Oil and Gas News Briefs
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LNG producers push to boost capacity despite low prices

(Bloomberg; Oct. 8) - Shrugging off a global supply glut that's left liquefied natural gas prices struggling to recover from a three-year low, the world's biggest producer of the fuel said it's on track to expand production. Qatar, which has seen its share of the global LNG market slide to less than a quarter from a third over the past five years, is pushing hard to retain its standing as nations from the U.S. to Russia and Mozambique start their own projects. The Persian Gulf nation has invited majors including ExxonMobil and Shell to bid for participation in an LNG expansion fed by the world's biggest gas field.

"We are on track," Qatar's Energy Minister Saad al-Kaabi said Oct. 8. "By the first quarter, we will have secured all the (construction) contracts to start production in 2024." The remarks echoed those of other LNG producers speaking at the Oil & Money conference in London. Undisturbed by sinking prices, limited storage options or the presence of environmental protesters calling for an end to fossil fuels, several producers are working to expand the quickest-growing segment of the oil and gas industry.

They see gas as the greenest fossil fuel, a cleaner-burning substitute for coal that utilities and industry need to generate electricity and create heat for industrial processes such as steel and cement making. LNG producers led by Qatar are pushing ahead, shrugging off both the activists and deteriorating economics of selling the gas. That optimism is up against conditions in the LNG market, where prices have slumped. Although spot prices in Asia, the biggest market, have recovered about 35 percent from their low in July, they are still near the lowest on record for the time of year.

Exxon awards contract to develop LNG project in Mozambique

(Bloomberg; Oct. 8) - ExxonMobil has awarded a JGC Corp.-led group a contract to develop its Mozambique liquefied natural gas project, which would be the biggest ever private investment in Africa. JGC, of Japan, will be joined by Texas-based Fluor and U.K.-based TechnipFMC to develop the Rovuma LNG project, Peter Clarke, Exxon senior vice president for LNG, said in a speech Oct. 8 in the Mozambican capital, Maputo. Exxon's partners include Italy's Eni, Portugal's Galp, Korea Gas and state-owned China National Petroleum Corp. The project is estimated at $30 billion.

Clarke said the partners will move forward with midstream and upstream activities at an initial investment of $500 million, according to Reuters. A final investment decision on the Rovuma project is expected next year, with start-up probably in 2025, Clarke said. The offshore field holds an estimated 85 trillion cubic feet of gas. The planned output is 15.2 million tonnes of LNG per year. A nearby project that Total is leading will have a capacity of 12.88 million tonnes. That project, which Total took over after it purchased Anadarko's African assets, is estimated at more than $20 billion with a 2024 start-up.

Exxon's announcement comes before the southeastern African nation holds a vote next week in which President Filipe Nyusi is seeking reelection. Nyusi, whose campaign will be boosted by progress on gas investments, has struggled to quell an insurgency that's rocked the country's gas-rich region over the past two years, threatening the LNG projects. The country of 30 million people is one of the world's poorest nations.

Landed price of LNG matters more than construction cost

(S&P Global Platts; Oct. 8) - Cutting the operating cost of an LNG export facility is increasingly a key parameter for driving competitiveness in an ever more globalized sector, top LNG industry officials said Oct. 8. Speaking at the Oil & Money conference in London, officials agreed that while the capital cost of building a project had come down, reducing operational costs were key to delivering a more economical landed LNG price.

"Operating cost is often overlooked," said De La Rey Venter, Shell's executive vice president for integrated gas ventures. It is assumed that operating costs are similar at LNG projects across the world, he said. "That is not the case. And ultimately what matters … is the landed cost when the LNG gets into the arms of the customer," Venter said. "Opex plus improving shipping costs, plus improving regasification costs, plus reducing in time — and I hope soon — costs for greenhouse gas up the chain as well, all of that will have to play powerfully as we continue to drive LNG down the cost curve."

And while developers have succeeded in bringing down capital costs on new LNG projects to between $500 million to $750 million per tonne of LNG capacity, projects are having to be more flexible around financing. Andrew Seck, Total's vice president for LNG marketing and shipping, said he sees a greater need for flexibility in financing projects. Innovative models are also emerging on the consumer side, he said, with new purchase agreements between buyers. "We're on a journey. … We've come a long way from pure oil-linked contracts," he said. "We are moving in the right direction."

Angola wants to sell more gas and flare less

(Reuters; Oct. 9) - Angola wants to cash in on the roughly 3 billion cubic feet per day of associated natural gas it produces, most of which is now flared, the petroleum minister said Oct. 9. The announcement of efforts to generate more revenues by reducing flaring comes as Africa's second-largest crude producer faces a drop in output from its mature oil fields. "Over the years, Angola has somewhat neglected to capitalize on the natural resources that it has to offer," Mineral Resources and Petroleum Minister Diamantino Azevedo said in a brochure released at an African energy conference in Cape Town.

He said Angola produced about 3 billion cubic feet per day of associated gas, or gas found in association with oil in a reservoir. "Much of this gas was burned or flared and an opportunity for financial recovery was missed, not to mention the damage that was done to the environment," Azevedo said. The U.S. Energy Information Administration in June said Angola was flaring about 60 percent of its produced gas.

Angola is developing a $12 billion offshore project to produce 5.2 million tonnes of liquefied natural gas a year for export, in a partnership of state-owned Sonangol, Chevron, BP, Eni, and Total. As for crude production, the oil ministry said last year output could fall to 1 million barrels per day by 2023 from 1.9 million in 2008 unless there was more investment. "The decline in production is the result of the natural process of field maturation and a lack of investment," Azevedo said.

'Lowest-cost producer' Qatar says LNG expansion will be online 2024

(S&P Global Platts; Oct. 8) - The head of Qatar Petroleum, Saad al-Kaabi, said his country's four new LNG mega-trains would come online at three- to six-month intervals after the first one starts up in 2024. Al-Kaabi, who is also Qatar's energy minister, told the Oil & Money conference Oct. 8 in London the producer was not concerned about the state of the global gas market, preferring to focus instead on being the "lowest-cost producer." He added, "We don't compete with anyone." The only price risk, al-Kaabi said, was the oil price given that much of Qatar's LNG is sold at oil-indexed prices.

Qatar Petroleum plans to raise the country's annual LNG production capacity to 110 million tonnes from 77 million with the construction of four new mega-trains of eight million tonnes each. The exact timeline of the expansion, which also involves new developments at the giant offshore North Field, depends on the award of construction contracts, al-Kaabi said. "We will start in 2024," he said with the trains coming online in a "staggered" schedule of every three to six months after that. Three "very capable" consortiums are in the running for the main construction contract, al-Kaabi said.

The expansion project could also involve international oil companies taking equity stakes, though al-Kaabi reiterated that Qatar was also happy to go it alone. "We have selected a few good partners that have worked with us, and we are going to look at the offers." Al-Kaabi said much depends on the value the partners could bring, including offering Qatar the potential to take an interest in assets elsewhere in the world.

Qatar adds CO^2 storage to use gas for enhanced oil recovery

(Al Jazeera; Qatar; Oct. 8) - Qatar has commissioned a carbon capture-and-storage plant and aims to sequester 5 million tonnes of carbon dioxide from its liquefied natural gas production facilities by 2025, Energy Minister Saad al-Kaabi told a conference in London on Oct. 8. "We have successfully commissioned a facility in Qatar. ... It's the largest carbon recovery and sequestration facility in the region," al-Kaabi said. The facility can sequester 2.1 million tonnes per year toward its capacity of 5 million tonnes.

Qatar has for years been the world's largest LNG producer and exporter and plans to expand its LNG production by 40 percent in the 2020s. Al-Kaabi, also the CEO of Qatar Petroleum, said QP is looking at storing and then using the carbon dioxide for enhanced oil recovery, which it has been piloting in its oil fields. Pumping CO2 underground can enhance oil recovery by pressurizing the reservoir.

Total CEO says industry must invest in gas, electricity, renewables

(S&P Global Platts; Oct. 8) - Integrated energy companies such as Total need not become "dinosaurs" in the transition from fossil fuels and will adapt to slowing oil demand by investing in natural gas, electricity, and renewables alongside low-cost oil, CEO Patrick Pouyanne said Oct. 8. The specter of climate change loomed large as Pouyanne spoke at the Oil & Money conference in London on the pitfalls of dismissing the oil and gas industry at the same time as protesters gathered outside the event.

"The pressure on oil and gas companies is increasingly growing — and growing at a pace I would not have anticipated one year ago, [but] we can have a clear view of the challenges and of the solutions," he said. "If we don't want to become dinosaurs, we'll have to adapt. I think we have every chance … to be winners of this energy transition." Total plans to double its liquefied natural gas production by 2025 and to supply a quarter of global LNG output, making the French company the world's No. 2 producer.

In electricity, Pouyanne highlighted the company's plans to double the number of its electricity customers to 8 million by 2025. Total will have 10 gigawatts of power capacity in Europe, including 3 gigawatts from natural gas and 7 gigawatts from renewables, and outside Europe will install 25 gigawatts of renewable power capacity, the CEO said, insisting: "We can make profits from electricity."

Yamal LNG cargo headed from Russia to Puerto Rico

(Bloomberg; Oct. 8) - Puerto Rico is turning to Siberia for natural gas to keep the lights on. Catalunya Spirit, a liquefied natural gas tanker transiting the English Channel, is slated to dock in southern Puerto Rico on Oct. 30, according to vessel tracking data compiled by Bloomberg. The vessel is hauling gas that originated from Novatek's Yamal LNG terminal in the Russian Arctic via a ship transfer that took place in Belgium's Zeebrugge terminal this past weekend, the data showed.

Puerto Rico relies on imported gas and other fuels for most of its power generation, according to U.S. federal data. That a cargo from the Arctic would make its way to the Caribbean underscores how quickly the global LNG trade is expanding and the once-premium energy source is becoming more accessible to smaller buyers.

Puerto Rico is about 1,100 miles from Kinder Morgan's Elba Island gas liquefaction and LNG shipping facility in Georgia, the nearest major U.S. terminal that's capable of exporting the fuel, and a good deal closer than Russia. However, the 100-year-old Jones Act prevents Puerto Rico from importing LNG from U.S. terminals aboard a foreign vessel, and there are no such U.S.-flagged tankers. Boston harbor was the destination of the last two Yamal cargoes that reached U.S. territory.

Industry sees strong future in small-scale LNG deliveries

(Bloomberg; Oct. 8) - Giant oceangoing tankers built the liquefied natural gas industry into a $150-billion-a-year business. The next expansion may come from ships a seventh of the normal size. Fifty-five years after the first commercial LNG tanker sailed from Algeria, this segment of the gas industry is pushing into ever more niche markets, upending the economics of energy supply in the process. Its next leap forward will be serving customers whose ports or budgets are too small to handle large LNG tankers.

Known as small-scale LNG, the idea is to make the fuel more accessible to factories, trucks, ships and households. The International Gas Union (IGU) classifies a small-scale LNG tanker as one with capacity under 30,000 cubic meters, about one-seventh of the biggest carriers from Qatar. Smaller tankers can help LNG reach a growing number of buyers that only need a fraction of the cargo that a regular tanker can carry.

Small-scale LNG production is about 25 million tonnes per year, a small part of the global industry that handled more than 300 million tonnes last year. But the small-scale end of the business may grow 6 percent a year, according to the IGU. U.S.-based New Fortress Energy plans to sell LNG across the Caribbean, Central America, and West Africa and is already shipping the fuel to Jamaica. "Small scale is going to be a huge, huge part of the LNG industry going forward," Hoegh LNG CEO Sveinung Stohle said at the Oil & Money conference in London on Oct. 8. "We are extremely bullish on this."

Opposition continues to LNG shipping terminal in New Jersey

(NJSpotlight; Oct. 8) - Environmentalists on Oct. 7 renewed their attack on plans to build New Jersey's first liquefied natural gas export terminal on the site of a former DuPont explosives factory at Gibbstown. About 30 people attended a public meeting to call on regulators to halt plans by Delaware River Partners to add a dock at the facility where at least 360 trucks a day would deliver the fuel for loading aboard oceangoing tankers. The LNG would be stored at the waterfront site until pumped aboard the ships.

The company wants to build the LNG terminal as an addition to an earlier plan to ship goods including automobiles, refrigerated cargo and natural gas liquids such as propane and butane. The original proposal was opposed by environmental groups including the Delaware Riverkeeper Network and Environment New Jersey, in part because it would involve shipment of production from fracking for oil and gas.

The LNG component — which was exposed by Delaware Riverkeeper through a public records request in June — creates a "completely new ball game" requiring increased regulatory scrutiny, detailed health and safety analysis and much more public review, the Delaware Riverkeeper Network said. The trucks would arrive at the port from a planned liquefaction plant in Bradford County, Pa., one of the "sweet spots" of the state's gas-rich Marcellus Shale. The truck trip would be approximately 175 miles. The same parent company would own the liquefaction plant and LNG shipping terminal.

China pulls out of Iranian gas field development

(The Associated Press; Oct. 7) - China's state oil company has pulled out of a $5 billion deal to develop a portion of Iran's massive offshore natural gas field, the Islamic Republic's oil minister said Oct. 6. France's Total earlier withdrew from the same project over U.S. sanctions. The deal for the South Pars field, struck after Iran's 2015 nuclear deal with world powers, appears to be the latest business casualty of pressure on Iran following President Donald Trump's withdrawal of the U.S. from the nuclear deal.

Iranian Oil Minister Bijan Zangeneh, quoted by the ministry's news agency, said China National Petroleum Corp. was "no longer in the project." He did not elaborate or give a reason for the withdrawal. Officials in Beijing did not immediately acknowledge their decision. Zangeneh said Iran would develop the field without any partners.

Iranian Foreign Minister Mohammad Javad Zarif separately complained Oct. 6 about the U.S. campaign against Tehran and its impact on foreign investments. "We have been facing plenty of problems in the field of investment because of the U.S. maximum-pressure policy," Zarif told a parliamentary committee. Iran holds the world's second-largest known reserves of gas and the world's fourth-largest oil reserves. Much of its gas comes from its massive South Pars field, which it shares with Qatar. The initial plan for development of South Pars called for up to 2 billion cubic feet of production a day.

LNG cargoes in search of markets as Europe's storage tanks are full

(Bloomberg; Oct. 7) - With Europe's natural gas consumption damped by mild weather, some liquefied natural gas carriers are turning away in search of new markets because there's not enough room to park the fuel while traders await higher prices. Multiple LNG cargoes that were due to arrive in the region have been canceled due to a lack of space in storage terminals, according to traders familiar with the situation. That means some gas sellers won't be able to benefit from the usual pre-winter seasonal price increase and instead must seek other customers, which may be a boon for buyers in Asia.

At least seven LNG carriers that loaded over the past two months, mainly in the U.S., have diverted from Europe, according to cargo-tracking company Kpler. Temperatures so far this month have been milder than normal reducing heating demand. "It makes sense to divert" given the premium LNG can earn in Asia over Europe, said Jean-Christian Heintz, head of LNG brokering at SCB Brokers in Nyon, Switzerland.

"Probably there is a bit of speculating on a potential spike in December in Japan. By the time the spike arrives, if you have your ship in front of a European terminal, it is going to be too late," Heintz said. Near Rotterdam, home to one the region's LNG import terminals, an LNG carrier appears to be idling and used as floating storage, ship-tracking data on Bloomberg show. GasLog Sydney, carrying a Yamal LNG cargo, hasn't indicated a destination, joining three other vessels full of LNG floating in the area.

Novatek says U.S. sanctions on China will not hurt its LNG deliveries

(Bloomberg; Oct. 7) - Russia's biggest liquefied natural gas producer expects it will be able to manage should U.S. sanctions on China prevent it from using a third of its fleet. Novatek will still make full use of its Yamal LNG plant in Siberia even if five of its ice-breaking carriers are hit by U.S. sanctions on a unit of China's COSCO, the Russian company's chief financial officer said. It will do so by transferring LNG onto conventional carriers in less icy waters so that the specially built fleet can quickly return to load.

Last month, the U.S. imposed sanctions on the same COSCO shipping unit, saying it traded oil with Iran using its own vessels. Yamal LNG, which started production two years ago, is shipping some fuel directly to Asia using the Northern Sea route. As the ice there becomes too thick even for the specialized tankers, Yamal may resume ship-to-ship transfers in Norway, as it did last year, or maybe at Murmansk, near Norway. "We will look at both options," said Mark Gyetvay, Novatek's chief financial officer.

The other two-thirds of Yamal's ice-class fleet are not Chinese-owned, giving Novatek and its partners flexibility in ships that can carry cargoes without fear of U.S. sanctions. "We just hope the partners dealing with this issue between the U.S. and China get this resolved in an amicable manner and … as quickly as possible," Gyetvay said.

Rising tanker charter costs could reduce U.S. oil exports

(Wall Street Journal; Oct. 4) - Gains in oil prices that followed crippling attacks on Saudi Arabian production facilities last month proved short-lived, yet the expense of shipping crude across the ocean has continued to soar. The cost of chartering a very large crude carrier, or VLCC, to move oil from the U.S. Gulf Coast to Asia has surged to $10 million, or $5 a barrel — about twice the price before the attacks in Saudi Arabia, analysts said.

The increase has raised the price of U.S. oil sold overseas at a time when countries in Asia are racing to replace lost deliveries from Saudi Arabia and bolster their stockpiles to buffer against further Mideast supply disruptions. Heightened demand for tankers to make the voyage from the U.S. Gulf Coast, from which most barrels leave the country, is meeting a shortage of available ships. The U.S. last month blacklisted several Chinese shippers for allegedly carrying Iranian crude in violation of U.S. sanctions.

Meanwhile, many tankers are in harbor to be retrofitted to comply with new international emissions standards that go into effect in the new year. The high transport costs threaten to send overseas buyers looking elsewhere and reduce U.S. crude exports, which reached new highs over the summer amid turmoil in the Mideast. Lower export volumes would likely reduce domestic oil prices, which would be a boost to U.S. motorists and refiners but could hurt domestic drillers struggling with low oil prices.

Russia has spare oil capacity to take on role as swing producer

(Reuters; Oct. 7) - When Saudi Arabian oil installations sustained major attacks last month, Russia's energy minister, Alexander Novak, was ready to ramp up production to fill the supply gap. "If there had been a need, we would have been ready for coordinated action," Novak told Reuters in Moscow. "We had a call with the Saudi minister. ... He said they were managing. And I felt there was no need for any extraordinary measures."

In his seven years in the job, Novak has managed to persuade Russian oil companies to build significant spare capacity, bringing his country into the ranks of swing producers — able to adjust output in the short term to meet fluctuations in market demand. Previously, only Saudi Arabia — and to an extent its neighbors Kuwait and the United Arab Emirates — had such an ability to cushion against supply volatility. When Saudi's energy minister called Novak two days after the attacks, he knew Russia could increase production fairly quickly if Saudi production problems were to last longer than expected.

"We have said we have some 300,000 barrels a day of spare capacity but today our potential is even higher because companies kept investing," Novak said, confirming that Russian spare capacity was around 500,000 barrels. In addition to its oil, Russia can help with politics. OPEC Secretary-General Mohammad Barkindo said Oct. 7 that he is counting on Russia to help soothe tensions between Saudi Arabia and Iran, whose relations have hit new lows after the Sept. 14 attacks.