Oil and Gas News Briefs
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Crude oil prices fall 7% to 8% for third weekly decline in a row

(Reuters; Jan. 24) - Crude prices fell more than 2% on Jan. 24 and finished with a steep weekly decline over concerns that the coronavirus will continue spreading in China, the world's second-largest oil consumer, curbing travel and energy demand. The virus has prompted the suspension of public transport in 10 Chinese cities, while cases have been found in several other Asian countries and the U.S. **(Note: Prices on Monday traded down an additional 2.5% at $11 a barrel below the price of Jan. 6.)**

Brent crude lost more than 7% for the week in its third weekly decline in a row, ending just under $60 per barrel, the lowest since Oct. 31. U.S. crude was down about 8% for the week, closing at around $54. "It is all about the coronavirus all the time, and we're not getting signs that things are getting any better," said Phil Flynn, an analyst at Price Futures Group in Chicago. Health authorities fear the infection rate could accelerate over the Lunar New Year holiday this weekend, when millions of Chinese travel.

Meanwhile, oil inventories in the wider industrialized world are above the five-year average according to OPEC figures, which analysts say is limiting the impact of any supply losses from Libya and elsewhere. The prospect of further production-limiting steps by the Organization of Petroleum Exporting Countries and its allies, known as OPEC+, could offer price support going forward. Saudi Arabia's energy minister said all options are open at the next OPEC+ meeting in March, including further cuts.

Asian spot-market LNG drops below $4; lowest in 10 years

(Reuters; Jan. 24) - Asian spot prices for liquefied natural gas plummeted to multi-year lows this week, pressured by a lack of demand to consume abundant supplies. As milder-than-usual winter in both Asia and Europe is curbing demand, there were deals done below $4 per million Btu this week, the lowest level in more than 10 years.

The deal prices are at their lowest level in Asia since summer 2009 according to data from S&P Global Platts. With the global gas market heavily oversupplied, new cargo offers further saturated the market. Indian buyers, however, whose purchasing power depends on price levels, have flooded the market seeking cargoes, sources said. But it wasn't enough to reduce the oversupply.

Record low prices will test global LNG industry

(Bloomberg; Jan. 24) - Liquefied natural gas prices are poised to test record lows this year due to an onslaught of new supply and a warm winter curbing consumption. New exports from Australia to the U.S. have flooded the market, while brimming stockpiles in Europe and a slowdown in China’s growth have cut into demand. LNG for spot delivery to North Asia is on track to hit an all-time low this summer, well under $4 per million Btu, while gas in Europe and the U.S. is trading at the weakest seasonal levels since 1999.

“The global oversupply of LNG has been building and building and building,” said Ron Ozer, founder of gas-focused hedge fund Statar Capital, in New York. “The gas market can’t stomach the oversupply and warm weather, and it’s getting both.” U.S. LNG producers and companies with offtake agreements may decide not to load cargoes because prices are too low to earn a profit after accounting for shipping costs.

Torbjorn Tornqvist, CEO of Gunvor Group, the world’s biggest independent LNG trader, sees the market about 50 cents away from shutdowns. Meanwhile, buyers may demand revisions to long-term supply contracts, such as better pricing or the removal of restrictions on reselling cargoes. Japan’s Osaka Gas has already taken action, moving an ExxonMobil-led LNG joint-venture to arbitration in a bid to get lower rates.

Qatar, traditionally the strictest supplier when it comes to pricing, may be showing some flexibility. It has started offering more competitive price links with the lowest seen to Korea Gas at 10.8% of the price of oil, according to FGE, an energy consultant. That compares to 2008, when Qatar signed contracts with Chinese firms in the 16% range.

Analyst says Egypt may find it hard to get $5 for LNG

(S&P Global Platts; Jan. 23) - Egypt may find it difficult to attract buyers for its liquefied natural gas under 12- to 18-month term deals priced at $5 per million Btu, analysts believe. The Egyptian Oil Ministry has floated a plan to sell LNG under term agreements with a target selling price of $5, rather than on the spot market, given that spot LNG prices have slumped to lows not seen since 2016. Platts Analytics estimates Egypt's breakeven costs at just under $5 per million Btu.

The benchmark for spot Asian LNG has fallen by 50% since the beginning of 2019 from around $8 to a little over $4 due to a wave of new supply from Australia and the U.S. and slowing demand in China. As a result, Egypt last autumn canceled a number of sell tenders given the low prices. Last year Egypt offered about 80 spot LNG cargoes for sale. Now, it wants to find buyers willing to sign up for term deals that would earn a higher price for Egypt while setting a fixed price for buyers.

Leading LNG analyst David Ledesma from U.K.-based consultancy South-Court told S&P Global Platts on Jan. 23 that the Egyptians could struggle to make the $5 price target stick. "If Egypt is targeting the European market, then an 18-month FOB deal at $5 might be quite challenging," Ledesma said, given the current low European gas prices. "And if they are looking to sell into Asia, they will face strong competition from other Asian and Middle Eastern suppliers," he said.

India wants to discuss LNG price renegotiation with Qatar

(Economic Times; India; Jan. 23) - India may seek to reopen the pricing of its long-term LNG import contract with Qatar to reflect falling rates on the spot market, Oil Minister Dharmendra Pradhan said Jan. 23. "The Energy Minister of Qatar is coming for bilateral discussion (to India) at the end of the month. We will discuss all the aspects," he said. Indian importers are under contract to take 8.5 million tonnes per year of LNG from Qatar under two long-term contracts.

India also has signed up for 5.8 million tonnes a year from the U.S. and 2.5 million tonnes a year with Russia's Gazprom and a 1.44-million-tonne deal with the Gorgon project in Australia. While long-term LNG from Qatar comes in at US$8.50 to $9 per million Btu, the same gas is available in the spot market for less than half the price.

India has in the past used its status as Asia's third-largest LNG buyer to renegotiate deals with Qatar, Australia, and Russia. In 2015, it renegotiated the price of the long-term deal to import 7.5 million tonnes per year of LNG from Qatar — it agreed to take more gas over more years. In 2017, it got ExxonMobil to lower the price of Gorgon LNG and a year later convinced Gazprom to lower rates too.

Low prices prompt LNG buyers in India to boost purchases

(S&P Global Platts; Jan. 23) - A drop of more than 40% year-on-year in West India-delivered spot LNG prices to record lows has spurred buyers there to issue a flurry of tenders since the start of the new year. The West India price was assessed at $3.725 per million Btu on Jan. 22, the lowest since S&P Global Platts started publishing West India assessments in January 2010.

Increased production from the U.S., Russia, and Australia — coupled with weakening demand growth from North Asia — has caused a global supply glut, knocking down prices. Over the first three weeks of 2020, Indian LNG buyers issued tenders for 15 cargoes to be delivered over the first quarter. Additionally, Indian Oil Corp. issued a tender seeking six cargoes to be delivered over April-December.

The benchmark for spot LNG prices in North Asia could possibly drop to historic lows this year below $3 with rising supply outpacing weaker demand, Platts Analytics reported in its LNG price forecast last week.

Global LNG production capacity grows to 437 million tonnes

(Oil & Gas Journal; Jan. 21) - Records set by the global liquified natural gas industry in 2019 are indicative of a sustained growth trend with global LNG production capacity expected to increase by more than 50% from 283 million tonnes per year in 2015 to 437 million tonnes in 2020, according to a new report from IHS Markit. "The ongoing pace of new investment is especially noteworthy considering a market context of weak global prices," said Michael Stoppard, chief strategist, global gas at IHS Markit.

There was a record level of new investment in 2019. Final investment decisions were issued for liquefaction projects totaling 70.4 million tonnes per year of new capacity — 40% higher than the previous high reached in 2005 at 50.4 million tonnes. And 2019 set a record for liquefaction start-ups. Production start-ups amounted to 38.8 million tonnes of annual capacity, narrowly surpassing the previous high set in 2009. Start-ups were concentrated in the U.S., Australia, and Russia. The pace is expected to slow in 2020.

Europe set records for imports each month as well as for the year in 2019. Annual net imports totaled 87.2 million tonnes, which exceeded the old mark of 65.5 million tonnes set in 2011. And China overtook Japan for one month as the world largest LNG importer in December 2019 with volumes for the month reaching 7.3 million tonnes compared to Japan's 6.9 million. China is expected to pass Japan on an annual basis by 2022.

U.S. adds more gas liquefaction capacity

(Natural Gas Intelligence; Jan. 21) - U.S. liquefied natural gas exports continue growing as new liquefaction capacity comes online. Freeport LNG on Jan. 17 announced the start-up of commercial operations for its second train, with the start of feed gas deliveries to the Texas coastal plant from BP under a 20-year agreement. Train 1 started operations last month and Train 3 is on track for a commercial start in May.

Federal regulators also cleared a Kinder Morgan affiliate last week to start exports from another modular liquefaction unit at the Elba Island LNG terminal in Georgia, where three trains are already operating and the facility's first cargo left last month. Six more units are expected to come online at Elba this year. Along with other trains at Freeport, Cameron in Louisiana and Corpus Christi in Texas, U.S. liquefaction capacity is on track to reach 10.2 billion cubic feet of gas a day next year — about 10% of U.S. gas output.

Industry group says U.S. LNG exports put domestic buyers at risk

(S&P Global Platts; Jan. 22) - Industrial energy consumers want Congress to give the Federal Energy Regulatory Commission additional oversight powers over the reliability of existing natural gas pipeline capacity and are warning that rising exports create risk for domestic consumers. The Industrial Energy Consumers of America wrote members of the House and Senate energy committees on Jan. 22, seeking "urgent bipartisan action" to add to FERC's authority in light of new energy sector realities, including a drive toward exports and increased hurdles that slow pipeline expansions.

"It is vital to know that there is sufficient natural gas pipeline capacity to serve increasing domestic and export demand, especially at peak winter and summer demand, and with consideration to aging pipelines and replacement," the group said in its letter. It argued that the gas pipeline sector, unlike the electricity market, lacks a federal authority charged with monitoring availability of capacity to ensure reliability.

The association, which represents manufacturers of steel, aluminum, plastics, chemical products, and others, has frequently warned about potentially excessive LNG exports and called for congressional hearings. It also has said high LNG export volumes would cost U.S. manufacturers their competitive cost advantage. Association President Paul Cicio said new FERC authority is needed because significant and accelerating exports of gas decrease the availability of pipeline capacity for domestic consumers. "These exporters are locking up long-term pipeline capacity to export that gas," he said.

Australia may further limit LNG exports to protect domestic buyers

(S&P Global Platts; Jan. 24) - Australia's federal government may seek a national gas reservation policy that could have ramifications for liquefied natural gas exports just as the country has become the world’s top LNG exporter. "I am going to work with states and territories during the next 12 months to consider options to establish a prospective national gas reservation policy," Minister for Resources Matt Canavan said Jan. 24.

"We can't repeat the mistakes of the past in just letting our gas be shipped overseas with no thought to our domestic requirements," Canavan said in publishing a review of the Australian Domestic Gas Security Mechanism, which was rolled out in 2017 to ensure sufficient gas to meet domestic demand. Under the policy, if there is a domestic supply shortfall, LNG projects can be required to limit exports or find new gas supplies.

Canavan said the ADGSM has been instrumental in stabilizing the domestic gas market and keeping a lid on prices, and that it will remain in place until its scheduled end in 2023. However, businesses are still finding it difficult to get longer-term gas offers and some prices remain higher than what they should be, especially when global spot-market LNG prices are so low, he said. Explosives maker Orica said offers of gas from suppliers are still being priced around $10 per million Btu, more than double spot prices.

"That is unsustainable and, if left unaddressed, high prices will deliver a structural loss of manufacturing scale and complexity across the economy," an Orica spokesman said.

TOTE continues conversion of Alaska ships to run on LNG

(Riviera Maritime Media; Jan. 24) - TOTE Maritime Alaska is refitting two roll-on/roll-off vessels, transforming them into LNG-fueled ships. Making the conversion unique is that the two 840-foot-long Orca-class sister ships, the Midnight Sun and North Star, will undergo much of the work while they remain in operation. “There was a desire and a need to keep these ships in operation as much as possible while we are doing this,” said Lee Peterson, TOTE Services Orca LNG conversion project director.

Specifically built to serve Alaska, the two ships conduct twice-weekly service between Anchorage and Tacoma, where an LNG fueling depot is under construction. TOTE has been operating the cargo service since 1975. Each vessel will undergo two phases of conversion, concluding with a nine-week shipyard stay. In the first phase, each vessel will undergo most of the required structural enhancements while in the shipyard, including addition of a deck to the aft end of the ship and installation of two LNG tanks.

During Phase 2, mechanical modifications will be completed on two of the vessel’s four engines while the ship is in service. During the final shipyard phase the remaining two engines will be converted. North Star completed the conversion of its No. 2 main engine in August 2019 during its in-service work. The final shipyard phase is scheduled for completion in the first quarter of 2021. The first-phase shipyard work on Midnight Sun was conducted in December. Plans call for the work to be finished in 2022.

Alberta landowners increasingly upset with oil and gas industry

(The Canadian Press; Jan. 24) - A group of Alberta landowners is asking farmers and ranchers to fight back against unpaid debts and unreclaimed oil and gas wells. “The landowners need to safely shut down those surface leases, whether it’s safely turning off the power or safely shutting off the valve,” said Daryl Bennett, of the Action Surface Rights Association, which represents about 200 landowners. “They need to let these companies know that they’ve defaulted on the leases and there are consequences.”

Most of Alberta’s roughly 400,000 wells are on private property. Provincial law forbids owners to deny access to energy companies and the industry is required to pay compensation. The deals are regulated by the Alberta Surface Rights Board. But the arrangement may be coming apart. Rural municipalities recently revealed energy companies owe a total of $173 million in unpaid property taxes and many landowners feel they’re getting the same short end of the stick.

Bennett said oil and gas operators are increasingly reneging on lease agreements that compensate landowners for the presence of wells or other facilities on their property. "I get calls every day from landowners saying, 'Hey, I got a notice. They're cutting the compensation.' There's thousands of landowners in this situation," he said Jan. 23. The landowners group lists problems that include slow action on complaints to poor regulation of well cleanup. Wellheads are left unsafe and lease sites unweeded. Crops are reduced because food safety regulations prevent farming near contaminated sites.

China approves new LNG terminal to help serve Beijing region

(S&P Global Platts; Jan. 22) – China's state-owned distributor Beijing Gas Group has won government approval to build a liquefied natural gas receiving terminal at Nangang district, Tianjin city, adding 5 million tonnes a year of import capacity (240 billion cubic feet of natural gas). Gas consumption is estimated at 2.4 trillion cubic feet per year in the Bohai Rim region in 2019, up 10.6% from 2018 and accounting for 22% of China's total gas demand last year, according to data from a state-owned research institute.

China's Bohai Rim region includes two municipalities — Beijing and Tianjin — and three provinces — Hebei, Shandong, and Liaoning. "The project was approved by the National Development and Reform Commission on Jan. 14," a Beijing Gas official said Jan. 21. Start-up of operations is planned for the end of 2022. Currently there are five LNG receiving terminals in the Bohai Rim region with a total LNG receiving capacity of 30 million tonnes per year, S&P Global Platts calculations showed.

Land developer wins bidding for largest refinery on the East Coast

(Philadelphia Inquirer; Jan. 22) - Hilco Redevelopment Partners, whose $240 million bid won an auction to acquire the bankrupt Philadelphia Energy Solutions refinery site, aims to move quickly to clean up the 1,300-acre South Philadelphia property and redevelop it into a mixed-use industrial facility, said city officials. The Chicago-based company, which specializes in repurposing industrial properties, did not submit a formal plan for the site, but painted its plans in "broad brushes," said Brian Abernathy, the city's managing director.

"They'll probably still keep the tank farm and some of the energy logistics that are on-site, but they don't intend to operate the refinery," Abernathy said. The plan requires approval of the court, which has set a hearing for Feb. 6. A Hilco spokesman declined comment while the matter is pending in court. Under the plan Hilco will assume environmental liabilities and cleanup costs according to a purchase agreement posted with the court.

Hilco was one of two finalists bidding on the refinery, which shut down following a June 21 fire and explosion and later declared bankruptcy. The 335,000-barrel-a-day refinery was the largest oil-processing facility on the East Coast and had been in operation for 150 years. Neither of the two finalists was a refinery operator, sources said, suggesting that the site's value as a fuel-processing facility had diminished. The runner-up was Industrial Realty Group, a California real estate company that rehabilitates former industrial sites.

LNG industry has its own large-volume emissions

(Bloomberg; Jan. 23) – Federal regulators have approved 11 liquefied natural gas export projects during the Trump administration, though only a few have started construction. And while environmentalists once touted natural gas as a cleaner energy alternative, an analysis shows the plants' potential carbon dioxide emissions rival those of coal. If all of the export terminals were in operation, they could spew 78 million tons of carbon dioxide into the air every year, according to data compiled by Bloomberg. That's comparable to the emissions of 24 coal plants — more than Kentucky's entire coal fleet.

Those numbers don't account for the emissions caused by transporting the gas from the well to processing facilities and then overseas, which can be significant. "The emissions from these projects can't be squared with the sorts of drastic, drastic reductions we need in order to avoid catastrophic climate change," said Nathan Matthews, a senior Sierra Club attorney. "Industrial emissions such as these that increase can move us further away from climate goals," said Avi Zevin, senior attorney at the New York University School of Law's Institute for Policy Integrity, which did its own study of LNG.

As long as gas stays in the pipeline, emissions remain relatively low. But the terminals that export the fuel use ozone-depleting refrigerants to supercool it into liquefied natural gas. Opponents contend they also belch toxic gases such as sulfur dioxide and burn off excess methane, a greenhouse gas more immediately destructive to the atmosphere than CO_2. Proponents of LNG exports argue that it will help wean other countries off coal, and that additional emissions in the U.S. are offset by lower emissions abroad.

LNG Canada official says opponents are bullying project supporters

(CBC Canada; Jan. 23) - A senior corporate official with the joint-venture developing the LNG Canada project in Kitimat, British Columbia, said First Nations people who support the project are being silenced by "bullying and intimidation." Susannah Pierce, director of corporate affairs for LNG Canada, said fear is keeping many First Nations people who are benefiting from the energy project from voicing their support. Construction of the 415-mile pipeline to bring feed gas to the terminal has divided First Nations.

Pierce penned an email to friends and colleagues Jan. 17, voicing her frustration with the tone of debate around the Coastal GasLink pipeline that is facing opposition from the Wet'suwet'en nation's hereditary leadership. LNG Canada posted the email on its website on Jan. 20. In the email Pierce said she was "shocked" by the U.N. Committee on the Elimination of Racial Discrimination's call last month to stop major projects in Canada, including Coastal GasLink, until they get full buy-in from affected First Nations.

Tensions are rising in northern British Columbia in the face of a court injunction against any continued physical obstruction of work on the pipeline. Pierce said she wrote the email to express personal support for First Nations people who back the project but fear speaking out. Crystal Smith, the elected chief councillor for the Haisla nation, whose territory includes the site for the LNG terminal, said she's been barraged by personal attacks in social media for her support of the project.

Norwegian court rejects lawsuit against Arctic oil and gas licenses

(Reuters; Jan. 23) - An Oslo appeals court approved Norway's plans for more oil exploration in the Arctic on Jan. 23, dismissing a lawsuit by environmentalists who had said it violated people's right to a healthy environment. The verdict upheld a ruling made by a lower court, rejecting arguments by Greenpeace and the Nature and Youth group that a 2015-2016 oil licensing round had breached Norway's constitution.

Greenpeace said it would appeal to Norway's supreme court. Beate Kristine Sjaafjell, a University of Oslo law professor, said the supreme court may give a clearer answer on whether handing out new licenses violates the constitution. "It should not evade the big question of whether continuing with oil and gas exploitation contributes to dangerous climate change and conversely whether doing that is in line with Norway's expressed commitments to contributing to staying within the Paris agreement goals," she said.

The lawsuit is seen as part of an emerging branch of law worldwide where plaintiffs seek to use a nation's founding principles to make the case for curbing emissions. The green groups cited Article 112 of Norway's constitution, which guarantees the right of current and future generations to a healthy and sustainable environment. Oil and gas production has helped make Norway one of the wealthiest nations on earth with a $1.1 trillion sovereign wealth fund stemming from petroleum income.

Russian-designed LNG unit delayed at Yamal

(Barents Observer; Norway; Jan. 23) – Russian natural gas producer Novatek has amazed world experts with its huge plants and infrastructure built in the remote Yamal Peninsula at record speed. The first gas liquefaction train opened in December 2017 and the second launched in July 2018 were both ahead of schedule, the latter by as much as six months. The third train was officially launched in December 2018 and came as much as a year ahead of original plans.

By early 2019, Yamal LNG had reached its full annual production capacity of 16.5 million tonnes. A few months later, the company had completed its fleet of 15 new ice-breaking carriers that will deliver the LNG to international markets. However, there appears to be trouble with the fourth and last train of the Arctic project. According to newspaper Kommersant, the unit is behind schedule and will not be ready before March at the earliest. It was originally scheduled to start up in December 2019.

The company is missing out on about 900 million rubles ($14.5 million) monthly in lost revenue, the newspaper reports. The reason for the delay is reported as technical problems with the liquefaction unit and pipelines, which are not designed for the extreme low temperatures in the area. While the first three LNG units in the project were designed and delivered by foreign companies, the fourth train, much smaller at 1 million tonnes annual capacity, is based on Russian designs and technology.