Oil and Gas News Briefs
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FERC speeds up LNG project reviews

(Houston Chronicle; Sept. 4) - The Federal Energy Regulatory Commission is speeding up its environmental reviews of proposed liquefied natural gas export terminals, a process that has come under political scrutiny. The agency on Aug. 31 issued updated review schedules for 12 LNG projects, including six in Texas. FERC said it has sped up the timeline through a combination of administrative changes — including hiring an outside contractor to aid staff — and asking applicants to pay for third-party contractors to assist in reviewing fire-protection, spill-containment, and hazard-detection plans.

The third-party contractors will be similar to the contractors that assist FERC with preparation of a project's environmental impact statement. The federal agency directs the contractor's work, with the bills going to the applicant for payment. "These process improvements have shortened projected environmental (review) schedules in some cases by 9 to 12 months," said FERC Chairman Kevin McIntyre. Of the projects with revised schedules, 10 are on the Gulf Coast and one on Florida's Atlantic coast. The new timeline shortened FERC's review of the Alaska LNG project by one month.

FERC was facing a backlog of LNG applications, drawing criticism from Republicans in Congress, particularly those from producing states who worried U.S. LNG could be losing ground to competitors. As part of its effort, FERC also has signed an agreement with the federal Pipeline and Hazardous Materials Safety Administration to work together on project reviews. PHMSA sets standards on design and location of LNG plants, while FERC is responsible for environmental reviews and determining whether the facilities are in the public interest.

Texas LNG says it's on track for investment decision next year

(The Brownsville Herald; Texas; Sept. 4) - Texas LNG, one of three companies that have proposed building liquefied natural gas export terminals at the Port of Brownsville, said it is on track for a final investment decision late next year after receiving its environmental review schedule from the Federal Energy Regulatory Commission. FERC on Aug. 31 set out a timeline for its issuance of the project's environmental impact statement — March 2019 for the final EIS.

Langtry Meyer, the company's chief operating officer, wrote via email that having the FERC schedule for environmental review "provides certainty and confidence in our permitting schedule." Receipt of the schedule significantly "derisks" the project in the eyes of potential investors, he said. Texas LNG proposes to build two liquefaction trains in two phases — with a total capacity of 4 million tonnes per year.

Meyer said the smaller capacity of the Texas LNG project reduces the commercial risk since it isn't dependent on large customers, but instead can market relatively small volumes to "emerging markets" in foreign countries. Texas LNG said it could start construction in early 2020 and begin operations in 2023 or 2024. The company last year selected South Korea's Samsung Engineering and KBR for pre-final investment decision engineering work.

LNG developer wants contractor to financially guarantee the job

(S&P Global Platts; Sept. 4) - NextDecade will take another year to secure a contractor to build its Rio Grande LNG export terminal in Texas after deciding not to move ahead with an agreement with Houston-based McDermott. Citing McDermott's need to find a partner to financially guarantee its work on a project of Rio Grande's size, NextDecade on Sept. 4 said it would submit the job to a competitive bidding process. Bechtel and Fluor have been invited to bid, and McDermott can bid if it finds a joint-venture partner.

Texas-based NextDecade's proposed LNG project is estimated at $17 billion for up to 26 million tonnes of capacity at full build-out. The contractor issue reflects challenges faced by developers of U.S. liquefaction facilities — ranging from construction costs to commercial deals — even as federal regulators speed up their reviews. The Federal Energy Regulatory Commission said last week it plans to issue its draft environmental impact statement for Rio Grande LNG next month with the final EIS in April 2019.

An agreement with McDermott had been planned for the end of June. An engineering, procurement and construction contract is now expected third-quarter 2019, which could keep the project on target for to start commercial operations as early as 2023 — though NextDecade has not announced any firm long-term take-or-pay contracts to support the project. NextDecade had been pursuing an EPC agreement with Chicago Bridge & Iron, and it stuck with the firm as CB&I suffered financial stress and delays on Freeport LNG in Texas and Cameron LNG in Louisiana. McDermott acquired CB&I earlier this year.

Regulatory staff recommendation a setback for LNG project in Oregon

(Willamette Week; OR; Sept. 1) - The staff of the Oregon Department of Energy is recommending denial of an exemption sought by developers of the proposed Jordan Cove liquified natural gas project in Southern Oregon. If built, the $10 billion project would be the most expensive in state history. Jordan Cove LNG is an issue in the race for governor: The challenger, Republican State Rep. Knute Buehler, is an enthusiastic supporter, while incumbent Democratic Gov. Kate Brown has remained neutral.

In June Jordan Cove asked the state energy department for an exemption to the typical regulatory process for the power plant included with the project. Under Oregon law, any new plant with generating capacity of 25 megawatts or more needs regulatory approval from the state Energy Facility Siting Council. Jordan Cove would have 90 megawatts of capacity to power the LNG terminal. The council is scheduled to meet Sept. 27 to consider the exemption request from the developer, Calgary-based Pembina Pipeline.

The staff recommendation, while not binding, makes it likely the council will require Jordan Cove to go through the site certificate process. It's unclear how long that process would take. The regulatory process for Jordan Cove is extensive, requiring numerous local and state permits in addition to Federal Energy Regulatory Commission approval. The FERC review, which is underway, also will look at the project's proposed 229-mile pipeline to link the LNG plant in Coos Bay with the North American gas supply.

Australia's Labor Party favors strong LNG export controls

(S&P Global Platts; Sept. 4) – Australia's Labor Party, a strong favorite to win the next federal election, plans to impose permanent controls on liquefied natural gas exports, party leader Bill Shorten said Sept. 3. "Right now, up and down the eastern seaboard of Australia, there are a lot of companies doing it hard with their energy prices and there is a cloud over a lot of jobs in Australia," he said. An increase in LNG exports in recent years has driven up gas prices for domestic consumers competing with foreign buyers

"Labor's policy to have a permanent export control trigger, a national-interest test and greater strength for the [Australian Competition and Consumer Commission], will make sure that Australian gas is available at reasonable prices for Australian interests first," he said. The Labor Party would expand upon and strengthen the trigger for export controls that the government put into place last year but did not use after LNG plant operators and gas producers pledged to better serve local markets.

In addition, Labor wants export controls put into place, not just if there is a lack of gas — as is the case with the current mechanism — but if the gas offered to domestic buyers is at an unaffordable or uncompetitive price. Other parts of the plan include a national-interest test that would allow government to reserve gas for Australian businesses and households. The Australian Petroleum Production and Exploration Association slammed the position, saying more regulation risks deterring investment in new gas supply.

China may extend gas production subsidies

(Reuters; Sept. 5) - China's State Council, the Cabinet, said the government is considering extending subsidies for unconventional natural gas production and will continue to push the country's coal-to-gas switching effort in a measured manner in accordance with demand.

The council said China's annual gas output should top 7 trillion cubic feet by the end of 2020, about 36 percent more than last year's production of 5.25 tcf. China last year consumed almost 8.5 tcf of gas, relying on imports for the difference.

Without giving further details the Cabinet said it will consider extending subsidies for unconventional gas between 2021 and 2025, adding that the subsidies also will cover so-called tight gas. In addition, the Cabinet said it will consider value-added tax rebates on LNG imports and subsidies for natural gas storage that exceeds state-set targets.

China looks to be more organized in dealing with winter gas needs

(Reuters columnist; Sept. 3) - China appears set to once again boost its purchases of liquefied natural gas for winter, but unlike last year's rush this time the process is likely to be more organized. There have been several indicators that China plans to continue increasing its use of gas, replacing boilers that use more polluting coal. The government was stung by criticism last year that the switch to gas was made too quickly and the resulting shortages left some people without adequate heating.

A sign that Beijing is putting more effort into ensuring sufficient supplies came last week when Vice Minister of Finance Liu Wei was quoted by the Communist Party newspaper as saying gas supply agreements must be in place when converting coal-fired boilers to the cleaner fuel. These comments were followed by an announcement by state-owned oil and gas major Sinopec that it is adopting several measures to boost winter gas supplies, including increasing purchases of spot LNG cargoes and boosting distribution.

It's often a challenge in China to work out exactly how official announcements translate into real action, but in all likelihood China is going to increase LNG imports in coming months. This will come on top of an already strong year so far, with official customs data and vessel-tracking data from Thomson Reuters showing large gains. China imported 4.55 million tonnes of LNG in August, the highest since January. Imports for the first eight months totaled 32.2 million tonnes, up 46 percent from the same period last year.

Sinopec reports steps to meet winter gas demand

(Reuters; Sept. 3) - China's Sinopec has announced a range of measures to shore up winter gas supplies including ramping up spot-cargo purchases, expanding its liquefied natural gas import terminal and improving gas pipeline network connections. Sinopec's Sept. 3 press release was the company's first major announcement of concrete steps that it will take to tackle China's gas shortages, especially this winter. "Some cities and companies have been telling us that they are starving for more gas," Sinopec said.

The company plans to book 2,600 truck drivers and rent 1,600 trucks to deliver gas from LNG terminals in southern China to cities in the north this winter. China's oil majors, Sinopec, China National Offshore Oil Corp. and PetroChina, also plan to connect their major pipelines this year to increase pipe utilization rates. Sinopec aims to connect its northern China pipeline network with PetroChina's Sichuan-to-East China pipe, the east leg of the China-to-Russia gas line, and the Sha'anxi-to-Beijing gas artery.

Sinopec also hopes to have annual LNG import capacity of 41 million tonnes, or about 2 trillion cubic feet of gas, by 2023 through expansion of its current LNG terminal and construction of three terminals in Wenzhou in Zhejiang province, the city of Nantong in Jiangsu province and Longkou in Shandong province.

Yamal to have 10 ice-class LNG carriers by end of the year

(Reuters; Sept. 5) - Three new liquefied natural gas tankers capable of plowing through Arctic ice have completed sea trials in recent weeks and are due to start serving the Yamal LNG terminal in northern Russia, Reuters shipping data shows. Novatek's Yamal terminal has been ramping up LNG shipments faster than expected after loading its first cargo in December with two trains running at capacity and a third being commissioned.

As part of the project — the first along northern Russian shores trapped by thick ice for most of the year — 15 LNG carriers in the Arc7 class were ordered from South Korea's Daewoo Shipbuilding & Marine Engineering. The Russian Arc7 classification means that a vessel is capable of traversing waters north of Russia without the help of icebreakers.

The Rudolf Samoylovich, operated by Teekay, has left the Korean shipyard at Okpo and is due to arrive at Yamal's Sabetta port on Sept. 7, shipping data shows. Vladimir Vize, managed by Japan's Mitsui O.S.K. Lines, has been launched but remains moored at Okpo. The Dynagas Georgiy Brusilov returned to Okpo on Aug. 25 after sea trials that month, according to the data. The three vessels will lift the number of Arc7 carriers operating from Yamal to eight, with two more due for delivery by the end of the year. All but one of the Arc7 vessels are named after Russian Arctic explorers and scientists.

Scientists worry of new 'Cold War' over the Arctic

(Sydney Morning Herald; Sept. 2) - On Sept. 2, a Danish container ship left South Korea packed with Russian fish and Korean electronics. On Sept. 22 it will dock in Germany.

Thanks to climate change, the Venta was able to take a short cut over the top of the globe — the first container ship to do so — through the Bering Strait between Russia and Alaska, above the Siberian coast, past worried polar bears, melting permafrost, and new Chinese-funded natural gas fields, and down past Norway, where this week a group of academics, analysts, and policymakers were fretting over what it all means.

They gathered in Tromso, Norway, 215 miles above the Arctic Circle. It's dark here for 48 days in winter, but this week Tromso was warmer than Sydney. The experts were invited to Tromso by Konrad-Adenauer-Stiftung, a German think tank. "We are moving into a new Cold War," one attendee said. "The Arctic has always reflected the wider world," said Rasmus Gjedsso Bertelsen, professor of northern studies at the Arctic University of Norway in Tromso. "But the wider world before was Western-dominated."

"China and the other Asian countries are looking especially to the Russian Arctic as a source of energy," Bertelsen said. "In the West we think of gas as a fossil fuel to be phased out. But air pollution in China is very serious and their big problem is coal. It's obvious they have to do something about that, and replacing coal with gas is the quick fix." Climate change was a big concern at the seminar. Russia has been slow to admit the scientific consensus, the U.S. has performed a sudden U-turn, and China argues that it should not suffer for the ecological sins of the developed world. "You'd think [the U.S. and Russia] are members of the Flat Earth Society," one attendee said.

Australia LNG plant loads 5,000th cargo since 1989

(LNG World News; Sept. 5) - The Woodside-operated Karratha gas liquefaction plant in Western Australia, part of the North West Shelf project, has loaded its 5,000th liquefied natural gas cargo since it started production back in 1989. The milestone LNG cargo was loaded Sept. 4 onboard the LNG carrier Northwest Swan headed for Japan. The Karratha gas plant includes five liquefaction trains with a total capacity of more than 16 million tonnes per year.

Australia-based oil-and-gas producer Woodside operates the plant on behalf of the NWS project participants: BHP Billiton, BP, Chevron, Shell, and Japan Australia LNG (a 50-50 joint venture between Mitsui and Mitsubishi).

Arbitration ruling could lead to resumption of Egypt's LNG exports

(Financial Times; London; Sept. 3) - A World Bank arbitration body has ordered Egypt to pay $2 billion to Unión Fenosa Gas, a 50-50 venture between Spain's Naturgy and Italy's Eni, in a move that could accelerate resumption of Egypt's liquefied natural gas exports. The ruling by the International Centre for Settlement of Investment Disputes comes after Egypt stopped supplying gas to the venture's Damietta LNG plant in 2014 as the country faced domestic energy shortages in the wake of political turmoil.

ICSID ruled that Egypt, in stopping the gas supply, had failed to grant Unión Fenosa "fair and equitable treatment," contravening the country's bilateral investment treaty with Spain, Naturgy said Sept. 2. The $2 billion is likely to be paid in gas to Damietta rather than in cash, according to sources. Naturgy, formerly known as Gas Natural Fenosa, said the award would allow it to reach a deal to restart exports at the plant. In addition, the Daily News Egypt also quoted government officials that exports will resume.

The single-train plant, with capacity for 5 million tonnes per year of LNG, started operations in 2005 as the country's second LNG export terminal. Egypt, however, has been a major importer of LNG in recent years to cover its domestic supply deficit. But it is expected to resume exports in the future following a number of major gas discoveries, including Eni's giant Zhor field in the Egyptian sector of the Mediterranean Sea.

Explorers on track to double drilling in Africa this year

(Bloomberg; Sept. 5) - Africa is entering the spotlight as explorers, flush with cash after oil's price recovery, are turning their attention back to the continent's potentially vast resources. The world's biggest companies from ExxonMobil to Shell and BP are setting up camp across Africa. Armed with stronger balance sheets and higher crude prices, the industry is on track to double drilling in African waters this year. Rising natural gas demand is adding to the attraction.

"The majors starting to move into these areas for exploration again is probably the first sign of things picking up," said Adam Pollard, an analyst at global energy consultancy Wood MacKenzie. There are plenty of signs of a recovery. Rigs working in waters off Africa have increased to the highest in two years, according to Baker Hughes data. Consultant Rystad Energy expects 30 offshore exploration wells to be drilled this year compared with 17 last year.

Acquisitions along the Africa's west coast, seen as a geological mirror of the other side of the Atlantic where huge discoveries have been made from Guyana to Brazil, also have accelerated. For companies willing to take the risk, the prize could be significant. There is a high probability that there is at least 41 billion barrels of oil and 319 trillion cubic feet of gas yet to be discovered in sub-Saharan Africa, according to a U.S. Geological Survey report of 2016.

West Texas mining rush leads to oversupply of fracking sand

(Wall Street Journal; Sept. 4) - Two years ago, many investors had the same idea of tapping the dunes of the West Texas desert to supply sand to shale drillers for fracking. The Permian Basin, America's most active oil field, could have 20 sand mines by year's end, though even some of those who put hundreds of millions of dollars into the startups predict they won't all survive. Sand is a key ingredient for shale drillers, who use a mixture of sand, water and chemicals to fracture rock formations deep underground.

But the flood of sand is hitting the market just as growth has begun to slow in the Permian Basin because of pipeline and labor constraints that make oil and gas more difficult to produce in the region straddling Texas and New Mexico. There are also questions about the quality of Texas sand, compared with the sands from Wisconsin and other regions that frackers have traditionally favored, and whether using the cheaper local substitute crimps a well's long-term production.

All of this has contributed to a quickly oversupplied sand market, a little more than a year since the first mine opened in West Texas. Sand demand is at a record-high in the U.S., up 29 percent in the second quarter compared with a year earlier, according to energy consultant IHS Markit. The Permian, which pushed U.S. oil production to an all-time high of more than 11 million barrels of oil a day in July, will account for 50 percent of U.S. sand demand by 2023, IHS Markit said. But as pipeline and other infrastructure problems hit the area, sand oversupply is leading to huge pricing concessions.

Industrial consumer group wants security standards for gas pipelines

(Houston Chronicle; Aug. 31) - Lobbyists representing U.S. manufacturing and chemical companies are urging Congress to secure natural gas pipelines against physical and cyberattack. In letter sent to the Senate Energy and Natural Resources Committee and the House Energy and Commerce Committee this week, Industrial Energy Consumers of America (IECA) President Paul Cicio said Congress should create mandatory security standards similar to those required of electric utilities.

"When so much is resting on the reliability of natural gas pipelines, we cannot help but be concerned that the security requirements under the Transportation Security Administration are voluntary, not mandatory," Cicio wrote. The letter comes as the administration is weighing the creation of a federal subsidy for coal and nuclear power plants on the grounds their on-site supply of fuel provides a more secure power supply. Gas-fired power plants are reliant on a near constant supply delivered via pipelines.

In building support for the coal and nuclear subsidy, which has been opposed by groups as diverse as the Sierra Club and the American Petroleum Institute, Energy Secretary Rick Perry has cited the potential for gas pipeline disruption through terrorist attack.