Oil and Gas News Briefs
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China wanted contractor work for its investment in Yamal LNG

(South China Morning Post opinion column; Sept. 12) - China's investment in the Yamal liquefied natural gas project in Russia's Arctic is a good example of growing cooperation between the two countries. A report by Camilla Sorensen and Ekaterina Klimenko, researchers at the Stockholm International Peace Research Institute, speaks of an "impressive track record of cooperation between China and Russia on the Yamal LNG project." The report adds: "China secured a good overall deal."

China's agreement to participate in Yamal LNG specified that up to 80 percent of the equipment for the project would be produced in Chinese fabrication yards. In addition, China supplied as much as 60 percent of the capital needed for the $27 billion project that started exports in December. "Chinese-Russian cooperation on developing energy resources and sea routes in the Russian Arctic looks like an objective where Russia and China could work closely together and have complementary interests," the report says.

In the past, Chinese scholars admit, China was cautious about getting involved in projects that might antagonize relations with the United States. After the start of the trade war, initiated by the Trump administration, the situation may have changed. A precondition for greater Chinese involvement in Russian projects is likely to be more say by China in how the projects are run. China does not simply want to be part of such projects — it wants to have a stake that will permit it to have a role in management.

Novatek will create LNG shipping joint-venture with Chinese company

(Barents Observer; Norway; Sept. 12) – Russian liquefied natural gas producer and exporter Novatek will sign an agreement with the world's fourth-largest shipping company, China's state-owned COSCO, to establish a dedicated shipping company for LNG carriers to sail the Northern Sea Route. The new company, Marine Arctic Transport, also will have Russia's state-owned Sovkomflot as a partner, the Russian newspaper Kommersant reported from the Eastern Economic Forum in Vladivostok.

The new company's main financial partner will be the Silk Road Fund, a Chinese state-owned fund created to foster increased investment in maritime shipping between Eurasian countries. Kommersant reported China's stake in the company could be 49.9 percent. With the deal, it will be easier to attract Chinese financing to build LNG carriers for Russia's Arctic LNG cargoes, particularly at shipyards in China.

In addition to Yamal LNG, which started shipments in December and will use a fleet of 15 ice-class carriers, Novatek is looking at building another gas project in Russian Siberia, Arctic LNG-2. A final investment decision is expected next year. Also at the forum in Vladivostok, Novatek said it will create a joint-venture with Rosatomflot, the state-owned operator of a fleet of nuclear-powered icebreakers, to finance and build LNG-fueled icebreakers and supply vessels for the Northern Sea Route.

Bloomberg forecasts new LNG supply ready to meet demand

(LNG Industry; Sept. 13) – A report from Bloomberg New Energy Finance forecasts liquefied natural gas imports will set a record this year at a robust 8.5 percent growth over 2017. The rate will slow in 2019 and further in 2020, before picking up in 2021. Imports will expand at a steady rate 2021 through 2027, before accelerating again, the new research shows. By 2030 total demand will reach 450 million tonnes per year.

The Global LNG Outlook 2018 from Bloomberg shows that LNG demand will be 308 million tonnes this year, up from 284 million in 2017. Half of this year's growth will come from China. The report highlights that Asia will be the core growth region in the coming decade. "The region will add a total of 143 million tonnes per year (in demand) in 2017-2030, accounting for 86 percent of the world's total LNG demand growth in the period." said Maggie Kuang, head of Asia Pacific LNG analysis and lead author of the report.

The report says demand growth will slow 2020-2021, when Japan restarts its ninth nuclear plant and Russian pipeline gas starts to supply China. However, any global surplus after 2019 is likely to be modest and brief as Bloomberg expects demand will rebound in Asia. On the supply side, 103 million tonnes per year of new LNG capacity will be added globally 2017-2021, with capacity to total 392 million in 2021 and proving sufficient to meet demand to 2025. About 17 projects will likely reach a final investment decision in the coming years, potentially adding 172 million tonnes of capacity by 2030.

Pakistan leveraged competition to win lower LNG price from Qatar

(Bloomberg; Sept. 10) - Pakistan said it saved more than $600 million over the first 10 years of a liquefied natural gas supply deal by pitting some of the world's biggest sellers against each other. A report from the state's oil marketing company presented two weeks ago to a senate committee, and reviewed by Bloomberg News, details how the 2016 deal came together with Qatar, the world's largest LNG supplier. It also sheds a light on high-stakes energy deals, which are almost always settled behind closed doors.

Pakistan's maneuvering came after two years of negotiations hit an impasse as Qatar refused to lower its price for LNG. So, Pakistan sought leverage on the open market in late 2015, seeking 120 cargoes in two large tenders, bringing in bids from suppliers including Shell and BP. While negotiations with Qatargas were underway, the tender was “issued to fetch the maximum number of bidders and best price,” the presentation said. “The strategy helped bring down prices with Qatargas and saved $610 million."

Pakistan told Qatar about the lowest bid, from Switzerland-based Gunvor Group, which the Middle East supplier agreed to match. The deal with Qatar, which was eventually settled at 3.75 million tonnes annually over 15 years, marked Pakistan’s emergence as an LNG buyer. The country turned to imports after its own declining gas production forced some factories to shut and caused blackouts. Imports have grown rapidly since 2016, with Pakistan the seventh-largest LNG buyer globally in August.

B.C. premier says Shell-led LNG venture close to decision

(The Province; Vancouver; Sept. 14) - There is heightened anticipation that LNG Canada is gearing up to make a final investment decision on its gas liquefaction and export terminal in Kitimat, B.C. The Shell-led venture has announced major contracts and has been doing more ground work in Kitimat, including dredging for a shipping berth. The project also awaits a federal decision — possibly this month — on whether major steel-fabricated components for the plant can be shipped tariff-free from China.

At the Union of B.C. Municipalities annual convention on Sept. 14, B.C. Premier John Horgan said he believes the project is close to a positive decision. Meanwhile, TransCanada spokeswoman Jacquelynn Benson said all permits are in place for the 415-mile, C$4.7 billion pipeline, field work had been completed and contractors have been hired for the project to move gas from northeastern B.C. to the coastal LNG plant.

Benson also pointed to an announcement in July that TransCanada had conditionally awarded $640 million in contracting and employment opportunities to northern B.C. indigenous businesses. Shell, which leads the LNG Canada consortium of international investors made up of Malaysia’s Petronas, PetroChina, Mitsubishi, and Korea Gas, has said a final investment decision would be made before the end of 2018.

TransCanada signs up 20th Indigenous group to support gas line

(The Globe and Mail; Canada; Sept. 13) - The Haisla Nation, an indigenous group that opposed plans for the controversial Northern Gateway oil pipeline to the British Columbia coast, has thrown its support behind TransCanada’s proposed natural gas pipeline to serve a liquefaction plant and export terminal proposed for Kitimat, B.C. TransCanada said Sept. 13 that the Haisla became the 20th elected indigenous group to sign an agreement of support for the C$4.7 billion Coastal GasLink pipeline.

TransCanada now has the support of all the elected indigenous groups along the 415-mile pipeline from northeastern B.C. to Kitimat for the Shell-led LNG Canada project. Shell and its partners are expected to make a final investment decision by late this year. “When the pipeline goes through, it will mean employment and career opportunities for indigenous people, and long-term revenue for their communities and councils," said Karen Ogen-Toews, chief executive officer of the First Nations LNG Alliance.

The enthusiasm for gas among First Nations is in sharp contrast to the opposition in British Columbia against oil projects. The now-defunct Northern Gateway project would have carried diluted bitumen from Alberta’s oil sands to a marine terminal in Kitimat, and Kinder Morgan had planned to nearly triple its Trans Mountain oil pipeline capacity from Edmonton to a B.C. coastal export terminal before it gave up in the face of strong opposition and sold the pipeline and expansion project to Canada’s federal government — which plans to complete the work and sell the oil line back into the private sector.

Pipeline approvals on work list for FERC divided over climate change

(Bloomberg; Sept. 13) - The nation’s chief energy regulator has moved to reassert control of his agenda, amid criticism that his agency is mired in political turmoil. Kevin McIntyre, who leads the Federal Energy Regulatory Commission, said the thorny issue of resilience of the nation’s electrical grid is at the top of his priorities list, along with an examination of how pipelines are approved and a look at a 40-year-old law designed to promote renewable energy.

That may be easier said than done as the agency, which is split on party lines, waits for President Donald Trump to fill a newly vacant seat and as speculation builds over what role, if any, the commission may play in an administration plan to bail out money-losing coal and nuclear power plants. Even the specter of partisanship could cause problems for the agency, which also is tasked with approving hydroelectric projects, multibillion-dollar liquefied natural gas terminals and overseeing wholesale power markets.

An issue for McIntyre is approval of gas pipelines, as FERC has been split on how much it should consider climate change in its decisions. In addition, legal challenges have become more sophisticated and delayed pipelines. "Assuming the commission flips back to the Democrats at some point, FERC could become an impassable roadblock for new infrastructure if the commission applies a climate test to every project,” said Ethan Bellamy, an analyst at Robert W Baird. “Industry needs to push for a full commission … and drive hard” to get new pipelines approved before 2020.

East Timor wants to control where its gas is processed

(Australian Financial Review; Sept. 13) - East Timor's new government wants to radically reshape an energy syndicate led by Australia's Woodside Petroleum that holds the rights to the undersea gas and oil reserves of Greater Sunrise. Xanana Gusmao, the country's chief negotiator on oil and gas, is exploring a bid of up to US$5 billion for East Timor to buy out ConocoPhillips' 30 percent stake in the four-party syndicate and to cover its share of development costs for a gas project.

The aim is for the impoverished country of 1.3 million people to have more control over the gas reserves, which are estimated at more than 5 trillion cubic feet, and over where the gas would be piped and processed: East Timor or Australia. When Gusmao negotiated a treaty on East Timor's maritime border with Australia, signed in March, his country won the rights to most of the revenues if Sunrise is developed. He is now considering using as much as US$5 billion to buy into the project and dictate terms.

After signing the treaty, Gusmao excoriated Australia, accusing it of colluding to send the gas to Darwin. Building the gas processing and liquefaction facility on East Timor's remote south coast was a key plank in his election campaign, though that option would require an expensive new pipeline over the deep undersea Timor Trench and funding for a new multibillion-dollar LNG facility. The development group — Shell, Osaka Gas, Woodside, and ConocoPhillips — has consistently said the Timor option is financially unviable. It wants to use existing infrastructure, including ConocoPhillips' LNG plant near Darwin, which also would require an undersea pipe but no deep trench crossing.

Norway will defend its share of Germany's gas market

(Bloomberg; Sept. 12) - After supplying Europe's biggest economy with natural gas for more than four decades, Norway is preparing to defend its share in Germany as the world's biggest producers all vie for a larger slice of the $21 billion market. Russia last week began building a second giant pipeline to Germany and President Donald Trump is turning up the rhetoric in an attempt to secure sales of U.S. liquefied natural gas to Europe. And Qatar, the world's biggest LNG producer, is discussing deals with European utilities in what's gearing up to be the biggest battle in the market yet.

To keep its roughly 25 percent share of German gas demand, Norway is counting on falling industry costs to spark new discoveries on its continental shelf. But while Norway has managed to cut production costs "hugely," said Jonathan Stern, a senior research fellow at the Oxford Institute for Energy Studies, no significant new gas deposits have been found in the Barents Sea in the Arctic since the Snohvit field in the 1980s. Equinor, Norway's biggest energy company, plans an extra focus on exploration for gas.

Gas, the cleanest of fossil fuels, is becoming increasingly important as Germany plans to exit nuclear power in four years and is shutting down more and more coal-fired plants. While renewable energy has taken a big chunk of the daily power output, with some days producing the majority of electricity, Germany still needs steady supplies for when the sun doesn't shine and the wind doesn't blow.

China may replace 1 million diesel trucks to reduce emissions

(Reuters; Sept. 13) - China is drawing up a plan to replace a million heavy-duty diesel trucks — almost 20 percent of the nation's fleet — with ones that burn cleaner fuel as Beijing ramps up its war on pollution, potentially dealing a heavy blow to oil refiners. The transport and environment ministries are considering proposals that include replacing vehicles with more modern trucks using a higher grade of diesel and using electric trucks or trucks that run on liquefied natural gas, an industry source said.

The policy would start in 2020 and would be implemented in the smoggiest northern regions of the country. It was not clear when the two ministries would make their final decision. The Ministry of Transport said in July it wanted to remove a million polluting trucks in northern China as part of a three-year plan, but no details of the proposal have been reported. There are an estimated 6 million heavy-duty trucks on China's roads.

The push is the latest by the government to improve air quality, curb exhaust emissions from road vehicles and boost railroad use. The vast majority of the 47.2 billion tonnes of freight transported across China last year was by highway. The government ministries have held several meetings with industrial experts in recent months to iron out details of the proposal, the source said, adding that the government is also considering subsidies for electric and LNG vehicles because they are more expensive than diesel trucks.

Chinese, First Nations may partner on new Alberta oil sands refinery

(Calgary Herald; Sept. 13) - Two major Chinese companies and a group of Albertan indigenous communities are proposing to build a new oil sands refinery and petrochemical complex in the province, according to a press release issued by consultants Stantec. State-owned China Petroleum & Chemical Corp., better known as Sinopec, along with China Construction Industrial & Energy and a consortium of Alberta indigenous groups signed an agreement with the Edmonton-based engineering and design firm Stantec on Sept. 13 to pursue permits for building a new bitumen refinery.

According to Stantec, the partnership of Sinopec, China Construction, and indigenous groups will be called SinoCan Global and will begin seeking permits to build a 167,000-barrels-per-day bitumen refinery and petrochemical complex north of Edmonton — the second-largest refinery in Alberta after Imperial Oil's 194,000-barrels-per-day

Strathcona Refinery in Edmonton. News reports estimate the development cost at C$8.5 billion, with a proposed construction start date in 2021 and completion in 2025.

Details are scarce on which First Nations will partner with the two Chinese companies, but Stantec indicated a group called Alberta First Nations Energy Development will own an equity stake in the project. An equity share in a major project would represent a significant holding for First Nations in the province. Several years ago, Alberta's provincial government backed a bitumen refinery project but then in 2012 pulled its support, deciding that the C$6.6 billion project was too risky.

Japan's Inpex looks to reduce reliance on oil, build its LNG portfolio

(Nikkei Asian Review; Sept. 10) - Japanese oil and gas producer Inpex is restructuring its energy portfolio to reduce its reliance on oil, with its first liquefied natural gas project producing in Australia and another planned for Indonesia. The company's Ichthys LNG project went online July 30 in Darwin, capital of Australia's Northern Territory, with Inpex holding a 62 percent stake in the venture. A 550-mile-long pipeline — one of the longest of its kind — connects the Ichthys offshore gas field with onshore facilities.

Inpex acquired a stake in the Ichthys gas field in 1998 but took 20 years to start actual production — two years behind schedule. "It's like a miracle to have finally come to this point," said Hitoshi Okawa, an Inpex executive based in Perth. The project's cost is expected to top A$40 billion, according to Total, a major partner in the project. This far exceeds a 2012 projection of $34 billion for the project at 8.9 million tonnes per year of LNG and up to 100,000 barrels a day of condensate.

At full production in a few years, Ichthys "could generate 70 to 80 percent of Inpex's total profit," said Reiji Ogino, of Mitsubishi UFJ Morgan Stanley Securities. But there are risks, Ogino warned, if Inpex relies too heavily on a single revenue stream. Inpex's pivot to LNG reflects global trends toward ending oil dependence, driven largely by concerns over climate change. Inpex hopes to leverage its success with Ichthys to expand further into the LNG sector, and is now planning a project in eastern Indonesia dubbed Abadi. When completed, it would produce 9.5 million tonnes of LNG annually.

Siemens partners with Bangladesh for 3,600-megawatt gas plant

(S&P Global Platts; Sept. 10) - Germany's Siemens and Bangladesh's state-run North-West Power Generation Co. (NWPGCL) on Sept. 7 signed an agreement to jointly develop a 3,600-megawatt power plant at Payra in southern Bangladesh that will run on regasified LNG. It will be the largest power plant in the country and will cost about $3 billion to build, NWPGCL managing director Khurshedul Alam told S&P Global Platts on the sidelines of the signing ceremony in Dhaka.

The project will adopt an integrated approach to LNG sourcing, procurement, transportation, regasification, and delivery to the plant, along with electricity generation and supply to the national power grid, he said. The new power plant will be built adjacent to the 1,320-megawatt Payra thermal power plant that is currently under construction. The first phase of the new gas-fired power plant is expected to be commissioned by December 2021 and the second phase by December 2022.

New reports predict demand for oil could peak in the 2020s

(Wall Street Journal; Sept. 10) - The Era of Oil is coming to a close but experts and corporate analysts disagree about just when that will happen. The time left before global demand peaks is increasingly tightening, according to new projections from analysts. Two reports published this week point to an end of oil's growth within the next five years, far earlier than many are expecting. Demand for fossil fuels will peak around 2023, as increasingly cost-competitive solar and wind are buoyed by supportive government policies, according to London-based think tank Carbon Tracker Initiative.

Norwegian risk-management company DNV takes a similar view in an analysis released Sept. 10. It predicts oil demand will max out in five years, making way for renewables to dominate an increasingly electrified and efficient energy system. "The transition is undeniable," said CEO Remi Eriksen. The aggressive forecasts add to a debate among energy executives and analysts over what the next decades may hold for the industry.

Views have shifted from a decade ago, when many fretted that oil could run out. Now global efforts to curb global warming, along with cheaper and better renewable technologies, are pressuring assumptions of long-term oil demand. Investors are increasingly taking notice and demanding big oil companies outline how resilient they are to an energy transition. Shell has said if serious action is taken to combat global warming, demand could peak mid-2020s, while BP earlier this year said oil demand could plateau and then begin to decline between 2035 and 2040 as renewables grow faster.