Oil and Gas News Briefs
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China's winter gas demand growth rate expected to drop by half

(Reuters; Nov. 8) - China's natural gas demand is expected to grow at half the rate this winter compared to a year ago, as Beijing slows its gasification push due to a weaker economy and competition from cheaper coal, state oil officials said on Nov. 8. Gas demand this winter is forecast at 5.1 trillion to 5.3 trillion cubic feet, a gain of 5 to 8 percent over a year ago, said a marketing executive with state energy group Sinopec.

Meng Yadong, director of the marketing department of Sinopec Gas, told an industry seminar in Beijing the growth rate will be down from the 14.6 percent expansion in the previous heating season. To battle air pollution and cut carbon emissions, Beijing has embarked on an aggressive campaign since 2017 to replace coal with gas for the winter heating season in its vast northern provinces from mid-November through mid-March.

"There has been a tweak to the coal-to-gas policy this year that advocates more flexibility in using coal or gas … (with) a fairly large impact on gas demand considering the price," Meng said. The scale-back is reflected in data released Nov. 8. China's gas imports — including pipeline gas and liquefied natural gas — fell for the first time in nearly three years, though part of that was caused by a receiving terminal outage.

At the seminar an expert from a Ministry of Ecology and Environment think tank said there was uncertainty over whether government subsidies for gas would be extended beyond 2020, which could further cool the gasification push. The central government paid 35 billion yuan ($5 billion) in subsidies between 2017 and 2019, said Feng Xiangzhao, deputy director at the Policy Research Center for Environment and Ecology.

Questions arise whether developers are overbuilding LNG capacity

(Houston Chronicle; Nov. 7) - For years, LNG developers sold investors on multibillion-dollar export projects on the premise of the world's insatiable appetite for natural gas. But three years after Cheniere Energy made history by exporting the first shipment of liquefied natural gas from the continental U.S., insiders are debating whether an LNG bubble is developing around the projects set to come online over the next 10 years.

From Russia to Qatar, Mozambique to Canada, there are enough projects in the works to almost double global LNG output by 2030 with much of the growth along the Texas and Louisiana coast. As analysts crunch the numbers, some don't believe the demand is there to support them all. "There's a fairly significant divide about the degree people might be overbuilding," said Jason Feer, global head of business intelligence at Poten & Partners, a shipping advisory firm. "My take is some people are wildly optimistic about demand. We found this wide range of forecasts, some of them physically impossible."

Forecasts of LNG's rise largely hinge on expectations of growing demand in China, India, and developing nations in Southeast Asia. But governments there have been slow to shift from cheap coal — which they have in abundance — and to undertake the pipeline, storage, and LNG receiving terminal buildouts needed to shift their countries to gas. Already there are signs that Asia's appetite for LNG might not be as reliable as developers hope. Global imports this summer were up 11 percent from 2018, but almost two-thirds of that additional gas went into storage in Europe and not to Asian buyers.

With so many projects competing for customers, developers are having to offer more generous terms and take on more risk. "LNG takes five to seven years to build, and they're saying, if I don't pull the trigger now, I won't have the volumes to sell," Feer said.

U.S. LNG developers hopeful of rollback in trade-war tariffs

(S&P Global Platts; Nov. 7) – U.S. LNG export developers welcomed a statement by Chinese officials on Nov. 7 that Washington and Beijing have agreed to roll tariffs back on one another's goods incrementally as the two sides continue to negotiate a trade deal. The apparent progress toward ending the trade war comes as some developers of liquefaction terminals along the U.S. Gulf, Atlantic, and West coasts continue to struggle to secure sufficient offtake deals to advance their projects.

Only two final investment decisions on new terminals have been reached among more than a dozen proposed U.S. LNG export projects during a year that was expected to be critical because of the time needed for construction and efforts to meet global demand in the early to middle part of the next decade. And while the U.S.-China trade tensions are not the sole reason for the relative dearth of FIDs, a resolution would go a long way in bolstering those projects that remain on the bubble.

"The banks are still insistent on long-term contracts, long-term agreements, with creditworthy investment-grade counterparties in order to get financing, so China represents a big pool," said Fred Hutchison, CEO of industry trade association LNG Allies. Within a decade China is expected to become the world's No. 1 LNG importer. Even before then, the U.S. could become the world's No. 1 exporter of LNG. That's why it was natural for U.S project developers to court Chinese end-users for offtake deals.

Russian LNG carrier on its way to load up at Louisiana terminal

(Reuters; Nov. 8) - A liquefied natural gas carrier once hailed by President Vladimir Putin as a bulwark of Russian energy security is heading for an LNG export terminal in Louisiana, ship tracking data from Refinitiv's Eikon showed on Nov. 8. Loading a U.S. LNG cargo aboard a Russian tanker would be potentially awkward for Putin and Kremlin-controlled gas company Gazprom, which leased out the vessel to Austrian company OMV in August.

Gazprom declined to comment on the vessel's movements. OMV did not immediately respond to a request for comment. It was unclear where the Russian tanker would go after collecting the LNG cargo. U.S. seaborne LNG is seen as a threat to Gazprom's dominant position in the gas market in Europe, where it accounts for more than 35 percent of supplies and comes at a time when its deliveries of pipeline gas to the region are expected to fall this year from a record-high of more than 7 trillion cubic feet in 2018.

According to the Refinitiv Eikon data, the Marshal Vasilevskiy floating storage and regasification unit, which can also serve as a conventional LNG carrier, departed the port of Rotterdam on Nov. 4. It is due to arrive at the Sabine Pass LNG terminal in Louisiana on Nov. 26 and loading is scheduled for Nov. 29, the data showed.

Panama Canal expands capacity to 4 LNG carriers a day

(Nikkei Asian Review; Nov. 8) - U.S. gas producers are gearing up to boost exports to Asia, taking advantage of new transit slots at the Panama Canal to deliver the fuel cheaply and quickly to the other side of the globe. U.S. exports of liquefied natural gas increased 60 percent to about 22 million tonnes for the first eight months of the year, much of it going to Asia. Shipments to Japan jumped 60 percent as the country seeks to diversify its supply. Exports to Singapore, Thailand, and South Korea also increased, helping make up for a 90 percent fall in U.S. cargoes to China caused by the trade war.

The Panama Canal Authority will soon double the number of daily slots for LNG carriers to four a day to accommodate the increased demand, top administrator Ricaurte Vasquez told the Nikkei Asian Review in Tokyo. Most U.S. LNG export terminals are on the Gulf of Mexico, with the Panama Canal the shortest and cheapest route for shipments to Asia — even with tolls. It takes roughly 32 days to reach Japan through the canal compared to weeks longer around South America.

A total of 399 LNG carriers passed through the canal in the year that ended in September, compared to just 163 two years before, according to the canal authority. Demand for LNG for electric power generation is growing in emerging economies since it does not emit as much greenhouse gases as other fossil fuels and can be sourced from a wider range of countries than crude oil.

Investors feeling pressure to step away from fossil fuels

(S&P Global Platts; Nov. 7) - The financial services sector is increasingly concerned about investing in natural gas projects given the growing pressure against fossil fuel developments, delegates heard at a major European gas conference in Paris on Nov. 7. The gas industry has traditionally been a popular target for investment and funding, given the relatively high returns from upstream projects, but the ongoing energy transition toward a lower-carbon energy sector is seeing a rapid shift in mood.

"There is a growing presumption against giving any of our clients' money to you," Nick Stansbury, from Legal and General Investment Management, said at the conference, which was hit by climate change protests on Nov. 6 that forced suspension of the event. The stark warning to the gas industry came despite much of the conference discussion focused on how to decarbonize the gas sector, and the energy transition, or revolution, as Stansbury put it. "The flow of capital is imperiled by this revolution," he said.

Financiers are now heavily focused on risk and how investments in gas projects would be perceived. Cristian Carraretto, of the European Bank for Reconstruction and Development, said the bank's policy on fossil fuel investment was changing quickly. It has already made it policy not to invest in any coal projects "under any conditions," and has moved not to support upstream oil projects except under particular conditions. He said the bank still sees gas as having a role in the energy transition, but the trend was still a move away from fossil fuels. "Things are getting more and more difficult," he said.

Total will quit petrochemical lobby group over climate change issues

(Bloomberg; Nov. 8) - French oil giant Total said it will not renew its membership in a key industry lobby group because the organization's stance on climate issues doesn't align with its own. The company's decision to leave the American Fuel & Petrochemical Manufacturers Association follows a similar move by Shell earlier this year. Such lobby groups have long been a target of environmental activists, but now oil majors are increasingly feeling the heat from investors demanding that their business models align with the Paris climate accord.

Total reviewed its membership of 30 industry associations and detailed its subsequent decision to leave the AFPM in its "Integrating Climate Into Our Strategy" report, released Nov. 8. It also singled out three other North American lobby groups with which it's only "partially aligned" on climate issues and said it would "advocate internally for changes" in their positions. Shell said in April that its position on climate change was misaligned with about half of the trade associations it's a part of, and the disagreement with the petrochemical association was so severe that the company was withdrawing.

Federal agency orders Keystone oil line shut down after spill

(The Associated Press; Nov. 6) – U.S. regulators have ordered the Keystone pipeline to remain shut down until its Canadian owner takes corrective action aimed at determining the cause of a breach that leaked an estimated 380,000 gallons of oil in northeastern North Dakota. The Pipeline and Hazardous Materials Safety Administration issued the order Nov. 5 to Calgary-based TC Energy (formerly known as TransCanada).

The action came one week after the pipeline leak was discovered and affected about 22,500 square feet of land near Edinburg in Walsh County. The pipeline has been shut down since Oct. 29. The line carries crude oil across Saskatchewan and Manitoba, through North Dakota, South Dakota, Nebraska, Kansas, and Missouri on the way to refineries in Patoka, Illinois, and Cushing, Oklahoma.

The federal order requires the company to send the affected portion of the 30-inch steel pipeline to an independent laboratory for testing. The company also must develop a plan to restart the line and for remediation. TC Energy said in a statement it expects to have the damaged portion of the pipeline excavated by the end of the week.

North Dakota oil spill reinforces tribal opposition to pipelines

(Williston Herald; ND; Nov. 6) - Tribal leaders in the Dakotas are strengthening their resolve to oppose expansion of the Dakota Access oil pipeline and construction of the Keystone XL line, after hundreds of thousands of gallons of oil spilled from a pipeline in northeastern North Dakota last week. The existing Keystone line spilled 380,000 gallons of oil in Walsh County, the state Department of Environmental Quality said. There was no indication that drinking water was affected, said the state's division of water quality.

The incident reinforces worries about a spill from the contested Dakota Access Pipeline and the yet-to-be-built Keystone XL pipeline that would expand the reach of the existing Keystone system. "This is what pipelines do," said Chase Iron Eyes, lead counsel for the Lakota People's Law Project. "They spill." The Standing Rock Sioux Tribe protested the Dakota Access Pipeline for nearly a year before President Donald Trump reversed his predecessor's order and allowed the pipeline's construction to continue.

The tribe is still battling the Dakota Access line in court and fighting Energy Transfer's plan to double its capacity from 570,000 barrels per day to 1.1 million. In South Dakota tribes are protesting plans for the Keystone XL line, which would move more Alberta oil sands output into the midcontinent toward Gulf Coast refineries. "This latest Keystone leak demonstrates why we stood against Dakota Access in the first place, why we're doing so again now, and why we're prepared to fight Keystone XL every step of the way," Iron Eyes said in a Nov. 5 news release from the Lakota People's Law Project.

High fees deter bidders from auction for Brazil's offshore oil

(Wall Street Journal; Nov. 6) - Brazil threw an oil party on Nov. 6. Few bothered to turn up. The country held an auction for some of its richest offshore oil areas, expecting the world's leading firms to bid on what was touted as one of the biggest auctions in industry history. Instead, only two Chinese oil firms and Brazil's own state-controlled firm, Petroleo Brasileiro (Petrobras), placed bids. Two of the four blocks weren't sold, as ExxonMobil, Shell, BP, Total, and others steered clear.

"Total disaster is the best way to describe this morning's round," said Ruaraidh Montgomery, research director at Welligence Energy Analytics in Houston. "Not one major participating is a glaring failure." Brazil's government was asking for $26.2 billion in upfront fees, with the companies expected to jack up the country's production and turn Brazil, now the ninth-largest producer, into the world's fifth-biggest.

The large signing fees may have curbed interest in the auction, analysts said. Winning bidders would also have to compensate Petrobras for investments the company has already made in the fields. "The [signing] bonus was already high," said a lawyer representing a company at the auction. "When you add in what Petrobras was asking, most companies realized it was too expensive and decided not to take the risk." At a time of a worldwide oil glut, analysts said the terms were not palatable to investors. "It was too expensive," said Oswald Clint, an analyst at Bernstein Research in London.

Chinese rig pulled out as ice closes down drilling in Russian Arctic

(The Barents Observer; Norway; Nov. 6) - Ice is again covering Russian Arctic waters, and in few weeks the region will be inaccessible without a powerful icebreaker. The three drill rigs that worked in the area through most of summer and fall are now either out of the region or shut down for winter. The Chinese rig, Nan Hai Ba Hao, in mid-October completed its drilling at the Leningradskoye field in the Kara Sea and is being hauled out of the region by a heavy-lift ship, data from MarineTraffic show.

It's the third year in a row that the Chinese rig has drilled in Russia's Arctic waters. In 2017, it drilled at the Leningradskoye field and in 2018 at the Rusanovskoye field. The operations resulted in discoveries totaling more than 42 trillion cubic feet of natural gas. Along with the Chinese, Russian companies drilled with the rig Arcticheskaya at the nearby Skuratovskoye field. The Arcticheskaya is now back in its home port of Murmansk. The Leningradskoye and Skuratovskoye fields are owned by Gazprom.

Exploratory drilling also occurred this summer in the Gulf of Ob, where the rig Amazon operated in the Geofysicheskoye field. The rig, owned by Gazprom Flot, has been in the remote and shallow bay for the past few years. The Gulf of Orb is where Russian gas producer Novatek has built the Yamal LNG plant and is planning to construct a second gas liquefaction and export terminal, Arctic LNG-2.

Gas production expansion will boost Qatar’s condensate output

(Reuters; Nov. 5) - Qatar’s condensate production capacity is set to rise to 800,000 to 900,000 barrels per day after 2024, from more than 700,000 barrels presently as it expands its liquefied natural gas production, Fereidun Fesharaki, chairman of consultancy FGE said Nov. 5. Qatar is boosting its LNG capacity by more than 40 percent, from 77 million tonnes per year currently to 110 million tonnes per year, restoring it by 2024 to the top position among global LNG exporters.

Producing the gas and separating out the liquids could increase Qatar’s condensate exports to 500,000 barrels per day, up from 350,000 to 400,000 barrels per day currently, Fesharaki said at the Condensate and Naphtha Forum in Da Nang, Vietnam. An additional 100,000 barrels a day of condensate export would generate more than $2 billion a year of gross revenue, at current oil prices.

Argentina loads first commercial LNG cargo

(Reuters; Nov. 8) - Argentine oil company YPF has loaded its first commercial liquefied natural gas cargo for export from a new floating facility, trade sources said on Nov. 8. Argentina’s export joins a wave of new supply flooding the spot market which has depressed Asian spot LNG prices to their lowest in a decade for this time of the year. YPF exported its first test LNG shipment in June, but this was its first commercial cargo.

The cargo loaded from the facility on Oct. 26 aboard the LNG carrier Excalibur and is now moored off Bahia Blanca with its destination listed as the Atlantic Basin, shiptracking data from Refinitiv showed. Bahia Blanca is a small port city not far from the Argentine capital Buenos Aires. Details of the buyer were not immediately available.

Argentina’s small-capacity floating liquefaction unit is the FLNG Tango, owned by Belgian shipping company Exmar. “It takes around 40 days to produce and load a full cargo,” one of the traders said. LNG exports are a milestone for the country, which is looking to exploit its huge Vaca Muerta shale play. Argentina is typically an importer of LNG and also buys pipeline gas from neighboring countries. Its domestic gas production is increasing, however, and YPF wants to get into the LNG export trade.

Argentina again delays bidding on pipeline to boost shale gas

(S&P Global Platts; Nov. 6) - Argentina's Energy Secretariat has extended the deadline for bidding on a $800 million project to build a pipeline for moving natural gas out of the Vaca Muerta formation, a key for boosting output for domestic consumption and also for exports from the country's biggest shale play. The deadline has been extended to

March 31, 2020, from Nov. 4, the secretariat said. It is the second delay since the project was announced earlier this year.

The two-stage project calls for investing a total of $2 billion to build a 600-mile pipeline for transporting gas from Vaca Muerta, in the southwestern Neuquen Basin, to near Buenos Aires, where more than a third of the country's 44 million people live and much of the power and industrial capacity is installed. The first stage, at $800 million, is to build pipeline capacity to move more than 500 million cubic of gas per day, helping to reduce liquefied gas imports and also imports of diesel and fuel oil for power generation.

The delay is for two reasons, said Carlos Casares, the deputy secretary of hydrocarbons and fuels. The first is that construction of an additional section of pipeline was added to the project, requiring bidders to do more work. And the country's financial crisis, now in its second year, has made it harder for contractors to raise financing. On top of this, a new, left-leaning government will take power in Argentina on Dec. 10, raising concerns about potential changes in energy policy and borrowing costs.

Bangladesh imported 60 LNG cargoes in its first year

(The Business Standard; Bangladesh; Nov. 6) - Bangladesh received about one percent of total global liquefied natural gas production in the first 12 months after entering the LNG market as the 39th importing country in 2018. In its first year the country received 60 cargoes totaling 3.6 million tonnes, imported from eight countries. Bangladesh is expected to triple its LNG imports to 10 million tonnes over the next three to four years. The government has shortlisted 17 companies for its next round of bidding to buy about 1 million tonnes next year to capitalize on low prices in the oversupplied global market.

Singapore will offer incentives for ships to use LNG

(Reuters; Nov. 7) - Singapore is pushing the shipping industry to use cleaner fuels such as liquefied natural gas in a bid to reduce the city-state's carbon emissions, the Maritime and Port Authority's (MPA) chief said on Nov. 8. The country is introducing incentives for ships to install engines that use alternative fuels with lower carbon content such as LNG, and to use LNG during port stays, MPA Chief Executive Officer Quah Ley Hoon said in a speech at an industry event.

"LNG is a cleaner and greener fuel and it is the only viable solution available at scale to the shipping industry (to reduce carbon emissions), so we will give it a bigger push," she said. Apart from some cruise liners, not many ships currently use LNG. Incentives will include concessions on fees such as port dues, initial registration fees and tax, an MPA spokesman said. Singapore is the world's largest marine refueling hub.

The International Maritime Organization (IMO) has a long-term goal to cut greenhouse gas emissions by 50 percent from 2008 levels by 2050. New IMO rules that take effect next year only limit sulfur content in marine fuels. Using LNG to power ships instead of fuel oil or marine gasoil can reduce emissions of nitrogen oxide and sulfur oxide pollutants by 90 to 95 percent.