February 2014 to around $8.50 this week. “Especially in China, we are already seeing something like 40 percent year-on-year growth in LNG imports. Depending on how demand develops, the timing that the market becomes tighter could be earlier than originally forecasted.” China’s LNG imports jumped to their second-highest on record in September as the country ramped up gas supply for households to use for winter heating in the country’s war on smog.

Yamal LNG looks to prove Russia can succeed despite sanctions

(Financial Times; Oct. 19) - For Russia’s energy industry, the $27 billion Yamal LNG project has been a technical and political test. The Arctic environment failed to deter foreign investors. France’s Total and China National Petroleum Corp. each own 20 percent of the landmark liquefied natural gas project, which will load its first cargo next month after overcoming the natural elements of its location and the hurdles of doing business in Russia during its worst relations with the west since the cold war.

Not only has Yamal aimed to prove the viability of producing LNG 1,200 miles from the North Pole and shipping it to China through the Arctic, it has shown that investments can still flow to Russia despite the restrictions on finance and technology by U.S. and European sanctions. Yamal, majority owned by private Russian gas company Novatek, was threatened in 2014 when Gennady Timchenko, the company’s second-biggest shareholder, was targeted by U.S. sanctions after Moscow’s annexation of Crimea.

That forced a rapid rethink of the project’s financing. Capital expenditures for Yamal’s construction were converted from dollars to euros. Chinese banks provided loans to cover two-thirds of the financing. The Russian government and state-owned Sberbank provided the balance. Yamal will increase Total’s foothold in the fast-growing LNG market and also establishes it as a major foreign player in Russia. Meanwhile, Novatek will take a decision late next year on the investment required for a second Arctic LNG project, pegged at $19 billion, on the Gydan Peninsula east of Yamal.

Italy’s Eni wants to partner with Rosneft in LNG sector

(Reuters; Oct. 19) - Italian oil and gas group Eni is keen to strengthen ties with Russia’s Rosneft and could forge a partnership in the liquefied natural gas sector, its chairwoman said Oct. 19. In May this year, Eni extended a cooperation agreement with Rosneft to explore the Russian Barents Sea and Black Sea, and to consider further opportunities together. “We are discussing a series of projects ... and are talking for a possible partnership in LNG,” Emma Marcegaglia said at an energy conference.

Eni, which in recent years has uncovered about 115 trillion cubic feet of gas in Mozambique and Egypt, said earlier this year it was looking to develop its LNG business worldwide. The state-controlled major recently sold a 30 percent stake in its giant Zohr gas field in Egypt to Rosneft, and the Russian energy giant has an option to buy an additional 5 percent.

Speaking at the same conference, Rosneft CEO Igor Sechin said Rosneft would start drilling activity with Eni, and Italian oil service group Saipem, in the Black Sea at the end of December. Eni holds three licenses with Rosneft in the Black Sea and Barents Sea.

Mexico talks of pipeline to bring U.S. gas to West Coast for export

(Bloomberg; Oct. 19) - Since the first shale gas export terminal opened in Louisiana last year, U.S. drillers have seen at least 75 cargoes of their fuel transit the Panama Canal bound for Asia. Now they're looking for a cheaper and quicker route, and they've turned to Mexico for help. Aldo Flores, Mexico's deputy energy secretary, said Oct. 19 the government is in talks with West Texas shale drillers about a potential pipeline that would send their gas to Mexico's West Coast for liquefaction and shipment overseas.

Such a pipeline could eliminate the need for LNG tankers to navigate the Panama Canal and hand the U.S. another outlet for its bounty of gas. It comes as at least one would-be U.S. gas exporter, Sempra LNG & Midstream, voiced concerns about delays at the canal that threaten to cost gas traders thousands of dollars a day. While Mexico doesn't have a detailed plan yet, there is "a lot of interest," Flores told reporters in Houston. "It makes total sense for West Texas gas producers."

South Korea, China and Japan have emerged as some of the largest buyers of U.S. liquefied natural gas, according to ship-tracking data from Bloomberg. Mexico's West Coast is already lined with LNG import facilities that could be converted to export. As Mexico lays more pipelines to reach U.S. gas, those import outlets may become obsolete anyway, said Jason Feer, global head of business intelligence at ship broker Poten & Partners in Houston.

India's energy minister says LNG imports could grow 60% by 2020

(Nikkei Asian Review; Oct. 20) - India's imports of liquefied natural gas could reach about 30 million tonnes in 2020 — a roughly 60 percent increase from last year — Petroleum and Natural Gas Minister Dharmendra Pradhan told The Nikkei Asian Review on a recent trip to Japan. India imported about 19 million tonnes of LNG in 2016, making it the world's fourth-largest consumer behind Japan, South Korea and China. India's energy consumption is expected to rise as its economy grows.

"Ultimately, gas is the cheapest commodity" when taking the environmental impact into account, Pradhan said. He is pushing for building an additional 11 million tonnes in annual receiving capacity. It is "not difficult" for Indian LNG imports to reach 30 million tonnes by 2020, he said. China is expected to overtake Japan as the world's largest importer of LNG in 2030, and some expect India to rise to No. 3.

Pradhan said he met with executives from Osaka Gas as well as JERA Co., a joint venture between Tokyo Electric and Chubu Electric. They likely discussed a possible swap deal on LNG cargoes. India and Japan consume "40 percent of the world's LNG," noted Pradhan, who said they will work to "create a progressive gas market in the Asian subcontinent." He was particularly interested in joining hands toward more flexible contracts so that importing countries can resell any surplus LNG without restriction.

Egypt reduces its LNG imports as domestic gas production grows

(Bloomberg; Oct. 20) – Egypt is paring down its requests to buy liquefied natural gas. State-run Egyptian Natural Gas Holding Co. is seeking 12 LNG cargoes for delivery in the first quarter of 2018 in a tender, according to sources. That compares with more than 100 cargoes it planned to purchase via tenders or government-to-government contracts for this year.

Traders are monitoring how much LNG Egypt will buy next year as Africa's biggest gas market weighs it needs for imports against a revival in domestic gas production. Egypt's Zohr field, the largest gas discovery in the Mediterranean Sea, is nearing first production, potentially spelling an end to the bigger LNG tenders for longer periods in previous years won by suppliers.

Most of the field's gas will go to Egypt's domestic market, with some being shipped on to Europe, Igor Sechin, CEO of Russia's Rosneft, said Oct. 19 in Verona, Italy. Rosneft holds 30 percent in the project. Egypt turned from an LNG exporter to an importer a few years ago as domestic demand soared and production slowed. Since exports stopped, there have only been sporadic cargoes out of the nation's two production plants. Full-scale exports may resume by 2020, Mohamed El Masry, head of EGAS, said last year.

South Korea's Fair Trade Commission may look at LNG contracts

(Reuters; Oct. 19) - South Korea's Fair Trade Commission is considering whether to start a probe into the provisions in liquefied natural gas contracts that restrict buyers from reselling the fuel to other markets, an energy ministry official said Oct. 19. Long-term LNG contracts include the destination clauses that prevent buyers from reselling excess cargoes to third parties, and Asian LNG buyers have been vocal about seeking their removal. South Korea is the world's second-biggest LNG importer, behind Japan.

“At the moment, the Fair Trade Commission is in the stage of monitoring the situation and has not decided yet whether or not to investigate,” said the ministry official. “So far, nothing has been confirmed.” South Korea imports most of its LNG through the country’s sole LNG wholesaler, Korea Gas, which brings in about 31 million tonnes per year, mainly from Qatar and Australia.

If the Fair Trade Commission formally launches an investigation, the move would echo steps taken by Japan, whose anti-monopoly regulator ruled in June that new long-term LNG contracts signed with Japanese buyers could not include destination restrictions.

Nova Scotia LNG project developer short on options, and cash

(The Chronicle Herald; Halifax, Nova Scotia; Oct. 18) - The death of TransCanada’s proposed Energy East oil pipeline may further jeopardize a planned multibillion-dollar liquefied natural gas export facility in Nova Scotia. “I wouldn’t call it a snowball’s chance in hell,” Dirk Lever, head of research at Calgary’s AltaCorp Capital, said of the likelihood of Bear Head LNG’s proposed export facility being built. “But it’s close to it.”

Bear Head LNG proposed to get much of the gas for its plant from Western Canadian producers via a 1,000-mile pipeline from Ontario, roughly adjacent to the Energy East oil line. But Energy East developer TransCanada announced Oct. 5 it was dropping the project. Paul MacLean, Bear Head’s strategic and regulatory affairs adviser, said Oct. 18 the cancellation doesn’t change their plans. The company figures TransCanada will team up with producers to pay for a gas pipeline to supply the $5 billion LNG facility.

“This is a company that really doesn’t have a lot of capital,” Lever said. “They have a project and they want someone else to fund it.” Bear Head is owned by Australia-based Liquefied Natural Gas Ltd. The company is also proposing an export terminal for Lake Charles, La. Its stock was trading at 42 cents a share on the Australian Stock Exchange Oct. 17. LNG Ltd. lost $29 million Canadian in the year leading up to its June financial statement. That was down from a $112 million loss the year before. LNG Ltd. has $57 million in assets, and warned in June that it has cash to continue only until mid-2018.

Norway’s energy minister worries about lack of new discoveries

(Bloomberg; Oct. 19) - The renewable energy revolution doesn’t scare the man overseeing western Europe’s biggest oil spigot. The bigger threat to Norway as an oil nation is the drought in large discoveries and projects, Petroleum and Energy Minister Terje Soviknes said in an interview Oct. 17. Norway’s oil and gas industry is facing a dearth of large projects after two separate developments come online in 2019 and 2022 — at a combined cost of $25 billion.

Meanwhile, the prospect of oil demand peaking as the world switches to cleaner energy is fiercely debated in Norway. The future of the oil industry, which made the country one of the world's richest, was one of the biggest issues in last month's election. While drilling opponents only made small gains, Norwegians are questioning whether it makes moral and financial sense to explore for oil, especially in the Arctic, as the world fights climate change. Soviknes, like a majority of Norway's elected politicians, said it does.

"I'm not that concerned with when exactly we get peak demand. … What's most important is that there's high demand, and that's going to be there for decades to come. We must position the Norwegian Shelf for that." So rather than scale back drilling, Norway's government should continue to promote the opposite, he said. Norway had its worst exploration results in a decade in 2015, and a record campaign in the Arctic Barents Sea this year was disappointing. Crude output is now just half of the 2000 peak.

Alberta-to-B.C. oil pipeline encounters permit delays

(The Canadian Press; Oct. 18) - Kinder Morgan Canada said Oct. 18 that it's already facing potentially months of delay on its Trans Mountain pipeline expansion project because of the timing of permits and regulatory approvals. "If you just took the delays experienced to date, and just flowed that through the schedule, we believe that results in a nine-month delay," said CEO Steve Kean during a conference call following the company's third-quarter earnings release.

He said, however, that there are ways to reduce that delay and potentially claw back the project to the scheduled December 2019 in-service date for the line from Alberta's oil sands region to the British Columbia coast. Kean said that because of the delays, about $340 million of project spending scheduled for 2017 has been pushed back. The project has already received hundreds of permits from British Columbia, but will require well over a thousand from the province, President Ian Anderson said.

Permits have continued to come in after the B.C. New Democratic Party-led government took over in July, though the new majority has vowed to use whatever legal means necessary to stop the $7.4 billion pipeline. "The bureaucracies and statutory authorities have continued to do their work. We don't yet see any evidence of political interference," Anderson said. The project faces opposition from several First Nations, municipalities and environmental groups that have gone to court to challenge its federal approval.

U.S. oil exports routinely surpass 1 million barrels a day

(Houston Chronicle; Oct. 18) - The Texas Gulf Coast is leading the way as the nation ships out record levels of crude oil and petroleum products to foreign markets — including China, which is buying more American oil. The United States is routinely exporting more than 1 million barrels of oil a day and shipping out more than 6 million barrels of total petroleum products a day, according to the U.S. Energy Department. More than two-thirds of those petroleum exports are shipped through Gulf Coast ports.

Oklahoma City-based Continental Resources said this week it's piping more than 1 million barrels of Bakken shale oil from North Dakota down to Texas ports to export to China. No matter what the Organization of the Petroleum Exporting countries does to try to offset American oil growth, leaner-and-meaner U.S. companies keep expanding the country's global market share, said Ethan Bellamy, an energy analyst at Robert W. Baird & Co. "The announcement from Continental — Bakken crude flowing to China — tells you all you need to know about U.S. competitiveness."

Iraqi Kurdistan holds tremendous oil potential, but faces challenges

(Bloomberg; Oct. 16) - If Iraq’s Kurdish territory were a country, it would probably qualify for OPEC membership. It wouldn’t even be the smallest member as it pumps more than half-a-million barrels of oil a day. That’s an impressive achievement for a landlocked enclave that started exploring only a decade ago. The region’s potential is greater still, though it faces political, military and economic challenges to expanding its output.

Tensions over a Sept. 25 independence referendum in the semi-autonomous oil province have flared into open conflict between federal authorities and the Kurdistan Regional Government. The KRG says the area’s reserves may total 45 billion barrels, and Kurdish oil is generally cheap to extract. The region pumped 544,600 barrels a day in 2016 and could boost that to 602,000 this year, consultants Rystad Energy said.

When foreign investors tramped into the region’s oil fields after the fall of Saddam Hussein’s regime, the crude was so abundant it seeped from the ground. Former BP boss Tony Hayward called Iraqi Kurdistan “one of the last great frontiers” as his new company Genel Energy started prospecting there in 2011. Russia noticed, too, with oil giant Rosneft considering financing a planned natural gas pipeline to Europe. But the referendum has increased uncertainty, especially given that it included Kirkuk, a constant flashpoint for conflict as Kurds, Arabs and Turkmen all vie to control the area.