Oil and Gas News Briefs
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Louisiana approves $1.4 billion property tax break for LNG project

(The Associated Press; Dec. 14) - A company planning a $15.9 billion liquefied natural gas export terminal in southwest Louisiana won approval Dec. 14 for a five-year property tax break worth up to $1.4 billion. The savings under the state's Industrial Tax Exemption Program could grow to over $2 billion if a potential five-year renewal is included. That could make it the most expensive tax break ever awarded in the state, said Together Louisiana, an organization seeking more scrutiny of such deals.

Louisiana's Board of Commerce and Industry overwhelmingly backed the property tax break for the Driftwood LNG project in Calcasieu Parish after efforts to delay a decision failed in a 17-2 vote against postponement. Gov. John Bel Edwards supports the project and will sign off on the exemption, his spokesman said. Houston-based Tellurian, developer of Driftwood LNG, said it will make a final investment decision on the project early next year and hopes to have the plant online in 2023.

Documents provided to the state board estimate the first year of the tax break would cost local governments nearly $284 million in lost property taxes, dollars that otherwise would go to schools, public safety, and other operations. Over five years, the loss could reach as much as $1.4 billion — the equivalent of $4 million for each operations job created. Supporters say the project also will create 6,400 construction jobs and have wide-ranging benefits across the region, creating many indirect jobs.

Tellurian spokeswoman Joi Lecznar said the tax break is crucial. "LNG is rapidly becoming a global commodity and to be competitive in commodities, businesses must be low cost," she said. Another company official said any delay in the tax break "would send a message of uncertainty to us." The state board approval came despite accusations that local officials violated public meeting laws in backing the exemption.

Qatar plans decision on U.S. LNG export project in next few weeks

(Reuters; Dec. 16) - Qatar Petroleum is looking to invest at least $20 billion in the United States over the next few years, its CEO told Reuters. Saad al-Kaabi, who holds the energy portfolio of the world's largest liquefied natural gas supplier, also said Dec. 16 the company aims to announce foreign partners for its ambitious LNG capacity expansion by the middle of next year — but was keeping open the possibility of going it alone if it doesn't receive good offers.

The company is in talks with international oil-and-gas firms about the expansion project, including Italy's Eni, Kaabi said. Other partners already operating in Qatar include Total, ExxonMobil, and Shell. QP said it will self-finance the expansion rather than borrow, a shift from previous practices where it used lenders to fund up to 70 percent of project costs. Qatar plans to boost its liquefaction capacity from 77 million tonnes a year to 110 million tonnes by 2023-2024, expanding its leading presence in the global LNG market.

As part of its investment push in the United States, QP is looking "at gas and oil, conventional and non-conventional," Kaabi said. Qatar is majority owner of the Golden Pass LNG import terminal in Texas, along with partner ExxonMobil, and the companies are looking at spending billions to add liquefaction and export operations at the site. "We are in the final stages, assessing with our partners to take a final investment decision on the project," Kaabi said. "That should be coming in the next few weeks."

FERC releases draft EIS for third LNG project in Brownsville, Texas

(Houston Chronicle; Dec. 14) - The Federal Energy Regulatory Commission on Dec. 14 released its 452-page draft environmental impact statement for Exelon's proposed Annova LNG project in the Port of Brownsville, Texas. The public comment period will end Feb. 4 with FERC scheduled to release the project's final EIS in April 2019 and decide on the project application by July 2019. Exelon said it plans to make a final investment decision in the fourth quarter of 2019 with a planned 2024 in-service date.

If approved, Exelon plans to invest $3 billion to build the liquefied natural gas export terminal with capacity to produce 6 million tonnes of LNG per year. Exelon is one of three companies seeking FERC permission to build LNG export terminals in the Port of Brownsville. The other two — Texas LNG and Rio Grande LNG — also have received their draft EIS from FERC. All three terminals face stiff opposition from a coalition of environmentalists, shrimpers, fishermen, and nearby communities.

FERC's draft report gives Exelon a list of 124 items to reduce the project's environmental impacts. Construction and plant operations are expected to impact movements of endangered species such as the ocelot and jaguarundi. The draft EIS said the effects of construction "would not be significant" if the company follows recommendations in the report.

Private Chinese gas supplier takes over Toshiba's U.S. LNG contract

(Nikkei Asian Review; Dec. 15) - ENN Group, the private Chinese gas supplier founded by multibillionaire Wang Yusuo, believes it has the tools to turn Toshiba's long-struggling liquefied natural gas operations into a golden goose. Once ENN finalizes the takeover of the assets by March, it will leverage its expertise in the gas industry and its vast domestic sales network — two weapons Toshiba never had in its arsenal. The Chinese firm will also inherit the risks that have plagued the operation throughout its life.

"Twenty-five years after we started supplying gas in Hebei Province, we have arrived at starting up an LNG terminal," Wang said Oct. 18, marking completion of the company's first import terminal, in Zhoushan. "Further development awaits us in the next 20 years." China is home to 20 or so receiving terminals, and ENN's is among the largest. Up to now ENN simply bought LNG from other terminal operators while focusing on city gas distribution. Now it plans to extend its terminal capacity and bypass the middlemen.

State-owned enterprises as PetroChina and Sinopec used to hold a virtual oligopoly in China's oil and gas industry. But Wang, dubbed the "king of gas" in Chinese media, managed to successfully encroach on their domain. He established ENN in 1989 and now serves businesses and residences in about 180 Chinese cities. ENN is buying Toshiba's obligation to take 2.2 million tonnes of LNG per year for 20 years from the Freeport project in Texas, which is due to open next year. Toshiba decided to sell the contract rather than risk losing money on reselling the gas in low market years.

Total sells 4% of its stake in Australian LNG project hit by overruns

(S&P Global Platts; Dec. 13) - Total has signed a deal to sell 4 percent of its stake in the Australian Ichthys LNG export project to Japanese operator Inpex for $1.6 billion, the French company said Dec. 13. The transaction will reduce Total's interest in Ichthys to 26 percent and boosts Inpex's stake to 66.245 percent. Total said the move is line with its policy of fiscal discipline, as the capital cost provided by Inpex rose an additional US$5 billion last year to $45 billion. The cost estimate started at $34 billion in 2012.

"Ichthys is part of a wave of Australian LNG projects which have unfortunately experienced major cost overruns and delays during their construction phase," said Arnaud Breuillac, Total's president for exploration and production. "This transaction is part of our constant portfolio review to optimize our capital allocation." The offshore gas development and onshore LNG terminal were more than a year behind schedule with billion-dollar contractual disputes over construction of the liquefaction plant in Darwin.

Ichthys, offshore northwestern Australia, shipped its first liquefied natural gas cargo in October. Once both liquefaction trains are fully operational, the project will have capacity to produce 8.9 million tonnes of LNG per year and 150,000 barrels a day of condensate and liquefied petroleum gas at peak output. In November, the CEO of Inpex said during a visit to Australia that the company was considering an expansion of the project's capacity, which would have required additional investment by partners.

World's largest LNG buyers need to line up contracts, Wood Mac says

(Energy Voice; UK; Dec. 13) – Uncontracted demand for liquefied natural gas is set to quadruple by 2030, according to energy research firm Wood Mackenzie. The company said its data shows that uncontracted demand from the world's seven largest LNG buyers for that period could climb to 80 million tonnes per year. The seven are in China, Japan, South Korea, and Taiwan and account for half the global LNG market.

"As China pushes toward a lower-emission economy, its demand for gas and LNG has grown significantly and we expect the trend to continue in the longer term," said Wood Mac's research director Nicholas Browne. "Other traditional, major buyers … are facing legacy contract expirations and will be on the hunt for a mix of contracts to lower average costs and security-in-supply sources," Browne said. Wood Mackenzie believes 2019 will be a record year for new LNG project sanctions. "Asia's major buyers will be at the forefront in ensuring this next generation of LNG supply is brought to market."

Wood Mackenzie said LNG export projects worldwide totaling more than 220 million tonnes annual capacity are waiting on final investment decisions. The research firm predicts go-aheads in 2019 for the Novatek-led Arctic LNG-2 in Russia, at least one project in Mozambique, and three in the United States — while expansions of existing LNG terminals in Australia and Papua New Guinea also in the running.

Decision to leave OPEC 'puts Qatar in America's good books'

(Reuters; Dec. 12) - Even before taking over Qatar's energy policy in a government reshuffle last month, Qatar Petroleum CEO Saad al-Kaabi had long wanted the nation to leave OPEC. He was concerned OPEC membership could be a stumbling block for QP's ambitions in the United States, where it is deciding whether to make one of the world's biggest LNG import terminals into an export terminal. Its place in the oil cartel also could be a distraction as Qatar doubles down on its gas production, sources said.

Proposed U.S. legislation known as NOPEC (No Oil Producing and Exporting Cartels Act) could expose members of the oil club to antitrust lawsuits, a risk for QP at a time it is planning to invest billions in the United States. The industry sources said Qatar's exit had been in the works for months, driven by Kaabi's desire to focus on Qatar's strength in liquefied national gas rather than OPEC, where Doha has little say anyway because it doesn't produce much oil — just 600,000 barrels a day, 0.6 percent of global demand.

"It takes Qatar out of the whole debate within the U.S. Congress on whether or not OPEC is a cartel," said James Dorsey, a senior fellow at the S. Rajaratnam School of International Studies. "If anything, it puts Qatar in America's good books." The decision to leave after 57 years just two days ahead of a crucial OPEC policy meeting in Vienna last week also struck many as a shot at Saudi Arabia, which along with the Bahrain, Egypt, and the United Arab Emirates has imposed a boycott on Qatar since June 2017.

East Timor president vetoes use of savings to buy out Shell, Conoco

(Reuters; Dec. 14) - East Timor's president has vetoed a government bid to increase use of its Petroleum Fund for investments in energy projects, potentially delaying a $650 million buyout of Shell and ConocoPhillips holdings in the Greater Sunrise gas project. The deals would give Timor Leste a majority stake in the project, along with remaining partners Australia's Woodside Petroleum and Japan's Osaka Gas. "This veto aims to prevent the over-stretching of the Petroleum Fund's direct investment rules and policies," President Francisco Guterres said in a statement this week.

Guterres called for revisions to the investment proposal, which would have removed a 20 percent cap on state participation in oil and gas projects and also would have allowed Sunrise and other projects to bypass approvals by parliament. Discovered in 1974, the Greater Sunrise fields, which hold about 5.1 trillion cubic feet of gas, straddle the maritime border between Australia and East Timor. A border dispute, which was settled earlier this year, delayed development.

East Timor wants to develop Sunrise by piping gas to a liquefaction plant on its south coast, while its partners favor piping the gas to an existing LNG plant with spare capacity in Darwin in northern Australia. Last month East Timor announced a deal to buy Shell's 26.56 percent stake in the project for $300 million. ConocoPhillips said in October it would sell its 30 percent stake for $350 million. East Timor wants the economic development of an onshore terminal despite the partners' arguments that sending the gas to an LNG plant in Australia is more economically viable.

Canadian regulator sets hearings for gas pipeline to LNG plant

(The Canadian Press; Dec. 12) – Canada's National Energy Board is scheduling hearings over the next three months to consider a jurisdictional challenge to the approval of a pipeline needed to supply natural gas to the recently sanctioned C$40 billion LNG Canada project in Kitimat, British Columbia. However, planning for construction to begin early next year will continue based on the Coastal GasLink Pipeline's provincial approvals and permits, said a spokeswoman for the project.

The hearings will consider the question of whether the B.C. Oil and Gas Commission had jurisdiction to issue approvals for the pipeline, the NEB said. If it decides the 416-mile pipeline from gas fields in northeastern B.C. to the coast should be under federal jurisdiction, the project developer would have to apply to the NEB and undergo a separate process to win federal approval rather than rely on the provincial approval.

The NEB actions are in response to a challenge by B.C. resident Mike Sawyer, who argues that because TransCanada will own and operate the pipeline and its connected Nova Gas Transmission system together, they form a single system that crosses the Alberta-B.C. border and must be regulated by the federal government. LNG Canada partners Shell, Mitsubishi, Petronas, PetroChina, and Korea Gas announced Oct. 1 that they would start work on the liquefied natural gas export terminal and pipeline.

B.C. court orders protestors to allow access for gas pipeline workers

(Prince George Citizen; BC; Dec. 14) - A B.C. Supreme Court justice issued an injunction Dec. 14 temporarily ordering opponents of the Coastal GasLink pipeline to allow workers access in a disputed area to start work on the C$6.2 billion project. Since 2012, a blockade gate has been up across the Morice River bridge on the forest service road of the same name largely in opposition to the 416-mile pipeline that would send gas from a station near Dawson Creek to the LNG Canada project in Kitimat, B.C.

The blockade was established in the name the Unist'ot'en, a group within the Wet'suwet'en First Nation. The injunction will remain in place until no later than May 1, 2019. Coastal GasLink had been seeking a permanent injunction, but Justice Marguerite Church found the defendants have not had enough time to respond to the company's notice of claim and opted for a temporary order.

Coast GasLink, a wholly owned subsidiary of TransCanada, said the court decision will allow it to move forward with pre-construction activities. "The (protest) camp established next to the bridge will remain as is. … We simply need to use the public bridge to access our pipeline right of way." The company had maintained a policy of working around the blockade but with LNG Canada’s Oct. 1 decision to start construction, GasLink told the court it needs to begin pre-construction in January to avoid delays.

First Nation sues to stop Alberta oil sands project

(The Canadian Press; Dec. 11) - An Alberta First Nation is suing the province over development approvals that the band said threaten sacred land the government promised to protect. “We will not stand idly by and let the area be destroyed,” Jim Boucher, chief of the Fort McKay First Nation, said in a news release. Fort McKay, a community of 800 about 50 miles from Fort McMurray, is surrounded by open-pit oil sands mines on three sides. The closest operation is within 2.5 miles.

Band members have long considered the area around Moose and Namur lakes, west of the community, their last refuge for traditional hunting, trapping and berry-picking. The lawsuit argues there has been so much development in the area that Moose Lake is all Fort McKay has left. The latest threat, they said, comes from approval last June by the Alberta energy regulator for an oil sands project within 1.25 miles of the lake. Prosper Petroleum’s $440 million, 10,000-barrel-a-day project was opposed by the First Nation.

The green light came despite a provincial draft plan — the result of 15 years of talks — to give the area more protection. That plan contemplated a 6.25-mile zone around Moose and Namur lakes with safeguards for protecting Fort McKay's land use. However, the regulator said it couldn't consider the province's plan for the lake area because the plan was still being discussed and had not been implemented. The lawsuit asks the court to overturn permits for industrial activity within the 6.25-mile zone.

First Nations energy coalition opposes oil tanker ban

(National Post; Canada; Dec. 11) - A coalition of First Nations groups is imploring Canada to rein in a proposed oil tanker ban on the northern B.C. coast, and plans to level a United Nations complaint against the government to protest the legislation. The plea is a last-ditch effort to reverse the bill as it nears passage through the Senate. Calvin Helin, CEO of Eagle Spirit Energy Holding, heads the coalition, which has sketched out plans to build a roughly C$18 billion oil pipeline from northern Alberta to near Prince Rupert, B.C., to move oil sands production to the coast for export.

Helin has long pitched the idea of a First Nations-led oil line. The tanker-ban legislation would effectively strip Indigenous people of their economic self-determination, he said. His comments come amid intense angst in Alberta, which has failed for years to build the pipelines needed to carry away steadily increasing oil sands production. However, Eagle Spirit was widely viewed by industry as unlikely to move ahead even before the tanker moratorium due to its high capital costs and First Nations opposition.

The Eagle Spirit pipeline appears to present a conundrum on Indigenous rights. A handful of First Nations communities have opposed the project in the past due to environmental worries. Meanwhile, a host of Indigenous communities along the pipeline route support Eagle Spirit, saying it would give them more financial independence.

Canada's strict new standards could end coal-fired power

(The Canadian Press; Dec. 13) - The death knell for coal-fired electricity in Canada could come before the end of the next decade. Ottawa put final regulations in effect this week with such strict pollution standards for coal-fired power plants that only one plant in Canada can possibly meet them. The Boundary Dam coal plant in Saskatchewan uses carbon capture and storage technology that traps carbon emissions in the ground rather than releasing them into the atmosphere.

The other 14 power plants in Alberta, Saskatchewan, New Brunswick, and Nova Scotia will have to convert to other fuel sources, introduce carbon-capture technology or close before the 2029 deadline in the new standards. Canada has significantly cut its dependence on coal largely through the closure of all coal plants in Ontario.

U.S. coal mining jobs up — but not all that much

(Bloomberg opinion column; Dec. 11) - Remember that big coal-mining comeback promised by President Donald Trump? Employment in the sector did go up by 400 jobs in November to an estimated 53,200, the highest since February 2016. Though in the grand scheme of things, even the 2,500 coal-mining jobs added since Trump took office really don't amount to much. Coal-mining jobs peaked in the U.S. in 1923 at 862,536.

Most of the decline since then has been from increased productivity: Mining companies kept digging more and more coal out of the ground but with fewer and fewer people. They accomplished this in large part by shifting the core of the industry from Appalachia to the western U.S., where less labor-intensive surface mines predominate. And for the past decade, something else has been at work: Coal use in the U.S. has been falling.

The reason the U.S. is burning so much less coal is that as overall electricity use has plateaued over the past decade, we've increasingly been getting that electricity from gas, wind and solar. The boom in U.S. gas output enabled by fracking and horizontal drilling seems to have been the biggest driver. And now that the transition away from coal-fired power generation has happened, it's awfully hard to see what could reverse it.

Besides, new wind and solar facilities are already cheaper on a levelized-cost-of-energy basis than new coal plants. The modest uptick in jobs can be chalked up to exports. While the U.S. and other developed countries have been turning away from coal, the developing world has not. But with major coal deposits around the world and shipping costs high relative to energy content, U.S. coal has limits as an export commodity.

U.S. producers on track to pump 12 million barrels a day in 2019

(Bloomberg; Dec. 12) - The U.S. government has left its forecast for domestic crude production unchanged for 2019 even with prices averaging almost $11 a barrel lower than its previous estimate. Oil producers will pump an average 12.06 million barrels a day next year — a record year — up from 10.88 million in 2018, the Energy Information Administration said in its monthly outlook.

The swift growth of American shale production has complicated efforts by OPEC and its allies to trim supply and support prices. While transportation bottlenecks in areas such as the Permian Basin of West Texas and New Mexico pose a risk to future growth, new pipelines coming online in late 2019 and 2020 should ease that congestion. The U.S. will account for almost one-fifth of global petroleum liquids output next year.

Producers aren't shying away from spending money in U.S. fields, despite prices dropping more than 30 percent from the October highs. ConocoPhillips said Dec. 10 it is spending half its 2019 budget in the continental U.S., while Chevron is investing $3.6 billion in the Permian Basin alone.

Australia’s Greens Party wants to boost taxes on LNG projects

(Sydney Morning Herald; Dec. 11) - Oil and gas companies would cough up an extra $52 billion in petroleum taxes under an Australian Greens proposal that the minority party admits is partly aimed at reducing fossil fuel production. An analysis by the independent Parliamentary Budget Office suggests the 2019-20 budget alone would be $3.3 billion better off under the Greens’ proposal.

The Australian government already is making changes to its Petroleum Resource Rent Tax, which has come under fire for not raising sufficient revenue from the country’s rapid growth in LNG exports over the past decade. Those changes are forecast to raise an additional $6 billion by 2028-29, prompting industry concerns that planned exploration and investment may be abandoned. This year the sector is expected to pay $1.4 billion in the resource tax despite record LNG exports of $31 billion.

The Greens’ plan would replace the current process that allows developers to recover their full investment before the tax kicks in — and even allowing an annual bump to account for the time it takes to fully recover their investment. Under the proposal, companies would be limited in what they can credit against taxes. Greens spokesman Peter Whish-Wilson said the existing tax gives oil and gas companies long-term shelter from taxes. The budget office warned, however, that less oil and gas may be produced as development costs increase, resulting in some projects never getting off the ground.

Developer starts looking at new LNG project in Western Australia

(S&P Global Platts; Dec. 13) - Western Gas is looking at building a liquefied natural gas export project to supply gas from Western Australia to Asian markets by 2023-2024, joining a growing number of energy companies looking to bridge a global supply deficit forecast for the early- to mid-2020s as Asian demand continues to grow. The company’s export plans are part of its Equus gas project, which has sufficient resources to supply 2 million tonnes of LNG per year for 20 years, a spokesman said Dec. 13.

The size, location, and cost of the LNG terminal are still being considered. Western Gas announced Dec. 12 a memorandum of understanding with McDermott International and Baker Hughes for development of the Equus gas project. A final investment decision is planned for late 2019 or early 2020. The privately owned Equus project in the Carnarvon Basin holds approximately 2 trillion cubic feet of gas and 42 million barrels of condensate, Western Gas said.

"The agreement is for the provision of drilling, subsea, offshore processing, nearshore LNG production and a gas pipeline to shore for domestic gas supply," Western Gas executive director Andrew Leibovitch said in a statement. "McDermott and Baker Hughes were also awarded a contract to support the planning phases of the project and pre-front-end engineering and design studies will commence immediately.”

New pipeline, gas field project will help Australia’s supply squeeze

(Sydney Morning Herald; Dec. 13) - Australia’s gas-starved eastern states have received a double boost with the opening of a new pipeline to the Northern Territory and the announcement that a new gas field will be developed off the Victoria coast. Pipeline company Jemena will open a link Dec. 15 to Northern Territory gas fields, sending new gas to East Coast users, while ExxonMobil and BHP have decided to push forward on an offshore Bass Strait gas field that will bring more supply into Victoria by 2021.

Regulators and major customers have warned of a looming supply crunch on the East Coast, sparking proposals for gas import terminals. The 385-mile pipeline from the Northern Territory gas hub of Tennant Creek will move almost 250 million cubic feet of gas a day when supply is fully available. The pipeline opens up the potential to source gas from the Northern Territory’s major onshore and offshore fields and feed it into the domestic market.

ExxonMobil and BHP on Dec. 13 made a final investment decision on their joint-venture Bass Strait project, which will bring more gas to the southeast state of Victoria. But it will not be enough, an analyst said. "At the end of the day Victoria will still have to pull gas down from Queensland,” Credit Suisse analyst Saul Kavonic said. “This doesn't change the basin's decline. The only thing people are arguing about is the rate of decline."