

Oil and Gas News Briefs

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August 6, 2015

[FERC releases draft EIS for Oregon LNG project](#)

(The Daily Astorian; Aug. 5) - Oregon LNG's \$6 billion terminal and gas pipeline project would cause adverse impacts to the environment, a draft environmental review has found, but most could be reduced if the company takes steps to minimize harm to fish and wildlife habitat and water quality and adopts adequate safety features. The Federal Energy Regulatory Commission, which released the draft this week, is still assessing how the project might affect threatened or endangered species and critical habitat.

The draft is an important benchmark in the decade-long drive for the project, which includes a liquefied natural gas plant and export terminal along the Skipanon Peninsula in Warrenton, Ore., at the mouth of the Columbia River, and an 87-mile pipeline from Washington state through Columbia, Tillamook and Clatsop counties. Oregon LNG would export natural gas from Canada and the Rocky Mountains in the United States to foreign markets, likely in Asia.

Environmentalists, fishermen and residents in Warrenton and Astoria who oppose Oregon LNG will likely tear through the document in search of potential defects that could stall or block the project. Public comment on the draft is open until early October. FERC has set a timetable for completing the final environmental impact statement on the project by February. Separate from any environmental issues, "We conclude that the economic impacts of the Oregon LNG project would be positive," the draft states.

[Newest addition to Indonesia's LNG exports ships first cargo](#)

(Reuters; Aug. 3) - Indonesia's Donggi-Senoro liquefied natural gas project shipped its first LNG cargo Aug. 2, the project's biggest shareholder, Mitsubishi, said. The \$2.9 billion plant, with LNG production capacity of 2 million metric tons per year (about 100 billion cubic feet of natural gas), is one of several major gas infrastructure projects that the country hopes will meet growing energy demand at home and around the region.

LNG plant operations started June 24, and the first LNG shipment was made to Indonesia's state energy firm Pertamina's Arun LNG receiving terminal, Mitsubishi, which holds around 45 percent of the project, said in a statement. Other shareholders in the project include Korea Gas, Indonesia's Medco Energi Internasional and Pertamina. Donggi-Senoro has contracts to supply 1 million tons per year to Chubu Electric Power, 300,000 tons per year to Kyushu Electric Power and 700,000 tons per year to KOGAS.

The small plant is Indonesia's third LNG export operation, with the country's initial gas exports dating back to 1977. The Donggi-Senoro facility is by far the smallest of the three. Indonesia, known as a major exporter of LNG, has been struggling to increase the utilization of its gas resources in the domestic market, including shipping LNG to areas of the country without pipeline access to gas.

First trade on Japan's new LNG futures market

(Reuters; July 31) - The first liquefied natural gas non-deliverable forward deal has been struck on Japan's over-the-counter market, the Japan OTC Exchange said July 31, almost a year after the trading platform was launched. Japan, the world's biggest LNG buyer, has been testing a number of trading options to gain more control over prices and to limit the cost of gas delivered to the country, which has ballooned since the 2011 Fukushima disaster led to the closure of all of the country's nuclear power reactors.

But the efforts have struggled because LNG is usually bought on long-term contracts with restricted shipping terms, while the spot market is illiquid and lacks transparency. The trading exchange for futures contracts — an investment and price-hedging option intended to develop and encourage transparency in LNG pricing in Asia — is the world's first LNG futures market, where sellers and buyers can trade in the commodity.

The first trade was an LNG non-deliverable forward contract for 250 million cubic feet of natural gas, or roughly 5,000 metric tons of LNG, for September delivery, the exchange said, without giving more details. Though the contract is an investment vehicle, physical delivery of the gas is possible if agreed between the parties. The exchange has tried to attract global traders to participate in the exchange, in addition to Japanese traders, utilities and city gas providers, in an effort to boost trading volume and price information.

Egypt expects to spend \$3.5 billion on LNG imports this year

(Reuters; Aug. 1) - Egypt expects to import 28.6 million metric tons of crude oil, liquefied natural gas and other oil products worth a total of almost \$16 billion in 2015-16, the planning ministry said Aug. 1. The government expects to buy 7.79 million tons of LNG (more than 370 billion cubic feet of natural gas) for \$3.55 billion, and 6.37 million tons of crude oil for \$3.51 billion, the ministry said in a handout given to journalists at a news conference on its economic development plan for the current fiscal year.

Declining energy production, due to a lack of investment, has turned Egypt from an energy exporter to a net importer over the past few years and contributed to a persistent energy crisis. Egypt has tried to address energy shortages by signing a raft of LNG import deals this year and giving the private sector a green light to import LNG, a step that could encourage investment in the energy sector while easing supply shortages.

Israel struggles to fully realize its natural gas potential

(Reuters; Aug. 4) - The Tamar natural gas platform, towering 300 feet above the Mediterranean, is a rare success story in Israel's fledgling energy sector — a state-of-the-art facility that has already saved billions of dollars in electricity costs. But as the only terminal built since the gas bonanza began in this part of the Mediterranean six years ago, it is also a reminder of unrealized potential.

Tamar was the first of a series of deep-water discoveries in the region, including the twice-as-large Leviathan field, that have since been bogged down in political and regulatory in-fighting over who should control the gas. Texas-based Noble Energy and Israel's Delek Group had bought into a number of licenses, including Tamar and Leviathan. But once the discoveries started coming, the Israeli government began trying to claw back a stake.

With the reluctant agreement of the private sector, Israel raised taxes in 2011. Then, in 2013, it limited exports to 40 percent of reserves. But things exploded last December when Israel's antitrust regulator deemed the Delek-Noble partnership a monopoly that would have to sell off assets. In response, the companies froze their investments, and others balked at developing smaller fields. And though Israeli Prime Minister Benjamin Netanyahu has negotiated an agreement with Noble and Delek, he has been unable to get it past parliament, with many lawmakers are demanding a tougher government line.

Shell looking at asset swap to strengthen ties with Russia

(Bloomberg; Aug. 3) - Shell will swap a stake in one of its international energy assets for part of Gazprom's Sakhalin-3 project as Europe's biggest oil company extends its ties with Russia. Sakhalin-3 is a proposed development of offshore gas fields north of the Gazprom/Shell Sakhalin-2 LNG plant in Russia's Far East. The companies are talking about which asset would be offered to Gazprom, Shell CEO Ben Van Beurden said last week. The overall prize for Shell is more participation in world-class gas reserves.

"Russia sits on 25 percent of the world's gas reserves and is very, very close to markets that we are very familiar with," Van Beurden said July 30, on the sidelines of the company's earnings presentation. Shell is also pushing "to see how we can work with Gazprom internationally." Shell, BP and Total are seeking more access to Russia as the country's low-cost output and proximity to Asian markets outweigh political sanctions.

While producers slash spending and mothball projects as oil slides, they need to add reserves to sustain future output. Russia has the fifth-biggest oil deposits and costs that are as much as two-thirds below the global average for Shell. "There are less and less

world-class assets that can be operated at such a low-price environment,” Simon Leathers, director of accounting firm BDO International U.K. Merger & Acquisitions, said in a July 31 phone interview. “That’s where Russia represents such as opportunity.”

TOTE signs up shipyard for conversion of Alaska ship to LNG

(Press release; Aug. 4) - Totem Ocean Trailer Express announced it has signed a contract with Keppel Offshore & Marine’s wholly owned subsidiary Keppel Shipyard (with facilities in Singapore) to convert the Midnight Sun to dual-fuel propulsion, allowing the use of liquefied natural gas (or diesel) for the roll-on/roll-off ship that runs between Tacoma, Wash., and Anchorage. Work will begin in December and is expected to be finished in 90 days.

Burning LNG, the Midnight Sun, built in 2003, will emit fewer greenhouse gases, reducing emissions of particulate matter by 91 percent, nitrogen oxides by 100 percent, sulphur oxides by 90 percent and carbon dioxide by 35 percent. Its sister ship, the North Star, also in Alaska service, is scheduled for conversion in 2016-2017. Meanwhile, TOTE will put into service the world’s first LNG-powered containership later this year between Florida and Puerto Rico.

Conversion of the Midnight Sun will include replacement of its four engines and adding 2,200 cubic meters of LNG storage capacity. Puget Sound Energy, in partnership with Totem Ocean and the Port of Tacoma, plans to build a small gas liquefaction plant and loading terminal at the port to serve Totem Ocean and the Pacific Northwest transport industry. The terminal is scheduled for completion by the end of 2018. Until then, WesPac, with a small LNG plant near Vancouver, B.C., will deliver the fuel by barge.

Gulf Coast LNG hopeful signs up Bechtel for engineering work

(Houston Chronicle; Aug. 5) - The first U.S.-based floating liquefied natural gas plant moved closer to reality after engineering giant Bechtel agreed to design and engineer the project once a final investment decision is reached. The floating LNG plant, storage and shipping terminal — essentially, large vessels that combine the three — is slated to go into service about 50 miles off the coast of Cameron Parish, La. Delfin LNG said its floating design reduces coastal traffic and minimizes environmental effects.

According to project plans, gas would be moved through existing pipelines to four vessels moored in the Gulf of Mexico. The four would be able to produce up to 8 million metric tons of LNG per year. Delfin LNG is seeking approval from the U.S. Maritime Administration and the Coast Guard. Federal Energy Regulatory Commission approval is required to build and operate LNG plants in the country, but that only applies to onshore facilities. The Maritime Administration is the lead on offshore projects.

In addition to an environmental review by the Maritime Administration, Delfin LNG also needs Department of Energy permission for exports to non-free-trade nations, which are the biggest market for LNG. Delfin LNG is a wholly owned subsidiary of a Texas-based group of companies with interests in land development, construction and oil and gas.

Proposed peak-shaving LNG plant in Rhode Island draws criticism

(Eco Rhode Island News; Aug. 3) - Ten years after the federal government rejected a liquefied natural gas import terminal on a Rhode Island industrial waterfront, another LNG project is being proposed for the same site. National Grid, which now owns KeySpan LNG, the company that had proposed the natural gas terminal, wants to build an LNG production facility that will instead produce and truck the fuel to storage tanks in the towns of Cumberland and Exeter, combined population about 40,000.

The site of the proposed liquefaction plant, near the 127-foot-tall LNG storage tank on the Providence River, is again drawing criticism. Project opponents claim the production of LNG raises the risk of chemical accidents and exposure in one of the most populated and impoverished parts of the state. The waterfront industrial area includes an asphalt plant and an oil storage terminal. The LNG storage tank has existed at the site for 41 years, accepting trucked deliveries of LNG and holding the fuel to meet peak demand.

National Grid now wants to add a small liquefaction plant at the site to take pipeline gas and supercool it into LNG for delivery by truck to other LNG storage tanks in the region. The added volume of LNG stored around the state would be regasified to ease winter shortages and meet the region's lopsided dependence on natural gas. Currently, more than 95 percent of Rhode Island's electricity is generated by gas.

Fleets convert to propane to take advantage of low price

(Bloomberg; Aug. 4) - For almost 80 years, Blue Star Gas distributed propane throughout the U.S. West Coast on trucks mostly powered by gasoline. Now the company is working to convert its 55 vehicles to run on the same stuff they deliver. They won't be alone. United Parcel Service already has more than a thousand propane-powered delivery trucks on the street, with plans to buy more. The change is propelled by a glut of propane from shale wells.

The switch comes as prices for the fuel trade close to a 13-year low and are 75 percent cheaper than diesel. At the same time, propane offers an environmental gain, emitting 12 percent less carbon dioxide than gasoline at a time of growing global warming concerns. U.S. sales of propane-powered vehicles will reach 20,000 units in 2015,

according to ICF International, a Fairfax, Va., consulting firm. That's about a 35 percent jump from 2014, and slightly higher than sales of fleet vehicles using natural gas.

While those numbers represent only a slice of the 3 million expected fleet vehicle purchases in 2015, they are expected to grow over time. Propane production has ramped up as a result of shale drilling. Much of the Marcellus Shale is known as "wet" because the gas is often accompanied by liquids, including propane and ethane. The production has been so robust that companies have stored 89 million barrels of propane they couldn't immediately use, said a U.S. report that tracked storage through July 24.

TransCanada could seek damages from U.S. for Keystone expenses

(Bloomberg; Aug. 4) – NAFTA could let TransCanada recoup some of the \$2.4 billion it has spent on its Keystone XL project, even if President Barack Obama rejects the pipeline. A provision in the 1994 North American Free Trade Agreement between Canada, Mexico and the U.S. would let TransCanada file a claim, accusing the U.S. government of discrimination. While trade specialists say a successful challenge would be a long shot, a NAFTA tribunal could award damages for costs as well as lost profit.

It's a twist that could ensure Keystone remains an aggravation for the administration even if Obama denies approval. "From what we've seen in past cases, TransCanada would have a potential NAFTA claim," said Melinda St. Louis, director of international campaigns for Public Citizen, a nonprofit that has opposed trade deals like NAFTA and the dispute-settlement process specifically. TransCanada has waited over six years for permission to build the pipeline from Alberta's oil fields to U.S. Gulf Coast refineries.

NAFTA includes a process to resolve investor-state disputes. The two sides each get to appoint one judge, and those two in turn pick a third person to fill out the panel. A panel couldn't force approval of Keystone. But rather than filing a claim under NAFTA, TransCanada has a better chance of success by reapplying when a new U.S. president takes office in 2017, said Gary Hufbauer, a trade specialist at the Peterson Institute for International Economics, a Washington-based nonprofit that studies economic policy.