Oil and Gas News Briefs
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Rosneft and partners decide to build LNG plant in Russian Far East

(Reuters; Sept. 5) - Shareholders in the Sakhalin-1 oil and gas project in Russia's Far East have decided to build their own liquefied natural gas plant in the port of De Kastri, Rosneft's CEO said. Rosneft, ExxonMobil, Japan's SODECO, and India's ONGC Videsh are partners in Sakhalin-1 and had been considering whether to build their own LNG plant or sell their gas to Gazprom, which operates the Sakhalin-2 LNG terminal nearby.

Gazprom, Russia's top gas producer, leads Sakhalin-2 and is planning to expand its production capacity from the current 9.6 million tonnes of LNG per year. Gazprom was in talks with Sakhalin-1 shareholders about buying gas from that project for Sakhalin-2 expansion, but the parties failed to agree on the selling price. Sources told Reuters last year that Sakhalin-1 planned to build its own LNG plant at the De Kastri port in Russia's Khabarovsk region, where Rosneft already has an export terminal for Sakhalin-1 oil.

"This year (Sakhalin-1) shareholders made a decision to build our own LNG plant … with a capacity of 6.2 million tonnes (per year)," Rosneft CEO Igor Sechin said in a statement Sept. 5. Sechin did not provide timing or costs of the project, which will be the company's first LNG export terminal. Sakhalin-1 is led by Exxon at a 30 percent stake, while Rosneft owns 20 percent with the rest split between SODECO (30 percent) and ONGC Videsh (20 percent). Sakhalin-1 has been producing oil since 2010, reinjecting the gas into the reservoir. It produced about 200,000 barrels of oil per day in 2017.

Novatek will build Arctic LNG-2 carriers in new Russian shipyard

(The Barents Observer; Norway; Sept. 5) – Russian gas producer Novatek and marine shipping company Sovcomflot signed a deal formally establishing a new LNG transport joint venture with 17 ice-class carriers at this week's Eastern Economic Forum in Vladivostok. The vessels will meet Arc7 ice standards and be built at Rosneft's new Zvezda yard with delivery 2023-2026. The oil and gas producer developed the shipyard with help from South Korean yards.

The 17 vessels will serve the Arctic LNG-2, project, which Novatek and its partners this week sanctioned to begin construction, with first gas expected in 2023. The new shipping joint venture will lead the technical development of the fleet, serve as its purchaser and keep control of the construction process. It will be the formal ship owner, operator, and provide financing, representatives of Sovcomflot said.

According to Sovcomflot, the vessels will have a new hull shape to improve their operational capacities in the shallow waters of Ob Bay and the thick ice of the Russian East Arctic. Rosneft said Korea's Hyundai Heavy Industries will be a key technological partner and will provide the Russian shipbuilders with specifications and project documentation needed for development of the fleet. Hyundai Heavy Industries built all 15 tankers serving the Yamal LNG project, also in the Russian Arctic.

Qatar down to undisclosed shortlist for LNG expansion partners

(Reuters; Sept. 9) - Qatar has shortlisted international oil and gas firms for a stake in its expanded North Field megaproject, Qatar Petroleum's CEO told Reuters, but may still choose to go it alone unless majors offer it significant value. The expansion of Qatar's liquefied natural gas facilities, already the world's largest, is one of the energy sector's most lucrative projects, and top oil and gas majors have been racing to secure a stake.

Invitations to bid were sent out last month and the result is due to be announced in the first quarter of 2020, said Saad al-Kaabi, who is also minister of state for energy — if Qatar decides to take partners at all. "We like the partnership model for many benefits. But because we don't need the partners, what's going out is basically a set of criteria that we have, to demonstrate to us what added value we get for Qatar if you come in."

QP wants to lift its LNG capacity to around 110 million tonnes per year from today's 77 million tonnes by 2024. The remaining contracts for the field expansion and LNG plant construction work will be awarded by the end of 2019, Kaabi said, and QP is now looking to its shortlist of majors to bid for a stake in the completed project. He did not say how large a slice of the asset would be offered and declined to comment on which companies had been shortlisted. Total, Exxon Mobil, Shell, and Italy's Eni have all offered QP stakes in prize assets abroad in a bid to secure a stake in the project.

Japanese producer lining up buyers for Indonesia LNG project

(Reuters; Sept. 5) - Japanese oil and gas producer Inpex is lining up gas buyers for its $20 billion Masela LNG plant in Indonesia as it prepares its front-end engineering and design, an executive told reporters. "Currently, when we're making a list of buyers, of course we also ask them how much they need, their purchasing power, etc.," said Nico Muhyiddin, vice president of corporate services of Inpex Masela.

The company expects to secure domestic and overseas buyers before 2022 when it makes a final investment decision, he said, adding that potential buyers are not limited to just Japanese firms. The LNG price will be linked to oil prices, he said. The project is proposed for 9.5 million tonnes annual production, with start-up expected by 2027-2028. Inpex operates the Ichthys LNG project offshore Australia, the company's first gas production and liquefaction development. Ichthys started shipping gas last year.

Pakistan draws LNG supply bids as low as 8.3% of oil price

(Reuters; Sept. 6) - Commodity trader Gunvor offered the lowest prices to supply liquefied natural gas to Pakistan for the majority of the cargoes the importer sought between October and December. Gunvor submitted the lowest offers for six cargo delivery slots. DXT Commodities, Vitol (a unit of PetroChina), and Socar Trading submitted the lowest bids for the remaining four delivery slots, a Pakistan LNG document showed Sept 6.

Pakistan's LNG tenders are eagerly watched by traders because it reveals the prices offered, shedding light on an often opaque market. The prices in the LNG tender ranged from 8.3 percent of the price of Brent crude oil for a late October cargo, submitted by Vitol, to 10.9 percent of Brent for a late December cargo, submitted by Gunvor. Before the global LNG supply grew significantly this decade, oil-linked prices more commonly ranged between 12 and 15 percent of a barrel of crude. New LNG export projects and a well-supplied market have driven down prices.

At today's oil prices of about $60 a barrel, that equates to $4.98 per million Btu for the cheapest October cargo at 8.3 percent of oil and $6.54 per million Btu for the most expensive December cargo. Asian spot-market LNG prices are around $4.30 to $4.50 for October delivery and $5.20 to $5.50 for November delivery.

Australia's LNG exports to China continue to grow

(S&P Global Platts; Sept. 6) - Australia's LNG exports from the Port of Gladstone rose 2 percent year on year and 6 percent on the month to 1.8 million tonnes in August with a surge in volumes to China more than offsetting a fall in exports to Japan, data from the Gladstone Ports Corp. showed Sept. 6. The three Queensland-based LNG terminals exported 1.44 million tonnes to China in August — a nine-month high — up 14 percent year on year and 15 percent above the July volume.

"China's share of Australia's LNG has grown significantly, claiming the lion's share of Australia's lift in LNG output since 2015," said Commonwealth Bank of Australia commodities analyst Vivek Dhar. China is planning to boost the share of gas in the country's electricity generation mix, which has increased its appetite for LNG. However, the country's slowing economy has seen its overall gas demand growth rate slow in the first half of 2019, which has led to its LNG import growth rate slowing as well, Dhar said.

Saudi Arabia breaking into LNG trading business

(Bloomberg; Sept. 5) - The world's biggest oil exporter is stepping up its efforts to become a major force in natural gas. Saudi Aramco is trying to break into the fledgling market for liquefied natural gas trading. To do so, the state-owned company is tapping its decades-old network of oil-trading contacts, selling its first two LNG cargoes to longstanding crude customers in South Korea and India.

Aramco is joining oil companies from Shell to BP by increasingly focusing on LNG, the fastest-growing fossil fuel. That comes as global production soars with the start of multibillion-dollar liquefaction plants worldwide, creating a glut that may last to the mid-2020s. "They're going to friends first" to look for gas deals, said Iman Nasseri, director for the Middle East at London-based researcher FGE. "It'll be a buyers' market for the next couple of years, so it's a good time for traders to get into the market."

Just as energy consumers are diversifying the type of fuels they burn, producers are seeking to provide gas and renewables on top of crude. The Saudis are looking for gas supplies at home and abroad. Aramco sees an opportunity for its traders to find LNG cargoes and sell them to companies that have historically bought its crude. The Saudis have started building a portfolio of LNG production and export assets that will provide them with fuel to sell and use domestically. Aramco agreed in May to a buy a 25 percent stake in Sempra Energy's Texas LNG terminal, its first production outside Saudi Arabia.

Argentina wants to expand its LNG export capacity

(Bloomberg; Sept. 4) - Argentina's state-run oil company, YPF, is pushing ahead with plans to build a $5 billion liquefied natural gas export terminal. The company, which has led efforts in the nation's Vaca Muerta shale trove, is in talks with potential international and domestic partners over designs for an LNG plant. But the backdrop for discussions has shifted dramatically after opposition candidate Alberto Fernandez beat market-friendly President Mauricio Macri in a key primary vote last month, driving down shares of Argentine companies on concerns that a protectionist government will take power.

YPF executives, however, remain bullish about Argentina's chances of becoming an established member of the growing club of LNG-exporting countries. "We can't put the cart before the horse by distracting ourselves with current events," said Marcos Browne, YPF's executive vice president for gas and power. "This is the direction we need to move in." Argentina faces stiff competition for LNG buyers as suppliers from the U.S. to Australia increase exports, adding to a global glut and sending prices tumbling.

The Tango floating liquefaction facility has been ramping up production on Argentina's Atlantic coast as it readies the nation's first full cargo of LNG, to sail at the end of October. But the barge can only produce 500,000 tonnes a year of LNG, compared with global trade of about 290 million tonnes in 2017. A proposed, larger terminal would give Argentina access to big importers, especially in Asia, though it's unclear whether the $5 billion LNG facility would be onshore or offshore and where it would be built.

Poland says LNG imports are 20% to 30% cheaper than Russian gas

(Reuters; Sept. 6) - Liquefied natural gas recently contracted by Poland's state-run gas firm PGNiG is 20 to 30 percent cheaper than the gas the company has to buy from Russia's Gazprom under a long-term contract, a Polish minister said Sept. 6. Poland still imports most of the gas it consumes from Russia, but Warsaw has taken steps to reduce that reliance so that it does not have to extend the long-term deal on Russian gas supplies after 2022 when it is scheduled to expire.

The country has significantly increased purchases of imported LNG via its terminal in Swinoujscie on the Baltic Sea following PGNiG deals with Qatar and the United States. Poland also expects to take gas from Norway through a planned gas pipeline link.

"This is a so-called take-or-pay contract (with Gazprom), so we have to pay for the gas whether we take it or not and the price is absolutely uncompetitive," Piotr Naimski, Poland's plenipotentiary for strategic energy infrastructure, told local radio Radio Warszawa when asked why Poland does not want to extend the Gazprom deal. "At the moment, the contracts signed by PGNiG regarding LNG supplies are 20 to 30 percent more advantageous than the Russian one," Naimski said.

BP, Indian partner seek buyers for new gas production

(The Economic Times; India; Sept. 6) - Reliance Industries and BP are seeking buyers for natural gas from their $5 billion deep-sea project in India's KG D6 block at a time when LNG prices have crashed due to a global supply glut. Reliance and BP, which are jointly developing three fields named R-Cluster, Satellites, and MJ in KG Basin, have launched the process to auction 175 million cubic feet per day of gas from the R-Cluster field that is slated to start production in April-June 2020. India's domestically produced gas competes against imported LNG, with price a major factor.

This will be the first output from the fields, which are expected to produce 1 billion cubic feet per day when fully developed in 2022. Bids for the initial output are due by Oct. 10. Bidders will have to quote a price for the gas as a percentage of a three-month average of Brent crude oil prices. The producers set a minimum price of 9 percent — at $60 oil, that would be about $5.40 per million Btu of gas. However, a global supply glut has sharply cut the spot-market price of liquefied natural gas to below $5 this fall.

The Indian government regulates the price that domestic producers can charge for gas and allows deep-sea production to earn a higher price than onshore gas fields, which are capped at $3.69 per million Btu this fall. The cost of imported LNG factors into the government's ceiling price for the more expensive deep-sea production.

Exxon reportedly will sell its Norwegian offshore assets for $4 billion

(Reuters; Sept. 5) - ExxonMobil has agreed to sell its Norwegian oil and gas assets for up to $4 billion, ending its production in a country where it started operations more than a century ago, three sources familiar with the matter told Reuters on Sept. 5. Exxon said in June it was looking to sell its Norwegian upstream portfolio, which comprises minority stakes in more than 20 fields, operated by local producer Equinor and Shell.

Exxon has held talks in recent weeks with a number of interested parties including Oslo-listed companies Equinor, Aker BP, and DNO, Stockholm-listed Lundin Petroleum as well as Var Energi, backed by Italy's Eni, and private-equity firm HitecVision, industry sources said. Exxon hired investment bank Jefferies to run the sale process, banking sources told Reuters last month. In 2017 Exxon's net production from fields off Norway was around 170,000 barrels of oil equivalent per day, according to its website.

The sale would come after Exxon has focused in recent years on growing its U.S. shale production, particularly in the Permian Basin, as well as developing huge oil discoveries in Guyana. Oslo-based consultancy Rystad Energy said in a note in June that as of January 1, 2019, Exxon held 530 million barrels of oil equivalent on the Norwegian Continental Shelf. "The profile is mature and declining, but nevertheless sizable in terms of current production. Exxon is also considering selling its assets in the British North Sea after more than 50 years, industry sources told Reuters last month.

BP plans to sell more U.S. oil to Asia

(Reuters; Sept. 6) - BP plans to sell more U.S. crude to Asia as its shale oil production expands, seeking to capitalize on growth in the world's key demand region. The strategy, outlined in a Reuters interview with company executives, follows BP's move to acquire Australian miner BHP's assets in the prolific U.S. Permian shale basin last year, expected to give BP's portfolio a boost in light-sweet crude production.

"This (Asia) is a key growth region" for energy demand, said Sharon Weintraub, BP's chief executive officer of supply and trading for the Eastern Hemisphere. She didn't specify BP's growth targets for Asia sales. "We recently bought BHP's assets in our U.S. business, so we have a greater amount of Permian crude coming to market over the next few years in terms of our equity portfolio," Weintraub said.

BP has been actively shipping U.S. crude to Asia, having sold cargoes to Japan, Australia, Thailand, and Vietnam as it jostles for business in the world's fastest-growing market with other giant producers and traders like Occidental, Trafigura, Shell, ExxonMobil, Chevron, and Aramco Trading Co. BP ships a variety of light crudes to Asia, such as West Texas Intermediate Midland and Eagle Ford, and medium-sour grades from offshore Mars and Thunder Horse projects in the Gulf of Mexico.

Chinese company leases LNG carrier for power project in Panama

(Reuters; Sept. 4) - Liquefied natural gas shipping company Gaslog said Sept. 4 it had struck a deal to lease one of its LNG carriers for 10 years to a gas-to-power project in Panama being developed by a Chinese company and supplied by Shell. Gaslog will convert the Gaslog Singapore, currently used as a conventional LNG carrier on the short-term spot market, into a floating storage unit (FSU) that will receive and store LNG off the coast of Colon, a port on the mouth of the Panama Canal.

The LNG will be piped to an onshore regasification facility and the gas used as feedstock in a power plant being built by Sinolam Smarter Energy LNG Power Co., a unit of private Chinese investment firm Shanghai Gorgeous. Shell won the contract to supply the LNG last year. Shell has long-term contracts to take LNG from Cheniere Energy, which operates the Sabine Pass and Corpus Christi export facilities in Louisiana and Texas, a relatively short trip from Panama.

Panama began importing LNG last year after the arrival of a different floating storage and regasification unit. That vessel, also a modified LNG carrier, was chartered by Engie, which is supplying 0.4 million tonnes of LNG a year, some of it from Sempra's Cameron LNG plant in Louisiana.

Korean shipyards target growing market for LNG-fueled vessels

(Business Korea; Sept. 3) - South Korean shipyards are focused on strengthening their competitiveness in building environmentally friendly vessels, including LNG-fueled ships, as new International Maritime Organization emissions regulations take effect in January next year. As LNG-powered vessels are expected to account for more than 60 percent of global shipbuilding orders by 2025, Korean dockyards are seeking to secure technical competitiveness ahead of their rivals in China and Japan.

The South Korean government is planning to place orders for 140 LNG-fueled ships over the next six years after wrapping up pilot projects this year, according to the Ministry of Trade, Industry, and Energy and shipbuilding industry sources. This is part of the ministry's plans to convert government and private fleets to LNG-fueled ships.

South Korean shipbuilders, including Hyundai Heavy Industries and Samsung Heavy Industries, are ready for the change. Hyundai Samho Heavy Industries delivered a 114,000-ton very large crude oil carrier to Russian shipping company Sovcomflot last year. Hyundai Mipo Dockyard clinched an order from a European shipping company in July for two 20,000-ton roll-on roll-off vessels worth almost US$140 million.

Report says oil and gas projects 'out of the money' under climate deal

(Reuters; Sept. 5) - Major oil companies have approved $50 billion of projects since last year that will not be economically viable if governments implement the Paris Agreement on climate change, think-tank Carbon Tracker said in a report published Sept. 6. The analysis found that investment plans by Shell, BP, and ExxonMobil and others will not be compatible with the agreement that aims to limit global warming to 1.5 degrees Celsius.

"Every oil major is betting heavily against a 1.5 degree Celsius world and investing in projects that are contrary to the Paris goals," said report co-author Andrew Grant, a former natural resources analyst at Barclays. Many big oil and gas companies have welcomed the U.N.-backed 2015 Paris Agreement, in which governments agreed to curb greenhouse gas emissions enough to limit global warming to 1.5 degrees Celsius, or "well below" 2 degrees Celsius by the end of the century.

Scientists view that as a tipping point where climate impacts such as sea-level rise, natural disasters, forced migration, failed harvests and deadly heat waves will rapidly start to intensify. Carbon Tracker's analysis, co-authored by Mike Coffin, a former BP geologist, found that 18 newly approved oil and gas projects worth $50 billion could be left "deep out of the money" in a lower-carbon world, including Shell's LNG Canada project, an oil field expansion in Azerbaijan owned by BP, Exxon, Chevron, and Equinor, and a deep-water project in Angola led by BP, Exxon, Chevron, Total, and Equinor.