Oil and Gas News Briefs
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Site activity stirs optimism that LNG Canada project will go ahead

(Bloomberg; July 9) – A flurry of activity is raising optimism that Shell and its partners are ready to go ahead with their C$40 billion liquefied natural gas terminal that could unlock Canadian energy exports to Asia. The action is unmistakable in the B.C. coastal city of Kitimat. The lights are on and SUVs parked outside a 49-unit apartment complex built to house Shell executives, which sat mostly darkened the past two years. Locals have left jobs at a nearby smelter to join contractors ramping up for the LNG project. Landlords are raising rents and houses are selling twice as fast as they used to move.

“I would put money on it, it’s going ahead,” said Kitimat Mayor Phil Germuth, who recently hosted a banker from Barclays visiting from the U.K. to examine the project. Germuth also met a group of officials reporting to the board of Mitsubishi, one of the project’s partners, who visited the site in May. When Crystal Smith, head of the Haisla Nation whose lands surround the project site, was invited to visit last week by another group from Mitsubishi, she couldn’t find a spot in the usually deserted parking lot. “Who gets excited to see a full parking lot? I got goosebumps from seeing it full,” she said.

LNG Canada, as it’s called, proposes to eventually ship as much as 28 million tonnes a year, equal to 10 percent of global LNG supply in 2017. For Canada, it means unlocking the Montney, a massive shale formation holding about half the total gas reserves of Qatar. LNG Canada — comprised of Shell, Mitsubishi, Malaysia’s Petronas, PetroChina, and Korea Gas — expects to make a final investment decision by the end of the year. The clock is ticking. The British Columbia government has set a Nov. 30 deadline for a final decision if the project is to claim as much as C$6 billion in tax breaks and savings.

National Bank of Canada analyst Greg Colman said his team, using Google Earth, has spotted old storage tanks being cleared from the site, a barge installing piles to expand the pier, and preparatory work for the camps that would house thousands of workers.

Work-camp contract feeds expectation B.C. LNG project will go ahead

(The Globe and Mail; Canada; July 6) - Analysts say the awarding of a workforce accommodations contract to Houston-based Civeo Corp. is another sign that the C$40 billion LNG Canada project is headed for a positive final investment decision later this year. Civeo said it has been awarded contracts to supply temporary work camps at four sites along the Coastal GasLink pipeline from Dawson Creek, B.C., to the province's West Coast, on the condition that the liquefied natural gas project goes ahead.

The proposed 415-mile pipeline is planned to transport gas from northeastern B.C. to the LNG export terminal near Kitimat, B.C. In a note to investors, CIBC financial analysts said the contract award adds to evidence that the partners in the Shell-led LNG project will agree to proceed, noting that Civeo has already been awarded conditional contracts for a 440-bed permanent facility at Kitimat and a 4,500-bed temporary work camp for the export terminal construction.

Last month, pipeline owner TransCanada awarded the construction contract for the pipeline to a consortium, also on the condition of a positive investment decision by the LNG Canada partners. Civeo, which operates several work camps in the oil sands region of northern Alberta, said it is to provide a total of over 2,000 rooms under the pipeline contract. The company said it will partner with a First Nation for each facility.

Exxon-led LNG project submits plan to Mozambique government

(LNG Industry; July 9) – A third liquefied natural gas project in Mozambique is making progress as multiple companies look to tap the tens of trillions of cubic feet of gas discovered offshore. A consortium led by ExxonMobil has submitted a development plan to the government for the first phase of the Rovuma LNG project to produce, liquefy and market gas from the Mamba fields in the Area 4 offshore block. The plan includes two liquefaction trains with a total capacity of 15.2 million tonnes per year.

A final investment decision by the joint-venture parties is scheduled for 2019, with LNG production expected to commence in 2024. Marketing activities are progressing, with negotiations on sales-and-purchase agreements underway, targeting completion in parallel with the government's development plan approval process. ExxonMobil will lead construction and operation of LNG plant and related facilities on behalf of the joint venture, and Italy's Eni will lead construction and operation of upstream facilities.

The joint venture of ExxonMobil, Eni and China National Petroleum Corp. holds a combined 70 percent interest, alongside partners Korea Gas, Portugal's Galp, and Mozambique's national oil and gas company Empresa Nacional de Hidrocarbonetos at 10 percent each. Eni is the lead on a smaller floating LNG project, Coral South, at 3.4 million tonnes per year, which is scheduled to start production in 2022. Anadarko is leading its own development in Mozambique — an onshore project at 12.88 million tonnes per year in its initial phase — expected to reach an investment decision in 2019.

U.S. LNG still not on list of Chinese tariffs on imports

(Reuters; July 5) – China's omission of liquefied natural gas from its vast list of U.S. products that now face hefty import duties has preserved a potential weapon should the trade war with Washington deepen. It also underscores Beijing's desire to ensure supplies of gas as it pushes to switch millions of households and businesses away from using coal as a key part of its war on pollution.

China will impose tariffs July 6 on $34 billion of U.S. goods from pork to soybeans to cotton in retaliation for a similar move by Washington as trade relations sour between the world's top two economies. "If the (trade) war escalates, (I expect) the government will not hesitate to add LNG," a China state-owned oil and gas company executive said, declining to be identified due to the sensitivity of the issue.

Although U.S. LNG supplies to China have so far been tiny in volume and value compared with the around $12 billion per year of U.S. crude that arrives in the country, analysts said those levels could be set to shoot up as Beijing forges ahead with its battle to clear its skies. Morgan Stanley has estimated annual Chinese imports of U.S. LNG could rise to as much as $9 billion within two or three years, from $1 billion in 2017. "If we impose tariffs on U.S. LNG, we pay a much higher opportunity cost," Mei Xinyu, a researcher at a think tank affiliated with the Commerce Ministry told Reuters.

Trade tensions could disrupt global gas markets

(Bloomberg; July 5) - The world's fastest growing fossil fuel is bracing for a direct hit from increasing global trade tensions. President Donald Trump's tough talk on trade with China is looming over his country's efforts to become the world's largest exporter of liquefied natural gas. In Europe a potential pipeline project from Russia has been imperiled by possible U.S. sanctions, while the sales practices of Qatar, the world's biggest LNG seller, are under investigation as being anti-competitive.

The frictions risk disrupting global trade of gas worth almost $300 billion last year. It's also casting a shadow over multibillion-dollar U.S. LNG export projects while creating opportunities for countries untouched by the wave of protectionism. "Populism has come back and with it a form of economic nationalism, and that's occurred at the same time as the emergence of gas," said Trevor Sikorski, head of gas and carbon research at Energy Aspect in London. "As soon as that happens, everything is on the table."

The complications arising from trade disputes could distort the global gas market, although it's unlikely to derail its growth, Sikorski said. For instance, if China levies tariffs against U.S. LNG, traders could re-route cargoes to Japan and South Korea while selling Australian gas to China. A drop in Qatari gas to Europe could be replaced by fuel from Nigeria or Angola. The result will be extra fees for traders and slightly higher costs for consumers, said Nicholas Browne, an analyst with Wood Mackenzie in Tokyo.

Tariffs threaten Chinese company's plan for Louisiana chemical plant

(The Advocate; Baton Rouge, LA; July 6) - Last spring Louisiana officials unveiled a major foreign investment in the state: A $1.12 billion manufacturing complex by Chinese chemical giant Wanhua. That project is now caught in a U.S. trade war with China and also with other countries. Although Wanhua has not made a final investment decision or named a specific site, it's an example, economists say, of the risks that the state faces because of escalating trade wars with some of Louisiana's biggest trading partners.

"We're likely to face a significant increase in costs that were not part of the original capital investment, which raises concerns for our project," said James Newport, general manager of Wanhua Chemical U.S. Operations. He said the firm is seeking an exemption from the U.S. tariffs. The company is "reevaluating" the project on the basis of "tens of millions" in higher costs resulting from steel and aluminum tariffs imposed by President Donald Trump's administration.

Wanhua is building key parts of its plant in China and plans to ship them to Louisiana for assembly, which is why the steel tariffs would hit the project, Newport said. The Chinese parent company is licensing its technology to its U.S. subsidiary. Because the firm's technical expertise is located in China, construction would take place there rather than in the U.S. Wanhua would be the second Chinese firm to build a major industrial plant in Louisiana, after Yuhuang Chemical's St. James Parish methanol complex.

Qatar's LNG expansion enjoys lowest break-even price in the world

(Bloomberg; July 5) - It's going to be hard to trump the world's biggest liquefied natural gas producer on price. Qatar can start making a profit from the fuel at three-quarters of the cost of the cheapest U.S. projects, according to Oslo-based researcher Rystad Energy. The Arabian Gulf nation, which became the world's richest per capita thanks in large part to its LNG exports, plans to expand its own production, making it a formidable adversary as the United States and Australia vie for its crown.

"The Qatari project represents a challenge for these projects as it is estimated that it has the lowest break-even price of all the planned projects in the world," Rystad Energy said in its research note. Qatar can tap its share of the world's largest known gas deposit and benefit from its location as it plans to expand LNG output by 30 percent and help meet rising demand in Asia. The United States is set to overtake Australia as the second-largest LNG exporter by 2023, according to the International Energy Agency.

It's not just about bragging rights. Controlling more supply may give Qatar extra clout in negotiating contracts. That comes as buyers form powerful alliances and regulators increasingly scrutinize how LNG is sold. In addition to Qatar's expansion, new LNG projects are proposed in the U.S., Russia, Mozambique, and elsewhere to meet rising demand. But there may be a flip side to all those new projects, Rystad said. "There is a risk that too many projects take final investment decision, leading to a loose market with depressed prices after 2020."

Cheniere on track to start up Corpus Christi LNG next year

(LNG World; July 6) - Houston-based Cheniere Energy has received approval to introduce fuel gas into the first liquefaction train at its Corpus Christi LNG project in Texas for testing purposes. The introduction of fuel gas does not mean the start of LNG production, as the company has to file a separate request with regulators to introduce feed gas and refrigerants into the unit. Fuel gas is used to run the liquefaction train. LNG exports from Corpus Christi's first train are expected to start next year.

The Corpus Christi project started with two trains, with the company recently approving construction of a third liquefaction train. Each production unit is expected to have a nominal production capacity of about 4.5 million tonnes per year. Cheniere has also set out plans for possible construction of seven mid-scale liquefaction trains and an additional storage tank in the third stage of project development, boosting the plant's full capacity to about 23 million tonnes per year of LNG.

Papua New Guinea landowners threaten to shut down gas project

(Radio New Zealand; July 6) - A Papua New Guinea landowner group has reportedly advised the government that it must resolve a dispute over unpaid natural gas project royalties by July 18 or the development would be "closed permanently." The message comes after a spate of attacks on the ExxonMobil-led gas project's infrastructure at Angore in the Highlands province of Hela last month.

The Angore Tiddl Appa Landowners Association traveled to the capital in recent days to negotiate with Prime Minister Peter O'Neill over royalties owned to landowners in the area. The liquefied natural gas project has paid the royalties to the government, which has blamed delays in its disbursements on uncertain land ownership. The landowners are threatening to permanently close the LNG project by blockades and destruction of its pipeline and other infrastructure if their demands aren't met.

It's expected that government representatives will travel to Hela in the next two weeks to negotiate further with landowners. The association is demanding an "infrastructure development grant" of almost $10 million, equity shareholder certificates for traditional landowners, 2 percent royalties every month, and for the government to complete official clan vetting. The government has said the long, drawn-out clan vetting needs to be completed before outstanding royalties and benefits could be paid to the landowners.

Exxon stops gas pipeline construction in Papua New Guinea

(Reuters; July 5) - ExxonMobil stopped construction on its Angore gas pipeline in Papua New Guinea's strife-hit highlands late last month after building sites were vandalized, the company said July 6. "All work at the Angore well pads and pipeline construction has been suspended and all impacted personnel are in the process of being demobilized or reassigned," an ExxonMobil PNG spokeswoman said by email.

The 7-mile pipeline is being built to connect the Angore gas field with the Hides gas conditioning plant. The work stoppage does not affect production at the Hides plant, the spokeswoman said. Hides gas feeds the Exxon-led liquefaction plant and LNG export project, which started operations in 2014. The Papua New Guinea government declared a state of emergency in the region last month and sent in troops after rioters went on a rampage protesting a failed court challenge to a provincial governor's election.

Industry steps up offshore seismic work in search of new fields

(Reuters; July 4) - A growing fleet of ships is scanning the oceans in search of new oil and gas fields as energy companies — now with more cash thanks to stronger crude prices — gradually resume spending on seismic services after a four-year downturn. A doubling in the area contracted for seismic work in the first quarter this year from the last three months of 2017 has injected optimism into surveillance firms, with a global fleet of about 24 vessels, most of which struggled to survive in the past years.

But the recovery remains bumpy with producers not keen on drilling for new reserves unless oil prices, which have more than doubled from 2016 lows, stay high for at least a year. Still, with crude prices stabilizing well above $60 a barrel in the past six months, companies including mid- and small-sized independents have helped boost demand for prospecting surveillance. Demand for geophysical data at producing oil and gas fields, also known as 4D seismic survey, has increased as explorers seek to maximize output.

The total area tendered by upstream companies for seismic work doubled to 15,000 square miles in the first quarter this year from October-December last year, said Duncan Eley, CEO officer at Polarcus, which owns a seismic fleet. Gas projects in Myanmar could take two to three vessels from the fleet, while there are also potential activities in Malaysia, Australia, India, and Papua New Guinea, where ExxonMobil and Total plan to feed more gas into their existing liquefied natural gas plant, Eley said.

British Parliament committee defers to local communities on fracking

(UPI; July 5) – Failure to recognize the national significance of Britain's shale oil and gas potential creates unnecessary delays for developing the fledgling industry, a trade group said after release July 4 of a report by a select committee in the British Parliament. The committee took up the issue because it expects an increasing number of planning applications for hydraulic fracturing of shale gas fields.

A major trade group was disappointed with the report. "The committee has taken the view that shale gas sites should not be treated as Nationally Significant Infrastructure Projects," said Ken Cronin, CEO for trade group U.K. Onshore Oil & Gas. "With gas providing half of British electricity, over 80 percent of our heating and vital feedstocks to industry, we find it concerning that the committee would seek restrict our opportunity for homegrown production to replace our rapidly increasing dependency on imports."

The British government estimates shale basins in the country may hold more than 1.3 quadrillion cubic feet of gas, a level it said could help the economy because gas imports are on pace to increase from about 45 percent of demand to 76 percent by 2030. Shale gas development is in its infancy in the country, and Cronin estimates applications take as long as 18 months to conclude. The committee, however, said applications shouldn't be brought under nation significance mechanisms because that would diminish the influence of local communities and lead to distrust between industry and local councils.

Enbridge sells $4.3 billion of Western Canada gas assets to investors

(CBC News; July 4) - Enbridge has signed a deal to sell its Canadian natural gas gathering and processing business in the Montney, Peace River Arch, Horn River, and Liard basins in British Columbia and Alberta to Toronto-based Brookfield Infrastructure and its partners for $4.31 billion. The midstream assets include 19 gas processing plants and gas liquids handling facilities, with a total operating capacity of 3.3 billion cubic feet per day and 2,200 miles of natural gas gathering pipelines.

Calgary-based Enbridge has been selling non-core assets in an effort to reduce debt. Enbridge has said it will continue to hold its long-haul regulated gas pipeline assets, which include the Westcoast transmission system in British Columbia and the Alliance pipeline that carries gas from Western Canada to the Chicago market. Hal Kvisle, the former CEO of TransCanada, said the sale was a way to help Enbridge accomplish two major goals: lower debt and focus on long-distance pipelines.

It was a savvy acquisition for Brookfield, he said. "The Montney is an extraordinary development." Kvisle said the sale is a significant one for Canada's liquified natural gas market. "I think Enbridge selling this asset to Brookfield ... is a real vote of confidence not just to the Montney but to the LNG business," Kvisle said. The Montney and other shale gas plays straddling the B.C.-Alberta border are seen as likely to provide the feed gas should any of the LNG export projects proposed for the B.C. coast go ahead.

First Nations interested in buying a stake in oil pipeline

(Calgary Herald; July 4) - First Nations from British Columbia and Alberta are expected to meet later this month in Vancouver to discuss the possibility of purchasing a stake in the Trans Mountain oil pipeline. The meeting on July 25 at The Vancouver Convention Centre is to be hosted by the Fort McKay and Mikisew Cree First Nations, according to Fort McKay First Nation Chief Jim Boucher.

The two Alberta First Nations publicly stated an interest in an ownership stake in the project following the announcement in May that the federal government was purchasing the pipeline and its expansion project for C$4.5 billion. Last year Fort McKay and the Mikisew raised $545 million through a bond issue to acquire a 49 percent stake in Suncor Energy's oil sands storage facilities north of Fort McMurray. Boucher said July 3 he believes there is wider interest by First Nations in an ownership stake in the pipeline.

Boucher said he didn't see any problem in raising money in the bond market to buy a stake in the line. The controversial project faces stiff opposition from other First Nations, including the Tsleil-Waututh and Squamish First Nations on the coast, which are among those who are awaiting the outcome of a federal court challenge that could come any day. However, 43 First Nations had signed benefit agreements with Kinder Morgan, which tried to expand the pipeline before selling it to the federal government to finish the job. The government will take over those agreements, valued at $400 million.

Largest U.S.-built container ship can burn LNG or diesel

(WorkBoat; July 4) - It may not impress alongside behemoth container ships, but it is the biggest container ship ever built in a U.S. shipyard. West Coast ship owner/operator Matson is betting that the Daniel K. Inouye, the first of four dual-fuel vessels for its Hawaii trade, is the future of shipping. Christened June 30 in Philadelphia, the 854-foot-long vessel can carry 3,600 20-foot-long containers, with room for 408 refrigerated slots. It's the first of Matson's Aloha class of diesel and liquefied natural gas-fueled ships.

The Inouye will be followed by a second and then two of the 870-foot Kanaloa class, with similar container capacity plus roll-on/roll-off for up to 800 vehicles, by 2020. All will have speeds close to 34 knots. It's part of Matson's $1 billion investment to dominate routes between the West Coast and Hawaii and Guam. The vessels are being built by Philly Shipyard, a wholly owned subsidiary of Philly Shipyard based in

Oslo, Norway. The first two Aloha-class ships are costing about $418 million, according to Matson.

The Inouye is the largest Jones Act containership every built in a U.S. yard, designed to replace obsolete ships that are running up against U.S. and international deadlines for cleaner engine technology and lower emissions. The ship is named for the late Sen. Daniel Inouye, D-Hawaii, who served in the U.S. Senate from 1963 until his death in 2012. Inouye fought during World War II in the 442^{nd} Regimental Combat Team, an all-Japanese-American volunteer unit, and was awarded the Medal of Honor.