Oil and Gas News Briefs
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Chinese energy company cancels investment trip to West Virginia

(Reuters; June 21) - A scheduled trip to West Virginia by executives from China Energy Investment Corp. to discuss a planned $83.7 billion investment in the state has been canceled, the latest victim of a growing trade war between the United States and China. The investment by China Energy, which ranks among the world's largest power companies by asset value, was the biggest of the potential deals signed during President Donald Trump's visit to Beijing in November.

Brian Anderson, director of the West Virginia University Energy Institute, said June 20 the executives were to arrive in West Virginia last weekend to discuss where to invest in shale gas, power, and petrochemical projects. "The original plan was for the CEO of China Energy and a delegation to arrive over this past weekend and be here in West Virginia with our state officials and others," Anderson said. "But that visit was canceled because it would be inappropriate in the midst of this trade dispute for China to come."

The gas and power agreement signed as part of Trump's Beijing visit marked the first overseas investment for newly founded China Energy, which formed from a merger of China Shenhua Group, the country's largest coal producer, and China Guodian Corp., one of the country's top five utilities. Among the investments under consideration is an Appalachian Storage and Trading Hub for hydrocarbons, such as ethane and butane, as well as two power plants in the state.

Sinopec's trading arm has 16 million barrels caught up in tariff fight

(Platts; June 17) - China's Unipec faces uncertainty over its recent massive purchase of U.S. crude after Beijing announced June 16 that it was considering imposing a 25 percent import tariff on U.S. crude oil in response to President Donald Trump's similar tariff decision on Chinese products sold into the U.S. Unipec, the trading arm of state-owned oil giant Sinopec, recently bought 16 million barrels of U.S. crude for June loading. The cargoes are due to arrive in China over July-August after a 56-day voyage.

It was Unipec's largest purchase of U.S. oil ever. All crude oil imports into China are currently exempt from tariffs. "This will have a big impact on Unipec's business and feedstock supplies for Sinopec refineries. They need to wait until the policy is clear, as the effective date for the tariff on U.S. crude is yet to be announced," a Beijing-based source told S&P Global Platts. "Sinopec is likely to lobby Beijing," the source said.

Unipec might need to find another home for the crude if Beijing were to impose the 25 percent tariff before the cargoes arrive. It also means the trading company will have to find other supplies to feed Sinopec's refineries. "The oil market is a swimming pool, so having the Chinese take a bucket from the shallow end instead of the deep end doesn't matter much. Another buyer will take U.S. crude," said Amy Myers Jaffe, a senior fellow for energy and the environment at the Council on Foreign Relations.

Chinese tariffs on U.S. oil could cost shale producers

(Reuters; June 19) - China's proposed tariffs on U.S. petroleum imports, part of a mounting trade war between the two countries, would crimp sales to the shale industry's largest customer, adding new pressure on U.S. crude prices, energy executives and analysts said this week. China has said it would slap a 25 percent tariff on imports of U.S. crude and coal on July 6 if Washington went ahead, as planned, with its own tariffs on Chinese goods that day.

Energy would be added for the first time to a burgeoning trade dispute that has hit U.S. imports of Chinese metals and solar panels, and U.S. exports of medical equipment and soybeans to China. China is the largest customer for U.S. crude, importing about 363,000 barrels a day in the six months ended in March. Thomson Reuters shipping data shows those exports have increased since, rising to an expected 450,000 barrels per day in July.

While U.S. crude will continue flowing to market even with tariffs, "it'll force you to put your oil somewhere else, and it'll cost you more" to line up other buyers, said Ron Gasser, vice president at Mammoth Exploration, a Texas producer. U.S. oil exports have steadily grown since the four-decade-old ban on exports was lifted in 2015. China's tariff threat caught U.S. producers off-guard because it had been discussing buying more energy and agricultural products to reduce its trade deficit with the U.S. The levies could boost suppliers of West African crude at the expense of U.S. exports.

U.S. gas output grows; LNG exports could hit 10 bcf a day in 5 years

(Houston Chronicle; June 20) - U.S. natural gas production already has jumped by about 60 percent in just over a decade and is now poised to replicate that same increase over the next 20 years, according to an IHS Markit research firm report. The U.S. was churning out about 50 billion cubic feet of gas a day through conventional production before the fracked-shale boom, and that has since skyrocketed to a record of more than 81 bcf a day this year, according to the U.S. Energy Department.

A further 60 percent spike from 2017 would come to about 118 bcf a day by the end of 2037. Calling shale gas anything but a veritable revolution is a big understatement, said

Dan Yergin, IHS Markit vice chairman and the report's co-author. The shale boom has reshaped the nation's electric grid, fueled a petrochemical boom along the Gulf Coast and created a burgeoning U.S. industry in liquefied natural gas exports.

Gas-fired power has become the nation's leading source of electricity in a grid where growth was once dominated by coal and nuclear power. Gas is responsible for about one-third of all U.S. electricity now and that should grow to about 50 percent by 2040, according to the IHS Markit report. Because the U.S. can only consume so much gas, much more of it will be exported as LNG. The June 20 IHS Markit report predicts exports will grow to at least 10 bcf a day in five years — about 76 million tonnes of LNG.

BP succeeds with fracking technology in Oman

(Wall Street Journal; June 19) - A BP project deep in Oman's desert shows how big oil companies are taking hydraulic-fracturing techniques perfected in Texas to the global stage. BP's $12 billion Khazzan project launched last year on a complex roughly the size of London, surrounded by sand dunes and little else. One of the biggest fracking projects ever outside the U.S., Khazzan produces gas from rock so dense and deep beneath the desert that it was long thought too difficult and expensive to exploit.

Khazzan counts among BP's most valuable assets, according to energy consultancy Wood Mackenzie. Oman is an unlikely place to lead the race to globalize fracking. Its geology isn't easy to drill, and it initially lacked infrastructure, expertise, and drilling data. "Khazzan was quite a big risk," said Liam Yates, of Wood Mackenzie. To make fracking in the desert work, BP used a supercomputer to interpret one of its biggest-ever seismic surveys and ran hundreds of simulations to find the best parts of the field to exploit.

Oman, though, enjoyed advantages that some seemingly more promising prospects lacked — chief among them a government anxious to incentivize development. When early well tests were disappointing, BP spent years negotiating a secret gas price that would make the project profitable. The company also maintained a close relationship with the government, which holds a 40 percent stake in the field. The project is pumping 1 billion cubic feet of gas a day, with 500 million cubic feet more to come online in the next phase. In an industry renowned for overruns, it came in $4 billion under budget.

Former BP CEO says natural gas 'part of the solution'

(Platts; June 15) - Change in the oil and gas industry will be a long time coming, but technology and data can play a part in addressing the world's carbon emissions problem, former BP CEO John Browne said in an interview with S&P Global Platts. Speaking after he and other executives discussed climate change at a meeting in the

Vatican with Pope Francis this month, Browne said oil and gas would be needed for a long time and OPEC, which accounts for a third of world oil output and will meet in Vienna this month to discuss production, is right to expect robust long-term demand.

On the push by some to divest from fossil fuels, a campaign the Catholic Church has backed in parts of the world, Browne said major oil companies were right to put more emphasis on natural gas projects which can displace coal in power generation and will not be quickly superseded by renewables. "The question is one of transition because this is the world's biggest industry, the biggest amount of infrastructure, and things can't move very, very rapidly. They can certainly move, but not rapidly," Browne said.

"Gas is part of the solution right now. One day it's going to be part of the problem and it will have to be replaced, but right now the transition has to be handled sensibly," he said. Emissions reductions would be achieved through a combination of technology, including carbon capture and storage, and more use of data, particularly to increase energy efficiency. Taxation of emissions could also speed up the transition away from fossil fuels. "We have all the technologies we need, we just don't have them in a big enough scale or a low enough cost. The more you do, the cheaper it is," Browne said.

Energy ministers agree gas 'will play vital role' in energy transition

(Bloomberg; June 15) - World energy ministers representing about two-thirds of the global population tussled over how the world can achieve a cleaner energy future. The compromise answer: Natural gas, at least for now. A consensus statement from G20 energy ministers meeting in Argentina cited the potential of gas "to expand significantly over the coming decades." Meanwhile, the group said nations that "opt to enhance their renewable energy strategies" should boost investment and financing within that arena.

"Gas will play a vital role in every transition," as the world strives to meet targets for emissions cuts laid out in the 2016 Paris Agreement, Thorsten Herdan, Germany's director general of energy policy, said in a panel as the meeting ended June 15. A next step: renewable gases like hydrogen, he said. The language in the consensus statement was the subject of several rounds of negotiations, with European Union nations and the U.S. trading at least four major proposals and counterproposals.

The result represented a concession for the U.S. by acknowledging the importance of transitions to cleaner energy sources "to achieve emissions reductions, and for those countries that are determined to implement the Paris agreement." The wording "is not as clear as everyone would liked to have it," Herdan said. "But at the end of the day, that was the compromise."

LNG and LPG cargoes provide 10% of Panama Canal's revenues

(Wall Street Journal; June 17) - Ships moving liquefied natural gas and petroleum product exports from the U.S. are the fastest-growing business for the Panama Canal, with annual toll revenue growing more than 20 times over the past two years. U.S. LNG exports took off in 2016 as the first Gulf Coast terminal started up and the waterway expanded its locks to allow larger ships through. The gates opened up as demand for LNG grew from customers in China and elsewhere for clean power generation.

The Panama Canal went from zero LNG shipments in 2015 to 6 million tonnes last year, and this year expects it to nearly double, said Jorge Quijano, the canal's administrator. Cheniere Energy was the launch LNG shipper for the waterway with cargoes from its Sabine Pass, La., terminal. Dominion Energy's Cove Point, Md., terminal started up in April, and four more projects — Freeport LNG in Texas, Cameron LNG in Louisiana, Corpus Christi in Texas, and Elba Island in Georgia — will come online next year.

LNG and liquefied petroleum gas (LPG) vessels comprise a combined 10 percent of the canal's revenue and 37.5 percent of total crossings through the wider locks. About half of both revenue and crossings comes from container ships bringing cargo to U.S. East Coast ports and the rest from dry-bulk vessels and other types such as passenger ships. LPG is mostly propane and butane cargoes from refiners in Texas and Louisiana, used for cooking and heating in Asia, Mexico, and Chile.

Panama imports first LNG cargo; looks to serve as regional hub

(Reuters; June 19) - Panama has imported its first liquefied natural gas cargo to commission the newly built $1 billion Costa Norte facility and power plant at Colon, expected to be a launch pad for LNG trade across Central America. Multiple utilities in Central America and the Caribbean remain reliant on burning oil to generate electricity, but LNG offers a cleaner, cheaper and more efficient alternative.

Shipping data shows the Engie-chartered Provalys LNG carrier arrived last week, carrying a cargo exported from Cheniere Energy's Sabine Pass plant in Louisiana. AES Panama, a unit of U.S. electric utility AES with a 50 percent stake in the import facility, said the cargo will supply the 380-megawatt AES Colon gas-fired power plant as test flows commence.

In 2017, France-based Engie and AES established a joint venture to market and sell LNG to third parties in Central America, using the new Panama terminal as a distribution hub. The facility can handle 1.5 million tonnes per year of LNG. Costa Norte can reload initially imported cargoes for export to regional markets, deliver it by truck, and supply LNG as a ship fuel from its location at the mouth of the Panama Canal.

Chinese company will build LNG-fueled power plant in Sri Lanka

(The Sunday Times; Sri Lanka; June 17) - China, Japan and India have won approval to build three liquefied natural gas-fueled power plants to be completed within the next two years to meet Sri Lanka's urgent electricity requirements, a senior official said. Power and Renewable Energy Ministry Secretary Suren Batagoda said the plants would generate a total of about 1,000 megawatts to supplement the current daily output of about 2,500 megawatts for the Indian Ocean island nation of 21 million people.

Cabinet approval has been granted for the projects, with the Chinese-directed project, estimated at more than US$750 million, due to begin construction in September. China Machinery Engineering, the company that built a coal-power plant in Norochcholai, will construct the gas-fired plant in Hambantota. Its main task will be to supply power to the proposed industrial zone, Batagoda said. A joint venture will be formed for construction, with the Chinese company having 70 percent of the shares and the rest with Sri Lanka.

Exxon may import LNG into Australia to help meet local needs

(Reuters; June 18) - ExxonMobil, southeastern Australia's biggest gas supplier, is considering importing liquefied natural gas to help plug a looming gas shortage from 2021 and to protect its market share. The move would compete with plans by both Australia's No. 2 energy retailer AGL Energy to start importing LNG by 2021 and a consortium involving Japan's JERA to start imports in 2020.

ExxonMobil is also stepping up exploration off the coast of Victoria and considering developing a gas field called West Barracouta close to an existing field, it said in a statement June 18. "Combined with the existing Gippsland resource and infrastructure, an LNG import facility could ensure ExxonMobil can continue to meet our customers' needs," the company said. The import facility could open by 2022, the company said.

Australia's energy market operator warned in March that Victoria, the country's biggest gas-consuming state, could face shortages by mid-2021 due to a rapid drop in supply from the Gippsland Basin Joint Venture, owned by ExxonMobil and BHP Billiton. Output from the basin, the state's main supplier the past 50 years, is expected to fall to just half of 2018 levels by 2022. Although Australia is set to rival Qatar as the world's top LNG exporter, local gas supplies are under threat due to field declines and export contracts.

Washington state tribal members speak against Canadian oil line

(The Canadian Press; June 18) - Cedar George-Parker remembers the moment he decided to devote his life to defending indigenous people and their traditional territories.

It was the one-year anniversary of a shooting at his high school that killed four of his classmates in Marysville, Wash. "I dropped to my knees and I said, 'I'm going to make a change in the world,'" he recalled. George-Parker is among the indigenous protesters in Washington promising to fight the Trans Mountain oil pipeline expansion in Canada.

Activists call the project the Standing Rock of the North, comparing it to the Standing Rock Sioux protests that stalled the Dakota Access Pipeline for months. The Alberta-to-British Columbia Trans Mountain expansion — recently bought by the government of Canada for C$4.5 billion — will not only affect Canadian waters and land, it will increase oil tanker traffic seven-fold in the waters between British Columbia and Washington.

Many Indigenous activists trace their roots to both sides of the border. George-Parker's father is from North Vancouver's Tsleil-Waututh Nation and his mother is from Washington's Tulalip Tribes. "Our people never had borders," he said. "We still try not to let borders separate us." Washington Gov. Jay Inslee has criticized the Canadian government for buying the pipeline project, calling it a "major step backward" in the climate change fight. "That pipeline will never go through," said Paul Wagner, a member of the Saanich First Nation who lives in Redmond, Wash. "The people are rising up."

Canadians split on government decision to buy oil pipeline

(The Financial Post; Canada; June 19) - Canadians increasingly back the Trans Mountain oil pipeline but are far less supportive of Prime Minister Justin Trudeau's decision to buy it. A poll published June 19 by the Angus Reid Institute found Canadians are evenly split — 37 percent say Trudeau made the right decision, 37 percent say the wrong decision and the rest undecided. It's a stark difference from the popularity of the pipeline expansion itself: 57 percent of Canadians support it while 26 percent oppose.

The numbers signal Trudeau could pay a political price for his decision last month to buy the oil pipeline and its controversial expansion project from Kinder Morgan Canada for C$4.5 billion (US$3.5 billion). The poll found that in Ontario and Quebec — vote-rich provinces critical to the prime minister's re-election chances next year — more people think it was the wrong decision than the right one.

There's a gender divide too — 48 percent of men say buying the pipeline was the right thing to do, versus 26 percent of women. Among those who think it was a bad move, 64 percent said that's because the government should not be in the business of owning pipelines. The pipeline is opposed by the British Columbia government, which is fighting the project in court. The expansion would almost triple the volume of Alberta oil sands output to 890,000 barrels a day that could move through the line to the coast for export.

New pipeline capacity may be more than Canada needs

(Bloomberg; June 20) - TransCanada's Keystone XL may be one oil pipeline too many for Canada, at least for now. Construction of the export line serving the U.S. Gulf Coast would provide Western Canada with more pipeline capacity than needed through 2030, assuming it is operating in the next decade along with the Trans Mountain pipeline expansion to the British Columbia coast and Enbridge's Line 3 into the U.S. Midwest, according to research released by the Canadian Energy Research Institute on June 19.

The three lines would raise the country's crude export capacity to about 5.5 million barrels a day from just under 4 million last year, according to CERI. Alberta's growing crude production, mostly from the oil sands, won't exceed the capacity of existing and three already planned oil pipeline expansions for another 12 years.

Keystone would carry 830,000 barrels of crude. While TransCanada hasn't made a final investment decision, the company said it has "approximately 500,000 barrels per day of firm, 20-year commitments." All three lines will deliver crude to different markets, with Keystone boosting access to the U.S. Gulf Coast, where diminishing volumes of heavy crude from Latin America have increased demand for Canadian volumes, said Dinara Millington, CERI's vice president of research. "You want that flexibility," she said.

Mozambique close to awarding more exploration blocks

(Bloomberg; June 20) - Mozambique's oil and gas regulator said exploration contracts for the nation's fifth licensing round in 2015, which awarded blocks to companies including ExxonMobil and Eni, are close to being finalized. Winners of the bidding round have awaited legislation and a new model for exploration and production concession contracts, which should be resolved by July, said Agostinho Rodrigues Chibielo, an official at Instituto Nacional de Petroleo's exploration division.

Once the contracts are signed, Exxon plans to drill two wells and Eni at least one next year, Chibielo said. "Important progress has been made and we look forward to concluding agreements with the government of Mozambique," Exxon said. The prospect of more exploration comes as momentum builds in Mozambique to develop some of the biggest natural gas discoveries in a decade. Exxon last year acquired a 25 percent stake from Eni in a block off the African nation's northern coast. The companies are looking at multibillion-dollar investments in LNG, as is Anadarko in a separate venture.

Papua New Guinea land owners vandalize gas project equipment

(Radio New Zealand; June 19) - Landowners have blocked a main road and vandalized equipment belonging to the ExxonMobil-led gas project in Papua New Guinea's Hela province. Police said residents frustrated at continued delays in royalty payments by the government were behind the attack at the Angore wells. They set fire to and damaged earthmoving equipment, and have dug up a main road, hindering access to the project.

A spokesperson for ExxonMobil said the company was investigating the vandalism and monitoring ongoing tension in the Highlands. "Government security forces are in the area and also investigating," the spokesperson said, adding that production at the gas conditioning plant is continuing normally. The police commander in Hela's capital Tari, Thomas Levongo, said landowner frustrations are mainly directed at the government.

"They're complaining against the government delaying their payments. … That has been taking a long time," he said. "So people are not happy with the government, so they're going to disturb the government. That's what people are trying to do now." The gas field serves a liquefied natural gas plant and LNG export terminal, which started operations in 2014.

Court grants Ukraine company a freeze on Gazprom assets in U.K.

(Reuters; June 19) – Ukraine's state oil and gas firm Naftogaz said June 19 that a London court has granted its request to freeze the British assets of Russia's Gazprom, part of its efforts to enforce an arbitration ruling from Sweden. That ruling, issued by an arbitration court in February, was meant to conclude a legal battle over gas deliveries. But Naftogaz says Gazprom has not complied with the ruling, which obliged the company to resume gas supplies to Ukraine at market-equivalent prices and pay $2.6 billion.

Naftogaz has said it would go to court to seize Gazprom assets in Europe — but would not touch Russian gas transiting through Ukraine. "Within 48 hours of receiving the order … Gazprom must provide Naftogaz with a list of all its assets with a value greater than $50,000 located in England or Wales," Naftogaz said in a statement. Gazprom said it was aware that Naftogaz is taking efforts to make the ruling of the Stockholm court effective in Britain. "Gazprom will continue defending its rights," the company said.

It was not clear what assets Gazprom has in England and Wales that could be affected. Gazprom Marketing and Trading has its headquarters in London, where it has more than 450 employees, according to its website.