Oil and Gas News Briefs
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Companies line up LNG expansion projects in Papua New Guinea

(Nikkei Asian Review; Feb. 16) - Strong growth in gas demand from China could help trigger a new round of investment in Papua New Guinea. ExxonMobil and Total, two oil supermajors, along with Oil Search of Australia, are likely to give the go-ahead by next year to spend $6 billion on additional liquefied natural gas export capacity in the resource-rich South Pacific nation. That investment would come after China surpassed South Korea in 2017 to become the world's second-largest LNG importer behind Japan.

Total, on behalf of partners ExxonMobil and Oil Search, controls the undeveloped Elk-Antelope gas fields in Papua New Guinea's southern Gulf Province. It is expected that Elk-Antelope, instead of feeding a standalone LNG facility, will be integrated with the existing ExxonMobil-operated plant, a development known as PNG LNG, as part of a cooperative effort to save costs, said Chris Meredith, an analyst at Wood Mackenzie.

The U.K.-based energy consultancy estimates the cost to develop the Elk-Antelope fields at $6.1 billion, covering upstream development and additional production capacity at PNG LNG. ExxonMobil, Total, and Oil Search will soon present their preferred development option to the Papua New Guinea government, with a final investment decision planned in 2019, Oil Search CEO Peter Botten said Jan. 23. Botten said talks are continuing with Total and ExxonMobil on financing and marketing arrangements.

Also in Papua New Guinea, ExxonMobil, along with its partners Oil Search and Japan's JXTG Holdings, has found more gas at its P'nyang field in the Highlands, which could be used to underpin further expansion of the PNG LNG plant. Analysts estimate cost of the expansion, which might not receive approval until 2021, at more than $2 billion.

Woodside plans 2020-21 decisions on new Australia LNG production

(The West Australian; Feb. 14) - Woodside Petroleum has made a deeper commitment to developing the more than 8 trillion cubic feet of gas at the Scarborough offshore field by taking a majority stake, a move that could see the company spend billions on two new offshore Australia developments to feed existing LNG projects. The company is raising $2.5 billion to fund the deal and advance development of both the Scarborough and Browse fields, along with a West Africa oil prospect.

The $US744 million agreement to acquire ExxonMobil’s share in Scarborough to take Woodside to a 75 percent interest potentially pushes that development ahead of the long-delayed Browse gas project. Woodside CEO Peter Coleman has set a 2020 final investment decision for Scarborough, while pushing the Browse final investment decision back a year to 2021. He said increasing the Scarborough stake had taken significant risk out of the project. “That’s why it’s jumped to the front of the queue.”

Developing Scarborough has a total price tag of $US8.5 billion to $US9.7 billion, with Browse at $15 billion. The Scarborough development would pipe enough gas to the Woodside-operated onshore Pluto liquefaction plant to make 6 million tonnes of LNG per year. Scarborough is about 140 miles offshore northwest Australia. Pluto LNG started operations in 2012. The Browse field is twice as far from the cost, with almost twice as much gas. It could supply enough gas to the onshore North West Shelf LNG plant to make 10 million tonnes of LNG per year. The plant started operations in 1989.

Novatek plans LNG transshipment terminal in Russian Far East

(LNG World News; Feb. 16) – Novatek, Russia’s largest independent natural gas producer and liquefied natural gas plant operator, plans to invest up to $1.5 billion to build an LNG transshipment terminal on the Kamchatka Peninsula in the Russian Far East. The company is looking into two options for the location of the LNG hub — Avacha Bay and Bechevinskaya Bay — according to a statement Feb. 16 posted on the website of the Ministry for the Development of the Russian Far East.

The project includes the construction of storage tanks and a marine terminal capable of handling 20 million tonnes of LNG per year. Construction is scheduled to be completed in 2022-2023, the statement said. Novatek signed a cooperation agreement for the facility last year with the regional government of Kamchatka. It also signed a memorandum of understanding with Japan’s Marubeni Corp. and Mitsui O.S.K. Lines for the LNG transshipment project.

The facility would allow ice-class tankers to deliver LNG from Novatek’s Arctic plants and transfer their cargoes to conventional tankers for delivery to customers worldwide. Novatek started shipments from its Yamal LNG export facility in December. The company plans to build a second LNG export project just east of Yamal, with start-up possible in the early 2020s. Combined, the two Arctic projects could have the capacity to produce almost 35 million tonnes of LNG per year.

First LNG carrier expected end of March to load at Maryland terminal

(Reuters; Feb. 15) – The liquefied natural gas carrier Methane Spirit will arrive at Dominion Energy’s new Cove Point LNG export facility in Maryland around March 31, according to Reuters shipping data. If correct, that could be the first vessel to pick up a cargo from the LNG facility, which Virginia-based Dominion has said is expected to enter service in March. Dominion spent $4 billion to add export facilities to Cove Point, a 1970s' era LNG import terminal on Chesapeake Bay.

The Methane Spirit is currently off the coast of Japan, where it was expected to drop off a cargo from Australia, according to the shipping data. Once it enters service, Cove Point will be the second big LNG export terminal in the Lower 48 U.S. states. Cheniere Energy's Sabine Pass terminal in Louisiana exported its first cargo in February 2016. Cove Point is designed to liquefy about 750 million cubic feet per day of gas.

In December, Dominion said Shell would take the initial LNG cargoes from Cove Point. Dominion sold the project's capacity for 20 years to a subsidiary of GAIL (India) and to ST Cove Point, a joint venture of units of Japanese trading company Sumitomo and Tokyo Gas. Some of the LNG going to ST Cove Point will go to Tokyo Gas and some will go to Kansai Electric, according to Sumitomo's Pacific Summit Energy unit.

Newspaper continues criticism of Russian LNG to Boston

(Boston Globe editorial; Feb. 13) - To build the new $27 billion liquefied natural gas export plant on the Arctic Ocean that now helps keeps the lights on in Massachusetts, Russian firms bored wells into fragile permafrost; blasted a new international airport into a pristine landscape of reindeer, polar bears, and walrus; dredged the spawning grounds of the endangered Siberian sturgeon in the Gulf of Ob to accommodate large ships; and commissioned a fleet of 1,000-foot-long icebreaking tankers likely to kill seals and disrupt whale habitat as they shuttle LNG bound for Asia, Europe — even Boston.

On the plus side, they didn't offend Massachusetts communities or elected officials with even an inch of pipeline that could deliver U.S. gas to New England. This winter's unprecedented imports of Russian LNG have come under fire from Boston's Ukrainian-American community, because the majority shareholder of Russia's Yamal LNG project had been sanctioned by the U.S. government for Russia's illegal annexation of Crimea.

Massachusetts' reliance on imported gas from one of the world's most threatened places is also a severe indictment of the state's inward-looking environmental and climate policies. Public officials have leaned heavily on righteous-sounding stands against gas pipelines, with scant consideration of the global impacts of their actions. As a result, to a greater extent than anywhere else in the United States, the state now expects people in places like Russia, Trinidad and Tobago, and Yemen to shoulder the environmental burdens of providing gas that state policy makers have rejected here.

Gazprom demands discounts from pipe suppliers

(Reuters; Feb. 15) - Gazprom is demanding big discounts from Russian pipeline suppliers for its major projects, sources told Reuters, following the emergence of a pipe producer charging significantly lower prices. In a move likely to shake up the pipe and metals sectors, the Kremlin-controlled Gazprom is seeking the discounts — put by the sources at 20 percent — as it tries to cut costs.

Gazprom is involved in three big gas line projects. It is already building TurkStream to Turkey and the Power of Siberia to supply China, while it is preparing for the Nord Stream 2 link to Europe. Its average annual investments to 2035 are planned at 1 trillion roubles ($17.3 billion), reaching their highest point between 2018 and 2020. Trying to stand up to Gazprom, which holds a de facto monopoly on Russian gas exports by pipeline, appears hopeless, sources said. “You can’t say no to Gazprom,” a source said.

Gazprom’s demands for discounts cover large-diameter pipe, a market that is currently oversupplied, sources said. “We looked at the market and decided that we were paying above the market price. We wanted to discuss this with the pipemakers,” a Gazprom source said. According to Gazprom, it buys its large-diameter pipe almost entirely from four Russian firms. “This is a buyers’ market. If the buyer can push down prices by 20 percent ... companies will have to survive with a very low level of profitability,” said Boris Krasnojenov, head of metals and mining research at Russia’s Alfa Bank.

Small-scale LNG importers present challenge in Southeast Asia

(Platts; Feb. 14) - Singapore's move to accommodate smaller LNG carriers is yet another step by the island state toward realizing its ambition of becoming Asia's LNG trading hub. Its target market is Southeast Asia, the world's third most populous region and its fastest growing LNG demand center, with consumption due to nearly quadruple to 40 million tonnes a year by 2025, according to S&P Global Platts Analytics. It is being driven by local gas production declines and growing demand for power and industry.

The region's growth potential is so significant that the end of the forecast period of global LNG oversupply, which is expected to extend into the 2020s, is likely, in part, to be determined by how quickly new demand centers absorb the excess volume. But the disperse nature of Southeast Asia's geography and energy demand, scattered over thousands of islands, means smaller LNG carriers, smaller regasification terminals, and LNG hubs will be required to deliver the gas to some of the future customers.

Singapore's expanding LNG infrastructure, its strategic location in one of the world's busiest shipping waterways, and its reputation as a global trading hub for commodities make it a perfect candidate for the job. However, the challenges are staggering. The multiple small-scale customers are scattered, requiring small regasification projects, as well as other supporting import infrastructure, gas distribution pipelines and skilled labor to operate the facilities. This could substantially raise the cost of regasified LNG.

TransCanada will expand Western Canada gas pipeline system

(Reuters; Feb. 15) - Pipeline operator TransCanada said Feb. 15 that it would go ahead with the C$2.4 billion ($1.9 billion) expansion of its NGTL natural gas system, boosting pipeline access for producers in Western Canada's gas-rich basins. The Calgary-based company said the expansion of its Nova Gas Transmission Line, which moves gas from Alberta and British Columbia to markets across North America, will boost the basin's export capacity by 1 billion cubic feet per day.

The expansion will also connect new supply in the Montney and Duvernay shale gas formations, which Canadian producers and global oil majors say could rival the most prolific U.S. fields. Development of the Canadian shale fields has so far been hampered by weak prices and limited pipeline capacity. "This program will provide much-needed transportation solutions for Western Canadian natural gas producers and unlock access to existing Canadian Mainline capacity," said TransCanada CEO Russ Girling.

B.C. will appeal ruling in favor of oil pipeline expansion

(The Canadian Press; Feb. 17) – The British Columbia government is appealing a decision that allows Kinder Morgan Canada to bypass local regulations in constructing its $C7.4 billion Trans Mountain oil pipeline expansion through the province. Canada's National Energy Board ruled in December that the company is not required to comply with two sections of the City of Burnaby's bylaws, which Kinder Morgan said were hindering its ability to go ahead with the federally approved project.

The city said Feb. 16 that it wants to appeal the decision, saying the company should be required to comply with all municipal bylaws. Now the provincial government is following suit, saying it has appealed the energy board's ruling with the Federal Court of Appeal. The province said in a statement that the board erred by "too broadly defining federal jurisdiction over interprovincial pipelines." The project would almost triple the volume of Alberta oil sands production that could move through the pipeline to the coast.

British Columbia is locked in a dispute with Alberta and the federal government over the project's future after B.C. Premier John Horgan's government announced it is looking at limiting oil shipments through its province. Opponents of the Trans Mountain expansion argue, among other environmental issues, that the risks of a pipeline or oil tanker spill are too great.

Critics say B.C. premier not doing enough to support oil and gas

(CBC News; Canada; Feb. 15) – British Columbia's Premier John Horgan insists he supports "every corner" of the province despite criticism from some northern municipalities that he is not championing the oil and gas industry enough. Horgan's comments came as the province's trade dispute with Alberta over the Kinder Morgan oil pipeline project entered its second week — Horgan's government is fighting the project — and the day after a throne speech that made no mention of liquefied natural gas.

Horgan said he is still working to open doors for selling energy overseas. "We'll be providing energy from British Columbia to Japan," he said, referring to the $475 million Ridley Island propane export terminal being constructed near Prince Rupert by AltaGas. Horgan said he spoke during his recent trade mission with Chinese, Japanese, and Korean partners involved in the proposed Shell-led LNG Canada project in Kitimat, B.C.

The premier reiterated his conditions for any new developments, including participation or partnerships with First Nations and meeting the province's climate objectives. But municipal leaders in Fort St. John, Dawson Creek and Kitimat, along with the elected council of the Haisla Nation on the north coast, have demanded more support for the natural gas industry. Fort St. John is in the middle of British Columbia's gas-producing region, and several LNG export terminals have been proposed for the coast.

Japan's trading houses look for commodity investments

(Reuters; Feb. 15) – Japan's trading houses are scouting for assets as they enjoy their best profit outlook in six years, driven by higher prices for commodities from metals and coking coal to oil and natural gas. Equipped with a nearly $50 billion war chest, the trading houses are looking to bolster their global commodity supply chain networks, eyeing gas fields in Australia, oil in Iraq and coal and copper assets.

But, still smarting from huge write-downs in the last investment cycle, big debt-fueled acquisitions look to be off the agenda, with the focus on green-lighting undeveloped assets, taking bigger stakes in existing projects, and trading up to better quality operations. "Now we have a lot of money that we can invest. We didn't invest so much in recent years," said a senior executive from a major trading house. "We want to be in the driving seat in investments. We are searching for good projects," he said.

Trading houses led by Mitsubishi and Mitsui fulfill a quasi-national role by importing everything from oil to corn to sustain Japan's resource-poor economy. The nation's five major trading houses reported record April-December net profits this month. Mitsui this month won a bidding war for Australia's AWE with a $470 million offer that will make it the operator and 50 percent owner of the promising Waitsia gas prospect. Analysts described it as a low-risk investment, while Mitsui said becoming operator of a gas field for the first time would bolster its credentials to bid on other Australian gas assets.