Oil and Gas News Briefs
Compiled by Larry Persily
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Qatar moves ahead with engineering for gas production expansion

(Gulf Times; Qatar; Jan. 3) - Qatar's North Field expansion is moving ahead to achieve the targeted 100 million tonnes of annual natural gas production, Qatar Petroleum's president and CEO Saad Sherida al-Kaabi said. "The engineering part of the expansion is moving full steam ahead. We are in the initial engineering phase (of designing) for expansion. It has nothing to do with the partnerships and the structure of how we are going to form the joint venture or who the partner is. That's being worked in parallel."

He addressed the question of which companies might sign on as partners. "As you would expect, all companies in the world that are based either here in Qatar or outside and interested in expanding in liquefied natural gas are knocking on QP's doors. That's being looked at … and evaluated. We will make a decision at the right time as to who our partners are. There could be multiple partners, because this is a big development."

The North Field is the world's largest non-associated gas field. Qatar's expansion plan is to develop an export-oriented project, but it has not decided if exports will be liquefied natural gas, gas-to-liquids products or pipeline gas. Since 2005 Qatar Petroleum has conducted extensive studies to assess the field, including drilling appraisal wells to better estimate the potential. "I see a very rosy picture in the energy market going forward," al-Kaabi said. "The future is gas. We are hearing a lot about electric cars … but to generate electricity, we need gas. Electricity does not come out of the air."

Shell, Japan's INPEX work toward new LNG plant in Indonesia

(Jakarta Post; Jan. 6) – Oil-and-gas giants Shell and Japan's INPEX have kicked off preliminary front-end engineering and design (pre-FEED) for development of an onshore liquefied natural gas plant in Indonesia, fed by reserves in the Masela block in the Arafura Sea. The new LNG plant could go on stream by 2027.

The government approved the companies' plan to develop the project with capacity of 9.5 million tonnes of LNG per year plus 150 million cubic feet per day for pipeline gas deliveries, according to the Upstream Oil and Gas Regulatory Special Task Force (SKKMigas). "We hope the pre-FEED can be completed in the middle of this year. The results of pre-FEED will be used [by INPEX and Shell] to finish the plan of development for Masela before the end of this year," SKKMigas head Amien Sunaryadi said Jan. 5.

"After the plan of development is completed, the two companies will conduct a FEED study before starting the construction process. Hence, Masela might only be able to start production in 2027," he said. INPEX and Shell currently hold respective stakes of 65 and 35 percent in Masela. The block holds an estimated 10.7 trillion cubic feet of gas, and enough condensate to produce 24,000 barrels a day at peak. Indonesia has been an LNG producer since 1977. It's 2016 exports totaled almost 16 million tonnes.

Saudis look to hire bank for advice on plans to buy natural gas assets

(Bloomberg; Jan. 3) - Saudi Arabian Oil Co. is seeking to hire a bank to advise on its plans to buy natural gas assets, according to people familiar with the matter, ahead of what could be the world's biggest share sale as the company plans a public stock offering. Aramco, as the company is known, in late 2017 invited international banks to pitch for the advisory role to help identify gas acquisition targets, said the sources who asked not to be identified as the information is private. Aramco declined to comment.

Khalid Al-Falih, who is both Aramco chairman and the kingdom's energy minister, said last month the company is looking for gas assets anywhere from the U.S. to East Africa and Russia as the kingdom's state-owned energy giant hunts for ways to meet soaring domestic demand. Saudi Arabia diverts tens of millions of barrels of crude every year into its electricity generation plants, particularly during the peak air-conditioning season in the summer. It doesn't produce enough natural gas to supply its power stations. Most of the gas it does pump goes to its fast-growing petrochemicals industry.

Property values drop in British Columbia without LNG projects

(CBC News; Canada; Jan. 3) - While much of British Columbia continues to see growth in assessed property values, communities in the province's northeast and northwest saw residential real estate numbers fall in a trend that realtors have connected to the failure of a promised liquefied natural gas export boom to materialize in the region. The provincial assessment office released its new valuations for property Jan. 2, based on property information and market values as of July 1, 2017.

Of the 19 municipalities that saw a decline in residential property values, seven were in the northwest region and seven were in the northeast Peace River region. The biggest decline in the province was in Kitimat, in northwest B.C., where the average assessed value of residential properties declined by 17.9 percent. Northern B.C. Real Estate Board president John Evans said the decrease in northwest B.C. was likely a market correction after promises of coastal LNG projects drove prices up in 2014.

"A couple of years ago, the difficulty in Kitimat was even finding something to rent regardless of price," Evans said. Since then, new residential properties have been built in northwest B.C. communities, allowing prices to come down. However, three major proposed LNG export projects have been canceled, while others have stalled.

A similar message was delivered by Wynnette Lowes, a realtor in Fort St. John, in the heart of the gas-producing northeast region was that was counting on supplying an LNG industry. "For the first time in many years, it's a good time for the buyer," Lowes said, attributing the decline in real estate values to the decline in the oil and gas industry.

Industrial cutbacks help bring down local LNG prices in China

(Reuters; Jan. 4) - Liquefied natural gas prices in northern China have dropped more than 40 percent from record highs reached less than two weeks ago as a supply crunch has eased and as curbs have been enacted on industrial users of the fuel. LNG prices at the terminal loading bay were quoted at 5,700 yuan ($877) per tonne (about $18.27 per million Btu) in the Inner Mongolia region, compared to 9,750 yuan on Dec. 24 (more than $30 per million Btu), industry publication www.yeslng.com reported Jan. 4.

“Some industrial users were cut off gas supply or couldn’t afford it,” said Li Ruipeng, a manager at trucked-LNG supplier Tangshan Huapu Gas Co. based in the city of Tangshan in the northern province of Hebei. “Supplies have increased as more gas has been diverted from the south to north,” Li said. China has multiple liquefaction plants in regions of the country that lack a sufficient distribution grid for pipeline gas deliveries.

China’s demand for natural gas has surged this winter after the government required residential and industrial users to switch to the fuel for heating to reduce the emissions produced by coal-fired heat. Under the plan, industrial users could have their gas shut off in the event of supply shortages. Last month’s record high prices forced some industrial and even some residential users to switch away from natural gas to liquefied petroleum gas or coal, said Diao Zhouwei, an analyst at IHS Markit.

Asian LNG spot-market rises to $11.30; highest since November 2014

(Reuters; Jan. 5) - Asian spot LNG prices have climbed to highs not seen since November 2014 on strong demand as a cold snap stimulated consumption in China, and as India launched fresh purchase tenders. Spot prices for February delivery steadied at $11.30 per million Btu.

Heavy snowfall across parts of China curbed local deliveries of LNG by truck and also import cargoes arriving by ship at some import terminals. Meanwhile, temperatures are forecast to fall well below average in Tokyo, Seoul, Beijing and Shanghai next week, according to data on the Reuters Eikon terminal. As a result, demand for spot LNG cargoes from Japan, South Korea, and China was expected to remain firm, traders said.

Japanese utilities have been actively buying cargoes in recent weeks as cold weather sweeping the country has fueled demand to replenish depleted stocks. China, which surpassed South Korea as the world's second-biggest LNG importer, continues to attract spot cargoes after rapid consumption growth in 2017, when imports rose by more than 48 percent. Indian demand was particularly strong.

LNG from U.K. storage heads to U.S. East Coast

(Bloomberg; Jan. 8) - Not many people had expected the U.S. to turn to Europe for natural gas this winter. Yet the polar chill that gripped the U.S. East Coast this month, and sent spot-market natural gas prices to record highs, has led to a tanker loading a cargo of liquefied natural gas in the U.K. for an import terminal in Boston harbor — some of which was likely produced by a project in Russia targeted by U.S. sanctions.

The Gaselys tanker is due to arrive in Boston on Jan. 22 after loading LNG from storage tanks at the U.K.'s Isle of Grain, according to ship-tracking data compiled by Bloomberg. The vessel docked at Grain shortly after the terminal near London received the first cargo from the $27 billion Yamal LNG plant in Russia's Arctic. "Gas from anywhere is profitable into that northeastern U.S. gas market as prices are the highest in the world," said Trevor Sikorski, head of natural gas, coal, and carbon at Energy Aspects in London.

Isle of Grain terminal operator National Grid said it doesn't comment on the intentions of shippers using its facilities. It's not immediately clear who owns the cargo coming to Boston. Once a load of LNG is pumped into storage tanks, it gets mixed in with other LNG and no longer is an identifiable volume of, for example, Russian or Qatari or Norwegian gas. The market shouldn't see any irony in this cargo going to the U.S., said James Henderson, gas research program director at the Oxford Institute for Energy Studies. "It's normal trade. LNG is supposed to travel globally to where the demand is."

Majors set to trim exploration spending for 5th year in a row

(Reuters; Jan. 3) - Despite the strongest start for oil prices in four years, the world's top oil companies are hesitating to accelerate the search for new resources as their resolve to retain capital discipline trumps their hope of making bonanza discoveries. ExxonMobil, Shell, Total, and their peers are set to cut spending on oil and gas exploration for a fifth year in a row in 2018, according to consultancy Wood Mackenzie, despite a growing urgency to replenish reserves after years of reining back investment.

Global investment in exploration, vital to offset the natural decline of existing fields, will reach $37 billion in 2018, down 7 percent from a year earlier and more than 60 percent below the 2014 peak, Wood Mackenzie said. For majors, spending will collectively drop by around 4 percent this year to represent about a tenth of investment in oil and gas production, known as upstream. “This could be the new normal with the days of one dollar in six or seven going to exploration forever in the past,” Wood Mackenzie said.

The collapse in oil prices in 2014 led to a deep retrenchment in spending for the sector, but companies still need to book new oil as their reserves dwindle. As prices recover, the push to beef up reserves will only increase. But the exploration success rate has dropped from 40 to 35 percent over the past decade, highlighting the importance of acquisitions as an alternative to build reserves, albeit generally more expensive. Exploration is expected to focus on deepwater basins such as Mexico, Brazil, and Guyana where large discoveries have been made in recent years.

Gulf of Mexico oil and gas output continues to climb

(Houston Chronicle; Jan. 5) - Oil and gas production could reach an all-time high in the deep waters of the Gulf of Mexico this year, even as companies continue to cut costs and spend less on exploration. U.S. deepwater output in the Gulf could climb to 1.9 million barrels of oil equivalent in 2018, a 13 percent increase above last year and 10 percent higher than the last peak in 2009, energy research firm Wood Mackenzie said in a report this week.

Gulf operators have dramatically cut costs in recent years and are pumping oil and gas more efficiently after adopting new automated drilling technologies, the report said. "Although deepwater Gulf of Mexico has taken quite a beating over the past three years, the industry has clawed its way back to being competitive," said William Turner, a senior research analyst at Wood Mackenzie.

Last April, Wood Mackenzie said the cost of deepwater projects have fallen by a fifth on average since crude prices collapsed in the summer of 2014, due to lower rig prices and moves to redesign projects and pump more oil. Wood Mackenzie believes exploration in the Gulf of Mexico will remain flat this year. "Increased investments in exploration and development … are crucial," Turner said, "not only to maintain the current pace of production but also in unlocking the next phase of significant volumes."

New pipeline expands Russia’s oil deliveries to China

(Bloomberg; Jan. 1) - A second Sino-Russian oil pipeline began operations on New Year’s Day, doubling China’s capacity to import crude from the East Siberia-Pacific Ocean pipeline system. China can now import about 600,000 barrels a day of Russian crude via the pipeline, up from 325,000 barrels before the second branch opened, the official Xinhua News Agency reported Jan. 1. The two lines run parallel to each other between Mohe at the border and Daqing in China’s northeast Heilongjiang province.

Russia surpassed Saudi Arabia for most of last year as the top crude supplier to China, the world's biggest buyer. The Siberia-Pacific system, a key piece of Russia's efforts to export more energy to Asia, pumps crude directly to China via the two links and to the far eastern Pacific port of Kozmino for seaborne trade. The expansion is intended to deepen energy cooperation between the countries. Russia also aims to start natural gas sales to China via the multibillion-dollar Power of Siberia pipeline by December 2019.

Russia shifts more of its oil exports to China

(Bloomberg; Jan. 2) - Europe's set to be stuck with a higher oil bill as Russia shifts more of its supply to China. As the world's second-biggest economy buys more oil, crude shipments from Russia's Baltic Sea port of Primorsk will be cut, according to industry consultant FGE. The reduction will push up the price of crude available for sale to Europe. Russia is already the biggest supplier to China, and will probably boost exports to the country by 200,000 barrels a day in 2018, FGE said.

After a glut sparked the biggest price crash in a generation and starved Russia of oil revenues, the nation sought to boost its market share in China, the world's top importer. Russia has now supplanted Saudi Arabia as the top exporter to China. A new pipeline that moves crude from East Siberia has helped its mission to increase volumes.

The increase in China-bound deliveries is expected to cut exports from Primorsk in January and February, and reduce pipeline flows to Eastern Europe in March, according to FGE. China imports the bulk of Russian oil via inland pipes and seaborne shipments from the eastern ports of Kozmino, De-Kastri, and Prigorodnoye. China has also sought to expand its energy relationship with Russia. CEFC China Energy, which has grown from a small local trader to a global deal-making juggernaut, in November sold its first cargo of Russian crude after buying a $9 billion stake in Rosneft last year.

Norway considers reducing its investments in oil and gas

(Wall Street Journal; Jan. 3) - Some big investors and banks are rethinking investments in an oil and gas industry wrestling with uncertain oil demand, government regulation, and disruptive technology like electric vehicles. The biggest is in Norway, where the government says it will decide this year whether to wind down its $1 trillion sovereign-wealth fund's investments in the oil and gas sector. Its assets include multibillion-dollar stakes in ExxonMobil, Shell, Chevron, and BP.

Others, including French insurance giant AXA Group and Dutch bank ING Groep, are pulling back from parts of the industry that contribute most to climate change. In a world where the heaviest polluting industries could be penalized, some investors say the financial risks could outweigh the rewards. The moves are distinct from calls from environmentalists and so-called ethical investors for divestment from the oil industry.

The World Bank said last month it will stop financing oil and gas exploration and drilling by 2019. French bank BNP Paribas said it will no longer finance some oil projects seen as environmentally damaging. But in Norway, officials said their debate is entirely pragmatic. The country may be overexposed to a sector undergoing change by having both a large national oil company, Statoil, and billion-dollar-plus holdings in other oil companies. “This is really a question of risk diversification,” said Yngve Slyngstad, CEO of Norges Bank Investment Management, which manages the sovereign wealth fund.