Oil and Gas News Briefs
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BP will invest $6 billion with partner in offshore-India gas project

(Wall Street Journal; June 15) - BP said June 15 it is pushing ahead with long-delayed efforts to develop natural gas offshore India, partnering with Reliance Industries to plow $6 billion more into the first big investment it made following the Deepwater Horizon disaster. BP and Reliance, one of India's biggest energy companies, expect to produce 425 million cubic feet of gas a day from deepwater fields 45 miles off India's east coast by 2020 in the first of three projects they plan to develop with the $6 billion.

Between 2020 and 2022 the partners expect to add another 1 billion cubic feet a day of new gas production, assuming the other two projects are approved by the government. BP first partnered with Reliance in 2011, spending $7.2 billion for a 30 percent stake in oil and gas fields operated by the company. The deal was the company's first major investment since its fatal blowout in the Gulf of Mexico in 2010, and came at a time when BP was desperately selling assets elsewhere to help pay the costs of the spill.

The investment was meant to mark a step toward new growth prospects in a market where oil and gas demand was growing rapidly, but for years the Indian government's caps on gas prices limited profitability and stymied investment. The government last year unveiled a new formula for gas prices from deepwater projects, which BP said provides more certainty. Now, the oil giant seems ready to pile in again, hoping to take advantage of India's rapidly growing market. India consumes over 5 billion cubic feet of gas a day, according to BP, a number which the government hopes to double by 2022.

Chevron could spend $15 billion as it joins Permian investment wave

(Wall Street Journal; June 16) - For Bruce Niemeyer, the Chevron executive overseeing the company's $15 billion expansion in West Texas, the question is can the company make money. Big oil companies including Chevron, ExxonMobil and Shell are piling into the Permian Basin, the oil-rich region straddling Texas and New Mexico that is the epicenter of the second wave of U.S. shale drilling. They hope to soon achieve something that has proven surprisingly elusive for their smaller peers: turning a profit.

The shale-drilling renaissance rocked global markets and helped send crude prices into a prolonged slump. What it didn't do was bring in much cash. In the past two years, the largest 30 independent U.S. shale producers have lost $130 billion. Companies have gone bankrupt, and many of those that survived have done so with cash infusions from

Wall Street, which rewarded the drillers for fast growth. That won't work for the majors that pay shareholder dividends and need to bring in more cash than they spend.

Executives like Niemeyer are turning to their companies' strengths: massive scale, deep pockets, learning from success and failure of others, and an ability to bring techniques used all over the world into the area. Within a decade, Chevron estimates it may produce up to 700,000 barrels a day in the Permian. Last year, it averaged 175,000 barrels. Chevron hasn't disclosed how much it will boost spending in the area over the next 10 years, but analysts say it is likely to exceed $15 billion. Chevron has brought its production costs in the Permian down 30 percent since 2015 to below $20 a barrel.

Europe worries sanctions against Russia intended to boost U.S. LNG

(Bloomberg columnist; June 16) - The Russia sanctions bill passed by the U.S. Senate June 15 threatens to deepen the rift between the U.S. and Europe that has emerged since Donald Trump won the presidency. Though in the U.S. the bill is only discussed in a domestic political context, German and Austrian leaders see certain provisions as an attempt to give an unfair advantage to U.S. energy exports. Among other things, the bill says the U.S. president "may impose" various sanctions on companies that take part — as investors, suppliers or contractors — in Russian pipeline construction projects.

"The United States government," the Senate bill says, "should prioritize the export of United States energy resources in order to create American jobs, help United States allies and partners, and strengthen United States foreign policy." That seems aimed at NordStream 2, the proposed Russian gas pipeline across the Baltic Sea to Germany, bypassing Ukraine. Investors in NordStream 2 include five major European companies.

That's what worries European leaders. Gas production in the northwest of Europe is falling rapidly, and while the U.S. is ramping up its liquefied natural gas export capacity, it's not clear whether the price of U.S. gas can remain competitive with Russian pipeline gas. At this point, large-scale U.S. LNG exports to Europe appear to be a money-losing enterprise aimed at gaining market share. But if those exports are buoyed by U.S. sanctions against Russia's pipeline projects, Northern and Central Europe may become hostages to U.S. suppliers at some point.

Russia's Yamal LNG project lines up more bank financing

(Reuters; June 13) - Yamal LNG, a joint-venture between Russian gas producer Novatek, France's Total, China National Petroleum Corp. and China's Silk Road Fund, said it has signed lending agreements with several European banks, including Romanian bank Raiffeisen and Italian bank Intesa Sanpaolo. The 14-year credit lines total 425 million euros ($475 million U.S.).

Though the new creditors have joined the project-financing package, their financing has not increased the overall amount of debt (more than $19 billion) carried by the $27 billion venture. Chinese lenders have taken a large stake in the financing package, with Russian and Japanese banks in on the development, too. The liquefied natural gas plant and export terminal in the Russian Arctic is scheduled for start-up late this year.

The annual interest rates charged by the latest bank financing range from the six-month EURIBOR (Euro Interbank Offered Rate) plus 1.75 percent to six-month EURIBOR plus 2.3 percent, with insurance coverage provided by the Swedish export credit agency EKN and the German export credit agency Euler Hermes. The six-month EURIBOR rate as of June 12 was a negative 0.266 percent, though a decade ago, during the global economic crisis, the rate was over 4 percent.

Russia plans maritime service center for LNG industry in the Arctic

(Sputnik News; Russia; June 18) - Four artificial islands will be built in the Barents Sea, according to a decree signed by Russian Prime Minister Dmitry Medvedev on June 17. The document said the islands will be used as a manufacturing center for large-capacity maritime facilities. The initiative is part of a large-scale project to explore new gas fields in the area of the Arctic Yamal Peninsula, run by gas producer Novatek.

The center will manufacture maritime equipment for the liquefied natural gas industry, including storage, shipping and maintenance facilities. The project will be funded by Kola Shipyard, with costs estimated at over 25 billion rubles ($433 million). The center is planned for start-up by late 2020 near the village of Belokamenka in the Murmansk Region. The first drydock is expected to be commissioned in the first half of 2019. The region will get its first LNG production and export terminal later this year when the $27 billion Yamal LNG project is scheduled to start production.

During the St. Petersburg International Economic Forum in June, Novatek signed a memorandum of understanding for an investment agreement with Russia’s Commerce Ministry and the government of the Murmansk Region. "A center to manufacture large-capacity maritime facilities would be very important to further explore the enormous resource potential of Russia’s Far North," Novatek CEO Leonid Mikhelson said.

Bangladesh signs with Swiss trader for initial LNG supplies

(Reuters; June 14) - Bangladesh has picked Swiss commodity merchant AOT Energy to help line up supplies of liquefied natural gas on its behalf from mid-2018, showing how new buyers are emerging to soak up a gas glut. AOT said that under a memorandum of understanding signed June 13, the company would set up supply deals for state-run

Petrobangla. U.S. shipping company Excelerate Energy will install Bangladesh's first floating LNG import terminal, which is due to start operations in May 2018.

Gas is by far the main fuel source in Bangladesh. With domestic output set to decline from 2018, LNG imports are needed to meet rapid consumption growth, according to the Oxford Institute of Energy Studies. Tempted by cheap LNG on world markets, Petrobangla has signed preliminary deals for two more import terminals.

Up to now, AOT Energy — formerly known as Astra Transcor Energy — has kept a low profile in trading LNG cargoes. AOT is tasked with finding supply to fill about half the Bangladesh import deal for 3.5 million tonnes per year, an industry source said, brightening prospects for producers hit by low prices and weak demand. Finding new markets to soak up a looming supply glut is seen as key to improving producers' bottom lines and lifting spot prices that are down 70 percent since early 2014.

LNG projects proposed for Gulf Coast far exceed market need

(Houston Chronicle; June 15) - The boom in liquefied natural gas facilities along the U.S. Gulf Coast is outpacing the market. Energy companies are building or have proposed so many export terminals that they can't all be successful, said energy research firm Wood Mackenzie. If all were built, LNG capacity could quadruple current production. "The numbers proposed far exceed what the world realistically needs," said Alex Munton, Wood Mackenzie's principal analyst of LNG in the Americas.

LNG export projects are operating or under construction in Sabine Pass and Hackberry, La., and Corpus Christi and Freeport, Texas, totally 13 large-scale trains, as the liquefaction units are called, with capacity of 53 million metric tons per year, or about 7.3 billion cubic feet of gas per day, according to Wood Mackenzie. Three trains are finished at Sabine Pass, and the other 10 are due to start up over the next two years.

And it's far from the end of LNG construction: Three more LNG projects in Texas and Louisiana have already picked up their federal authorizations to start building, though the project sponsors have not announced final investment decisions. And an additional 11 have submitted applications for federal review. "The remarkable point around the U.S. is its potential for continued growth, simply off the back of the enormous gas resource base of the United States," Munton said.

Gas industry launches national campaign to counter opposition

(Greenwire; June 13) - The natural gas industry has launched a nationwide campaign beginning in Connecticut and Virginia to counter what it calls a growing "keep it in the ground" movement that wants to halt the spread of gas production, infrastructure and exports. The American Gas Association kicked off its "Your Energy" campaign to tout the benefits of gas. The industry group's website claims a need to strike back at activists opposed to gas development and infrastructure and to tell the truth about gas.

"Your Energy was created to speak out against a misguided movement that assaults our way of life," the group wrote. "This movement is based on the simplistic belief that keeping our natural resources in the ground is the only solution to climate change. This isn't just false — it's dangerous to our quality of life, economy and energy security." The website casts gas as the primary driver of emission reductions in the United States.

"We have to fight back against those who want to deprive us of clean, affordable energy," the website says. The campaign, for which the association declined to provide a cost, is being launched in Virginia and Connecticut, two states where residents are facing construction of gas pipelines that have drawn the ire of some landowners and made for tricky political footing in upcoming gubernatorial elections. The group said the campaign will include community outreach, social media and other promotional efforts.

TransCanada will spend $2 billion on gas pipeline expansion

(The Globe and Mail; Canada; June 14) - TransCanada is moving ahead with a $2 billion expansion to its natural gas pipeline system in Alberta and British Columbia as producers in the region struggle with chronic export snarls. The Calgary-based company said June 14 that the new capacity is backed by firm contracts with producers to ship roughly 3 billion cubic feet per day of gas on its Nova Gas Transmission system.

The plan adds to a $5.1 billion capital program aimed at boosting pipeline capacity in the Montney and Deep Basin exploration zones, where producers have been hampered by weak prices owing in part to shipping constraints. The move comes as plans for major West Coast British Columbia liquefied natural gas export plants have stalled indefinitely, prompting producers to seek alternative outlets for fast-growing output.

TransCanada said the $2 billion expansion comprises numerous projects totalling 170 miles of new pipe and related facilities. The company aims to start construction in early 2019, pending approvals from the National Energy Board. TransCanada also said it has contracts totalling 381 million cubic feet a day for new capacity to move gas south to the Pacific Northwest, California and Nevada markets.

First Nation chief battles other leaders in court against LNG project

(Globe and Mail; Canada; June 14) - A federal court case has cast the spotlight on a hereditary tribal leader's battle against a liquefied natural gas project on the British Columbia coast. Donnie Wesley argues he is the hereditary head chief of the

Gitwilgyoots tribe, one of nine allied tribes of the Lax Kw'alaams First Nation. Wesley, a vocal critic of Pacific NorthWest LNG, is asking the court to clear the way for a judicial review into whether the federal government acted properly last year in approving the proposal to build an LNG terminal on Lelu Island in the Port of Prince Rupert, B.C.

He is pitted against elected Lax Kw'alaams officials who support the controversial project, highlighting an internal rift among members of the First Nation. While Justice Robert Barnes of Federal Court emphasized last week he is not in a position to examine internal divisions, he reserved his decision on whether to allow Wesley's application to proceed from a legal viewpoint. If the judge rules in favor of Wesley, the next step could be judicial reviews this fall into motions by Wesley and other parties seeking a court order to quash the federal cabinet approval of Pacific NorthWest LNG.

The Gitwilgyoots tribe claims Flora Bank and Lelu Island as part of its traditional territory in the Skeena River estuary. Their concern is the ecological threat to Flora Bank, a sandbar next to Lelu Island that provides habitat for juvenile salmon. Pacific NorthWest LNG, led by Malaysia's state-owned Petronas, is seeking to export LNG from British Columbia to markets in Asia. Separate from the legal challenge, the project has its federal and provincial approval is waiting on an investment decision by the developers.

New road in Canada's Far North could provide access to gas fields

(CBC News; June 15) - When the $229 million, 75-mile highway from Inuvik to Tuktoyaktuk in Canada's Northwest Territories opens in November, it could open access to untapped sources of natural gas, say energy executives. "[The highway] goes past a lot of known gas fields," said Paul Miller, vice president of business development with Sonoma Resources. "It just opens up new territory, it's new infrastructure … you do some near-highway searching for natural gas pools that can hopefully be harnessed."

Miller and Colin Nikiforuk, president of CNRG Energy, were in Inuvik for a conference this week. They gave a joint presentation where both agreed the technology to produce liquefied natural gas for local needs in the region on the edge of the Beaufort Sea could be set up within five years, depending what is discovered when the year-round highway opens. An LNG plant would produce a clean, affordable fuel that could help take Far North communities off diesel, and would create new industry in the region, they said.

"The spin-offs from that, and the decreased energy costs which you will experience up here, will attract new ventures like mines," Miller said. The Northwest Territories power utility began using LNG in Inuvik (population 3,000) in February 2014, but it's the only community in the Beaufort Sea Delta region to do so. Inuvik began bringing LNG in by truck shortly after the community's gas well was abandoned due to declining production. Other communities, like Tuktoyaktuk (population 800), remain on diesel power.