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PetroChina signs 22-year supply deal for Qatari LNG

(Reuters; Sept. 9) - Qatargas said Sept. 10 it had agreed on a 22-year deal with a unit of PetroChina to supply about 3.4 million tonnes of liquefied natural gas annually, as China steps up its efforts to reduce air pollution. The Qatari state-owned company will supply LNG from the Qatargas 2 project — a venture between Qatar Petroleum, Total and ExxonMobil — to import terminals across China, with the first cargo to be delivered this month. The deal represents almost 10 percent of China's LNG imports last year.

The long-term contract allows flexibility in delivering the LNG to Chinese terminals including those in Dalian, Jiangsu, Tangshan, and Shenzhen, using the Qatargas fleet of 70 conventional, Q-Flex and Q-Max vessels, the company said. China is importing more LNG in its push to replace coal with cleaner-burning natural gas to reduce air pollution. After Beijing started the program last year, China has overtaken South Korea as the world's second-biggest buyer of LNG.

China's LNG imports may surge 70 percent to 65 million tonnes by 2020, according to consultancy SIA Energy. Last year, China imported a record 38.1 million tonnes, 46 percent more than the previous year. Meanwhile Qatar, the world's biggest LNG producer and exporter, is seeking buyers for a planned expansion of its output from 77 million tonnes a year to 100 million tonnes before the middle of the next decade.

Fitch says LNG developers may need to put up more equity

(Fitch Ratings; Sept. 4) - Growing demand from Asia, particularly China, could swing the liquefied natural gas market into a deficit by 2022-2025, Fitch Ratings said. Market expectations of oversupply and weak prices have curtailed new investment in the sector the past two years. Limited new capacity beyond 2020 should boost spot-market prices in the short term, especially in Asia and Europe, the global ratings agency said in Sept. 4 report. This will benefit LNG projects with significant uncontracted volumes to sell.

"An unprecedented wave of new projects becoming operational in 2016-2019 has not resulted in — and is unlikely to result in — a material surplus in the LNG market in the medium term," Fitch said. Building new supply to meet future demand, however, will be heavily dependent on funding. "Final investment decisions in the next one to two years are likely to be limited to projects with lower capital and operating costs given constraints on the funding side."

Funding for new LNG projects "is often structured as non-recourse project finance and is dependent on sponsors' ability to secure long-term offtake agreements, which buyers have been less willing to sign in anticipation of larger volumes of uncontracted LNG coming to the market," Fitch said. "Therefore, sponsors may need to commit a higher equity contribution to get funding for LNG projects, which will continue to delay final investment decisions for some time. … The LNG market is still in its formative stage. Pricing mechanisms, contract terms and financing structures continue to evolve."

China's LNG growth rate down from 2017, Qatari minister says

(Reuters; Sept. 6) - China's demand for liquefied natural gas is expected to grow by 20 to 25 percent in 2018 despite heightened trade tensions with the United States, Qatari Energy Minister Mohammed al-Sada said Sept. 6. Though about half of last year's growth rate, it's still substantial. Demand from China, al-Sada said, which displaced South Korea as the world's second-largest importer of LNG in 2017, is expected to show strong growth again this year after rising 46 percent last year.

"It looks like that growth is going to continue at 20, 25 percent, maybe more," he told Reuters ahead of a bilateral Qatar-Germany investment conference in Berlin on Sept. 7. Qatar is the world's largest LNG exporter. Overall global demand for LNG this year was expected to match the 11 percent jump seen in 2017, al-Sada said. Worldwide growth is driven by new LNG consumers as well as growth in existing markets such as China, which is buying more gas to wean the country off dirty coal to reduce pollution.

Al-Sada said he hopes the U.S. and China can resolve their differences over trade and avert a trade war. "I think and hope that logic and rationalism will prevail," he said. "It is in the interest not only of the two countries, but also the rest of the world." China last month included LNG for the first time in its list of proposed tariffs on $60 billion worth of U.S. goods, signaling that it will not back down in a trade fight with Washington.

Sumitomo to negotiate for 20-year contact at Freeport LNG in Texas

(Kallanish Energy; Sept. 6) - Japan's Sumitomo and Freeport LNG announced Sept. 5 they have entered into a heads of agreement to negotiate for liquefaction services of up to 2.2 million tonnes per year at the Texas plant. Under terms of the agreement, if negotiations are successful, Sumitomo would sign a 20-year tolling contract to start in 2023 when the fourth liquefaction train would enter service at Freeport LNG. The deal would almost double Sumitomo's commitment to take U.S. LNG — it has a contract for 2.3 million tonnes per year from Dominion Energy's plant in Cove Point, Maryland.

Freeport LNG CEO Michael Smith said he was pleased to announce Sumitomo as the first foundation customer for the fourth train. "The heads of agreement is a major step toward Freeport LNG contracting the approximately 3.5 million tonnes per annum needed for financing and commencing construction of Train 4," he said.

Freeport LNG, located on Quintana Island, Texas, already is building three trains with a combined capacity of more than 15 million tonnes per year. Of that, some 13.9 million tonnes have been contracted to Osaka Gas, Japanese utility joint-venture JERA, BP, Toshiba, South Korea's E&S LNG, and Freeport LNG marketing. The first liquefaction train is scheduled to enter service in 2019.

Gulf Coast LNG developer signs up Repsol to customer list

(LNG World News; Sept. 7) – U.S. LNG export terminal developer Venture Global LNG said Sept. 7 it has entered into a long-term deal with Spain's Repsol to supply 1 million tonnes per year from the project it proposes to build in Cameron Parish, Louisiana. Under the binding sales-and-purchase agreement, Repsol will take LNG for a 20-year term, starting from the commercial start-up date of the Calcasieu Pass LNG export facility, Venture Global said in its statement.

Repsol joins two other European buyers, along with BP and Shell, as customers for the Calcasieu Pass LNG terminal, proposed at 10 million tonnes annual capacity. Start-up could come in 2022, pending a final investment decision and regulatory approvals. The Federal Energy Regulatory Commission issued its draft environmental impact statement for the project in June, and the commission is scheduled to make a decision on the application in January 2019.

Venture Global, with its main office in Arlington, Virginia, also is working to develop a gas export terminal, Plaquemines LNG, on the Mississippi River in Louisiana, at up to 20 million tonnes annual capacity.

Gazprom 'carries out political projects with dubious returns'

(Bloomberg; Sept. 7) - Something strange has happened in Russia. State-run Gazprom — the world's biggest natural gas producer — was surpassed in market capitalization by the much smaller Novatek. In 2008 the difference in Gazprom's and Novatek's market capitalization exceeded $340 billion. Now both are valued around $50 billion. If you look at the numbers, this makes little sense. Gazprom's vast natural gas reserves are close in size to North and South America's combined — eight times that of Novatek.

State-run Gazprom's revenues and profits are soaring this year as it supplies record volumes of gas to Europe. Yet its stock-market value has stagnated over the past six years as its smaller rival has almost tripled. Novatek's stock has been gaining as it expands its liquefied natural gas export business. The gas producer and distributor is controlled by some notable Russian billionaires and co-owned by France's Total.

"Gazprom should be worth significantly more," said Rollo Roscow, a London-based analyst at Schroders, who manages the 1.1 billion euro ($1.28 billion) International Selections Emerging Europe Fund. "Unfortunately … it's run for the government, it carries out political projects with dubious returns." Investors' concerns reflect Gazprom's high tax burden and the duties it performs for the Russian state, which include spending billions of dollars on gas pipelines, sporting events, and donations to Russian charities.

Novatek found its niche five years ago by betting on LNG exports — a less politicized industry than supplying the fuel by pipeline to Europe. This suits investors, which saw the company start its first LNG plant late last year (Yamal) on time and on budget, and the Kremlin, as Novatek develops the country's Arctic gas reserves. "Novatek's strategy is driven by business considerations whereas Gazprom, being a monopoly, has social obligations," said Bloomberg Intelligence analyst Elchin Mammadov.

Coal shows resiliency in global power generation

(Wall Street Journal; Sept. 3) - Coal is clinging to the top spot in power generation, accounting for as much of the world's electricity as it did two decades ago despite concerns about climate change and a slowdown in financing for coal projects. U.S. coal exports more than doubled in 2017 and are set to grow this year, according to the U.S. Energy Information Administration. Countries across Asia and Africa are expected to increase their use of coal for expanding power generation through 2040, the EIA said.

The rebound shows coal's resilience, especially in emerging regions, and recent events suggest the market will remain strong. In the U.S. the Trump administration has proposed to reverse rules on coal emissions, and countries including India and Vietnam are planning major coal projects. Coal accounted for 38 percent of the world's electric power in 2017, putting it at the same level as in 1998, according to a report by BP.

The World Bank stopped financing coal in 2010 because of its link to global warming, and many other banks are turning away too. Last year, Deutsche Bank said it wouldn't finance new coal mining or coal-powered projects. In July Lloyds Banking Group said it would stop lending for new coal ventures. Still coal plants are attractive because they cost less to build than renewable energy facilities. For example, Bangladesh plans for coal to generate 50 percent of the country's power by 2030, up from 2 percent today. It is funding its expansion with loans and technological help from China and Japan.

Mayors stand together in support of LNG Canada project and pipeline

(Peace Arch News; Surrey, BC; Sept. 7) – Mayors of 14 communities in northern British Columbia are disappointed that a Smithers resident now wants a federal review of the gas pipeline that would feed a liquefied natural gas export plant proposed for Kitimat, B.C. All of their communities would benefit financially from the LNG Canada project, led by Shell, and its accompanying 415-mile Coastal GasLink pipeline to deliver supplies from northeastern B.C., the mayors send in a Sept. 6 letter to the challenger.

The mayors told Michael Sawyer, of Surrey, B.C., just outside Vancouver, that he had years to challenge the pipeline, while the LNG Canada partners now “are on the verge of making an investment decision on what could be the single largest investment in our nation’s history.” Although both the pipeline and the LNG plant have received provincial environmental approvals, Sawyer filed an application the end of July asking the federal National Energy Board to examine whether it has jurisdiction to review the pipeline.

While provinces have jurisdiction over resource development, Sawyer said in his filing, the NEB could also have jurisdiction because the pipeline would connect to an existing federally regulated pipeline system. His challenge comes amid increasing speculation that LNG Canada’s investors are about to commit to the $40 billion project. Sawyer, a consultant who previously worked in the Alberta energy industry, said there was no ulterior motive behind the timing of his NEB filing and that it simply took him time to prepare it. The NEB said it is considering its next steps in response to Sawyer.

Talk of LNG export limits worries Australia’s oil and gas industry

(S&P Global Platts; Sept. 6) - A growing litany of government controls over Australia's natural gas exports will jeopardize future investment in the country's oil and gas sector and render it uncompetitive against rivals like the U.S., Middle Eastern exporters and Russia, said top executives at the Southeast Asia Australia Offshore & Onshore Conference in Darwin this week. Australia has threatened to impose limits on LNG exports in a move to keep more gas at home and hold down prices for domestic buyers.

Earlier this month, the Australian Labor Party — the current favorite to win the next federal election, which will be held at some point this year or next — said it plans to put in place permanent LNG export controls, bringing Australia’s energy policy closer to that of Southeast Asian countries like Indonesia than to a free-market mechanism like the United States. "Australia relies on foreign investment but sovereign risk is rising fast," said Kevin Gallagher, CEO of Australian oil and gas producer Santos.

If government changes the rules after investments have been made in export projects, it increases the prospect of investors assessing Australia as being too risky a destination for their funds, Gallagher said. "We were surprised and embarrassed by last year's announcement to limit LNG exports under the Australian Domestic Gas Security

Mechanism," Osaka Gas chairman Yasuo Ryoki said. Salesmen at Osaka Gas, which is one of Japan's largest gas buyers and power utilities, were busy taking phone calls from panicked end-users who had read about the possibility of Australia's export restrictions.

Exxon may build petrochemical plant, LNG import terminal in China

(Reuters; Sept. 6) - ExxonMobil said Sept. 6 it has signed a preliminary deal to build a petrochemical complex and invest in a liquefied natural gas import terminal in China, the latest major foreign investment in the world's top chemicals market. The deal worth billions of dollars with the Guangdong provincial government includes a 1.2 million-tonne-per-year ethylene plant, two polyethylene production lines and two polypropylene lines in the coastal city of Huizhou, Exxon said. A final decision will be based on several factors, including project competitiveness, Exxon said. Start-up could come in 2023.

The company also agreed to participate in a provincial project to build an LNG terminal in Huizhou and to supply the facility. No details were given. Exxon would be one of only a few international oil majors to invest in LNG infrastructure in China as the country tries to shore up supplies amid a switch to gas-fired boilers by factories and households to clean up the air. The deal could be seen as a goodwill gesture by China amid the trade war between the U.S. and China. The agreement comes a day before a meeting in Beijing between Chinese Premier Li Keqiang and Exxon CEO Darren Woods.

China is allowing greater access by global majors and local independents to its massive chemicals market to feed plastics, coatings and adhesives to the fast-growing consumer electronics and automotive sectors. The news comes after German chemical giant BASF announced plans in July to invest $10 billion to build China's first wholly foreign-owned chemicals complex, also in Guangdong.

U.S. officials talk up gas market collaboration with Japan

(S&P Global Platts; Sept. 6) – The U.S. and Japanese governments and industry are stepping up their collaboration to lay the groundwork for natural gas markets and LNG infrastructure in the Indo-Pacific region, officials said at a Japanese Embassy event in Washington on Sept. 5. Efforts already underway include the Trump administration's Asia-EDGE initiative announced, entailing $50 million in investment this year to help Indo-Pacific partners import, store and deploy energy resources.

The heightened focus on the Indo-Pacific region is seen as helping counterbalance China's footprint in infrastructure development — with the benefit of helping expand the market for U.S. liquefied natural gas exports across Southeast and South Asia. "The great thing with this LNG boom that we have [is], we can finance the facilities at the other end to take gas in," Ray Washburne, president and CEO of the U.S. Overseas Private Investment Corp. (OPIC), said at the event.

Washburne made a pitch for getting legislation, known as the BUILD Act, through Congress this year. The bill would create the U.S. International Development Finance Corp., with the ability to acquire equity as a minority investor in projects. It would allow OPIC to double the amount it puts out from $30 billion to $60 billion, and to conduct feasibility studies, he said. The BUILD Act has passed the House unanimously, cleared the Senate Foreign Relations Committee and is awaiting Senate floor action this fall.

Germany, Qatar talk cooperation on LNG

(S&P Global Platts; Sept. 7) - German Chancellor Angela Merkel said there is significant potential for energy cooperation with Qatar, after the Middle Eastern liquefied natural gas giant's Emir Sheikh Tamim bin Hamad Al-Thani announced plans to invest 10 billion euros ($11.5 billion) in the German economy over the next five years. In a speech Sept. 7 to the German-Qatari business forum in Berlin, Merkel highlighted LNG imports as a source of energy diversification to improve Germany's security of supply.

Germany, and much of Europe, depends heavily on Russian pipeline gas deliveries. There is no LNG import terminal in Germany, though the country is connected to LNG infrastructure across Northwest Europe currently underutilized due to pipeline gas being much cheaper. S&P Global Platts data show that just about 28 percent of Europe's LNG terminal capacity was used in 2017. "We are very seriously interested in a stake in a German LNG terminal and are talking with both companies — Uniper (gas distributor) and RWE (power generator)," said Qatar Petroleum CEO Saad Sherida al-Kaabi.

"We are looking into investing further in the downstream with the objective of monetizing our gas … and finding a new market for our gas," he said. Developers of a German LNG terminal have applied for government subsidies and expect to make an investment decision in late 2019 for a 2022 start-up, when Germany's last nuclear power plants are due to come offline.

India's price controls could hurt value of oil and gas company

(Economic Times; India; Sept. 6) - India's efforts to sell a $1.6 billion stake in Oil & Natural Gas Corp. has run into concerns that government policies on fuel pricing could weigh on the state-run explorer's share price, according to people with knowledge of the situation. Investors and fund managers that met with Indian government officials during a U.S. roadshow last month voiced concern that the government may reimpose fuel subsidies and that government-set natural gas prices are too low, the sources said.

A tepid response to selling the shares may further set back Prime Minister Narendra Modi's plans to raise 800 billion rupees ($11 billion) by selling holdings in state-run companies during the fiscal year that ends in March. The government's plans to reduce its fuel subsidies could lead to the possibility of Oil & Natural Gas Corp. having to share the financial burden, limiting any benefits to the company from higher crude prices.

The government freed up retail prices of gasoline in 2010, followed by diesel in 2014, but still controls prices of kerosene and liquefied petroleum gas. The government holds a 67.7 percent stake in the oil and gas company, with other state-owned companies holding almost 20 percent.

High sulfur content a growing problem for Canadian oil sands

(Financial Post; Canada; Sept. 6) - The latest menace to Canada's oil sands is sulfur. Long a byproduct of the heavy-oil industry, sulfur is so common that it's become a part of the landscape in Alberta where massive blocks of it are stacked several stories high looking like a yellow-stained low-rise apartment block. Global regulators are trying to stem sulfur-dioxide emissions, which will potentially shrink the market for sulfur-rich heavy crude, while new marine regulations targeting the sulfur content used in shipping fuel could force oil sands producers to stomach an even steeper price discount.

"This is a very straightforward issue," said Allan Fogwill, president of the Canadian Energy Research Institute. "What we're facing is a devaluation of oil sands assets in the marketplace." Fogwill and the industry's concern is International Maritime Organization regulations that aim to dramatically lower sulfur in bunker fuels for marine vessels to 0.5 percent from 3.5 percent. The changes take effect January 2020. A CERI report in July that found as many as 574,000 barrels per day of oil sands production would not be economic under a scenario where sulfur levels are lowered to the new IMO standards.

Canadian producers are in a bit of a bind. The bitumen lodged deep beneath northern Alberta is one of the most sulfurous oil resources on the planet. The report estimated the discount for Western Canada Select compared with West Texas Intermediate, the U.S. benchmark, could widen to as much as US$33 per barrel by 2025, compared to a recent average discount of around US$15. The additional discount would only intensify a pricing gap that has plagued the oil sands industry because of its inability in recent years to build major pipeline projects to reach more markets.

Korea Gas will invest in pilot project for LNG-fueled trucks

(The Korea Herald; Sept. 5) - Korea Gas said Sept. 5 it will run liquefied natural gas-powered trucks starting this month as part of its shift toward eco-friendly fuel such as natural gas and hydrogen. KOGAS said it will operate a pilot project until early next year involving 400-horsepower LNG-fueled trucks in partnership with Tata Daewoo, an automaker headquartered in Korea and owned by Indian company Tata Motors. After the pilot project dozens more LNG trucks will be provided in 2019.

The pilot project is part of the company's attempts to provide LNG for trucks currently powered by diesel, which accounts for 63 percent of fine-dust emissions in South Korea. Through the business, KOGAS hopes to improve air quality by reducing fine dust, diversify energy sources for transportation and create demand for natural gas.

The plan for LNG trucks was part of the company's announcement Sept. 5 that it would invest 1 trillion won ($890 million) in LNG trucks, liquefied natural gas bunkering, and also hydrogen fuel in line with the nation's goal to increase the use of renewable energy to 20 percent by 2030 amid growing concerns over fine dust and climate change. For LNG bunkering — the practice of delivering LNG fuel to a ship — KOGAS plans to invest in bunkering facility construction in Southeast Asia to increase demand.