Oil and Gas News Briefs
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Federal agency will promote U.S. LNG exports

(Argus news media; Nov. 17) - The Trump administration has unveiled an initiative to promote natural gas demand and infrastructure in emerging economies to help U.S. liquefied natural gas exporters grow their business. The administration wants "to make sure that the next gas-fired power plant, the next LNG import facility or the next gas pipeline will be built using American innovation and a 'made-in-the-USA' label," Trade and Development Agency Acting Director Thomas Hardy said Nov. 17.

The agency will expand its partnership with the U.S. gas industry to generate new LNG exports through the development of gas-related infrastructure in countries that have import terminals or are considering building one, Hardy said. The agency for decades has been involved in helping LNG infrastructure developers in other countries, counting technical assistance to terminals in Lithuania and Panama among its success stories.

The administration is working to help foreign customers to get access to abundant U.S. gas, Energy Undersecretary Mark Menezes said at the initiative launch. The agency earlier this month signed a partnership agreement with Japan's Ministry of Economy, Trade and Industry to promote energy infrastructure projects in Southeast Asia and the Pacific region. Another U.S. agency, the Overseas Private Investment Corp., is partnering with the Japan Bank for International Cooperation and Nippon Export and Investment Insurance to provide financing and political-risk insurance to projects.

China may invest in Djibouti LNG plant to liquefy gas from Ethiopia

(Reuters; Nov. 16) - China's POLY-GCL Petroleum Group Holdings has signed a memorandum of understanding to invest $4 billion in a natural gas project in the tiny Horn of African nation of Djibouti. The project includes a natural gas pipeline to move gas from Ethiopia, a liquefaction plant and an export terminal to be built in Damerjog, near the country's border with Somalia. Energy minister Yonis Ali Guedi told Reuters on Nov. 13 that further negotiations for the project would occur within the next six months.

The minister said construction could begin next year. POLY-GCL is a joint-venture between state-owned China POLY Group Corp. and privately owned Hong Kong-based Golden Concord Group. The gas pipeline would transport more than 1 billion cubic feet of gas per day from Ethiopia to Djibouti, according to the agreement. Last year, POLY-

GCL finished drilling appraisal wells for gas deposits in Ethiopia's southeast, a project linked to the export terminal plans in Djibouti.

The LNG plant has a target capacity of 10 million tonnes per year, though production is targeted to begin in 2020 at just 3 million tonnes per year, a representative of the Chinese company said. Djibouti, with a population of less than one million, has long punched above its weight due to its strategic location on the Gulf of Aden, one of the world's busiest shipping routes connecting Europe to Asia and the Middle East. The country hosts large U.S. and French naval bases and China is building a naval base.

Papua New Guinea LNG attracts investor interest

(Reuters; Nov. 16) - Takeover interest in Australia's Santos, a company that not long ago was drowning in debt, shines a spotlight on a burgeoning hotspot for oil and gas producers: Papua New Guinea. The South Pacific nation, one of the world's least explored countries but known for corruption and violence, has become a key source of growth for two of the world's biggest energy companies — ExxonMobil and Total — looking to expand their liquefied natural gas businesses.

With oil and gas prices recovering this year and LNG demand, especially in China, rising, investors are scouring the globe for juicy investments, and Papua New Guinea has landed on their radar. U.S.-based private-equity firm Harbour Energy bid to take over Santos, Australia's No. 2 independent gas producer, which has a 13.5 percent stake in ExxonMobil's Papua New Guinea LNG project. Santos on Nov. 16 rejected the offer, valued at $US7.2 billion. The Papua New Guinea plant went online in 2014.

Investors are attracted by Papua New Guinea's high-yielding gas fields, with the gas rich in liquids that generate extra revenue, and easy exports to North Asia's booming markets as LNG on tankers. Costs are low, a key to grabbing the next leg of growth in the LNG market, as plants in Australia and the U.S. flood the market with new supply. Santos was in deep trouble just a few years ago, struggling with high debt and low oil and gas prices. But asset sales, debt reduction and cost-cutting led it back to health.

Giant offshore field may allow Egypt to resume LNG exports

(Bloomberg; Nov. 14) - Egypt will stop importing liquefied natural gas in 2018 and may eventually resume LNG exports after production starts this year at the Eni-operated Zohr field off the country's Mediterranean coast, Oil Minister Tarek El-Molla said. Gas from Zohr will mostly supply the domestic market, while the nation's two dormant gas-liquefaction facilities could process any available surplus into LNG for international sale in 2019, El-Molla said Nov. 14. The field is estimated to hold 30 trillion cubic feet of gas.

The field will also help ease pressure on the economy of the most populous Arab nation, which has been plagued by a shortage of foreign currency since a 2011 uprising. Egypt currently imports LNG at high cost to meet its energy needs amid declining local production. Eni's discovery of Zohr in August 2015 promises to satisfy much of local demand and may even transform the country back into a gas supplier in the eastern Mediterranean region. Egypt exported LNG until 2014 but had to forego those sales to meet local needs and because sporadic attacks on its main pipeline throttled shipments.

Gazprom talking with Mitsubishi about expanding Sakhalin LNG plant

(Reuters; Nov. 17) - Gazprom said Nov. 17 it has held talks with Japan's Mitsubishi Corp. about cooperation at the Russian gas giant's Sakhalin-2 liquefied natural gas plant. The talks, in the Russian city of St. Petersburg, were between Gazprom head Alexei Miller and Takehiko Kakiuchi, the president and CEO of Mitsubishi, Gazprom said in a statement. It said the talks focused on the planned construction of a third production train at the Sakhalin-2 LNG plant.

The Russian Far East Sakhalin-2 plant, which started operations in 2009, has a capacity of about 9.6 million tonnes of LNG per year. The owners are Gazprom, with 50 percent, and partners Shell, Mitsubishi and Mitsui.

Temporary gas shortage cuts output at Trinidad and Tobago LNG

(Platts; Nov. 15) – Trinidad and Tobago's Atlantic LNG plant continues to struggle with gas shortages that are hurting production and plant reliability, Atlantic CEO Nigel Darlow said at a conference this week in Port of Spain. Gas shortages have brought the facility's utilization rates down to 70 percent, he said. "This has had a significant impact on the business. Not only the considerable lost revenue opportunity, but the operational challenges of having to continually adjust to gas-supply fluctuations," Darlow said.

"The plant is not on steady operation, making things more complicated and putting additional strain on the plant and equipment and the people operating and maintaining it," Darlow said. The complex started operations in 1999 and was expanded to four liquefaction trains with capacity to produce 15 million tonnes of LNG per year. Darlow expects the gas supply to improve soon as new sources come online. The BP-led Juniper offshore project, at $2 billion, started production in August, with peak output expected at 590 million cubic feet per day. BP is a major shareholder in Atlantic LNG.

[India sees small-scale LNG plants as an answer for local needs]

(Bloomberg; Nov. 15) - India's biggest natural gas importer is going to some of the most isolated parts of the nation to fight the pollution choking its cities. Petronet LNG plans to build small liquefaction plants to process gas from local fields with little access to pipeline infrastructure, and then sell the LNG to truck and bus operators, CEO Prabhat Singh said. Besides being cleaner, the fuel can be as much as 30 percent cheaper than diesel to power transportation, he said.

More than 70 percent of India's vehicles run on diesel, seen as a major source of emissions in a country that's home to 14 of the world's 30 most-polluted cities. Tapping isolated gas fields will aid Prime Minister Narendra Modi's drive to cut the nation's fuel import bill. "We want to create demand that's pipeline agnostic," Singh said. "If you can do that, then as an LNG player we are happy because we are not dependent on pipelines. And laying pipeline anywhere is so problematic."

The company is already in talks with Focus Energy, which has gas discoveries in the deserts of the north Indian state of Rajasthan. The gas from those fields does not currently have an outlet to markets because of the lack of pipelines.

[India's oil companies plan aggressive move into natural gas]

(Reuters; Nov. 17) - India's state oil refiners are planning an aggressive push into natural gas in coming years to meet Prime Minister Narendra Modi's goal of making the cleaner fuel a bigger part of the country's energy mix. State-owned oil companies Indian Oil, Bharat Petroleum and Hindustan Petroleum are planning to raise natural gas revenues to between 5 and 15 percent of their incomes over the next few years, up from nearly none now, company executives said.

This in line with a government target to raise the natural gas portion of India's primary energy mix to 15 percent by 2030, up from 6.5 percent now, to help meet climate targets and rein in rampant pollution. The increase would come mostly at the expense of coal, India's most-used energy source. Liquefied natural gas imports will cover the greater part of the growth, although the government also hopes to spur more production of domestic gas reserves off its east coast.

The state oil companies' plan is to build LNG import terminals and domestic pipelines, and to set up urban gas distribution networks around potential major demand centers. India's annual consumption is expected to rise to 2.5 trillion cubic feet of gas by 2022 and 3.5 tcf by 2030, according to the Oxford Institute of Energy Studies, up from about 1.8 tcf now. India needs to invest an estimated $100 billion in gas infrastructure by 2022, according to Oil Ministry figures, including setting up a gas grid across 228 cities.

First Nation leader laments economic loss of energy projects in B.C.

(The Financial Post; Canada; Nov. 16) - Ellis Ross is filled with gut-wrenching dread as several major proposed energy projects unravel in British Columbia. The former chief counsellor of the Haisla Nation near Kitimat has labored for more than 13 years to improve indigenous lives through economic self-sufficiency, and now it could all come crashing down because of what he believes are misguided government actions that burden liquefied natural gas projects and other energy ventures with unnecessary costs.

“We were right on the cusp of First Nations in my region being able to look after themselves,” said Ross, who won a seat in the provincial legislature in May to help get the liquefied natural gas industry off the ground. Opponents of energy projects get attention and results by organizing protests, launching lawsuits, discrediting regulators and influencing governments, but Ross said scores of pro-energy development First Nation groups are worried about losing once-in-a-lifetime opportunities.

Those groups have signed benefits agreements involving cash, jobs and business prospects with projects such as Pacific NorthWest LNG and Trans Mountain’s oil sands pipeline expansion, as well as others that have been canceled or delayed. If the Petronas-led Pacific NorthWest LNG project had proceeded to construction — the partners canceled the project in July — the Lax Kw’alaams Band, one of the largest indigenous groups in B.C., could also have become one of Canada’s wealthiest bands.

Gulf Coast LNG hopeful signs Bechtel to fixed-price contract

(Kallanish Energy news service; Nov. 16) – The developer of a proposed liquefied natural gas export facility in Carlyss, on the Calcasieu River in western Louisiana, said it has signed fixed-price, lump-sum agreements totaling $15.2 billion with global contractor Bechtel Oil, Gas & Chemicals. Houston-based Tellurian said the deals are for engineering, procurement and construction of its proposed Driftwood LNG project.

Driftwood would include 20 small liquefaction trains, each with capacity to make 1.38 million tonnes of LNG per year. Tellurian is at the start of its regulatory process. It applied in March to the Federal Energy Regulatory Commission and it does not yet have full export authority from the Department of Energy. Tellurian was founded by Charif Souki, who helped build Cheniere Energy into an LNG exporter before he was forced out of the company in 2016.

The agreement with Bechtel calls for building Driftwood LNG in four phases, starting with eight liquefaction trains in the first phase. Tellurian is targeting 2022 as the in-service date for its first phase. In addition to its LNG plans, Tellurian holds some gas-producing assets in the U.S., along with exploratory acreage in the U.K. and Australia.

Korean court fines contractors for bid rigging on LNG storage tanks

(Korea Herald; Nov. 14) - A Seoul court fined 10 construction firms Nov. 14 for conspiring to rig bids for massive state projects to build liquefied natural gas storage tanks worth more than 3.5 trillion won ($3.1 billion). The companies were indicted in August on charges of fixing the bids to divide up the contracts to build 12 LNG tanks in three provinces from 2005 to 2012. It marked the biggest-ever collusion in terms of the value of the contracts involved.

The Seoul Central District Court handed out a 160 million won ($143,164) fine each to Daelim Industrial, Daewoo Engineering & Construction, GS Engineering & Construction and Hyundai Engineering & Construction. Six other builders were fined between 20 million won and 140 million won. Company officials accused of involvement in the rigging were also sentenced to fines ranging from 5 million to 30 million won.

"The defendants colluded and impeded competition in order to maximize profits," the court said. "This should be sternly punished." The court said, however, it took into consideration the fact that massive penalties have already been imposed on the companies. The antitrust watchdog Fair Trade Commission has slapped the builders with a total of 351.6 billion won (about $300 million) in penalties, the second-largest amount for such irregularities involving builders.

Proposed small LNG plant in Rhode Island encounters opposition

(The Providence Journal, RI; Nov. 14) – In Providence, R.I., not far from the 127-foot-high tank on the waterfront that National Grid uses to store liquefied natural gas, is a pipeline that brings natural gas to New England from shale fields in Pennsylvania and other states. But the pipeline isn’t used to refill the storage tank, which serves as a backup supply on the coldest winter days to meet the heating needs of the Providence area. Instead, tanker trucks bring in LNG from an import terminal in Boston harbor.

National Grid says it needs a domestic source of LNG to ensure adequate supply and proposes a $180 million facility that would tap the pipeline and supercool up to 20 million cubic feet of gas per day to liquefy it for storage. At a hearing before state regulators Nov. 14, Anthony LaRusso, project director with National Grid, said it would be better to turn some of the abundant, affordable domestic gas into LNG for winter needs than to pay higher prices for foreign-produced LNG imported into the country.

The storage tank has stood at Fields Point since 1974. On peak demand days, it supplies as much as 40 percent of the Providence area’s needs. Building a gas liquefaction plant at the site, however, has met with opposition from environmental groups and some elected officials, including the mayor of Providence. They cite safety concerns and say the proposed facility would be vulnerable to storms and rising seas caused by climate change. The Greater Providence Chamber is in favor of the project.

Florida railroad first in the U.S. to adopt LNG for all its locomotives

(International Railway Journal; Nov. 13) - Florida East Coast Railway has become the first North American railway to adopt liquefied natural gas for its entire line-haul locomotive fleet. The 351-mile railway officially unveiled its modified fleet of GE locomotives Nov. 9, which operate in pairs with a purpose-built LNG fuel tender supplied by Chart Industries. The railway is also the first in the United States to haul LNG as a commodity under a Federal Railroad Administration waiver.

Florida East adopted LNG as an alternative to diesel for two reasons: Its line-haul locomotive fleet is captive, operating solely on the Jacksonville-to-Miami line; and the railway has access to a ready source of LNG through Florida East Coast Industries' plant in Titusville, Fla. Refilling an empty tender takes around 90 minutes and provides enough fuel for up to 900 miles of heavy-haul service. LNG is still under evaluation by several major railways including BNSF (formerly Burlington Northern and Santa Fe).

China largest buyer of U.S. crude oil exports

(The Hill columnist; Nov. 16) – U.S. crude oil exports are soaring this year, and China is its single largest buyer for waterborne sales. This is likely to continue, but it is important to separate temporary factors from longer-term trends. The U.S. industry was hard hit by Hurricane Harvey, which cut refinery runs much more than oil production. That led to a backlog of crude inventory. Some of that is currently being exported and is likely to continue to support strong exports over the next few months until the U.S. rebalances.

Longer term, rising U.S. production will be key — and that looks to continue, assuming global crude prices stay reasonably healthy. Analysis of data reveals that the U.S. exported on average 203,000 barrels a day of crude to China in the first 10 months of 2017, according to analysis by S&P Global Platts Analytics. The main reason the U.S. has become a major exporter is the rapid growth of light, sweet shale crude production coupled with a U.S. refining system that operates most economically with a heavier oil.

U.S. light, sweet crude is readily available for export from multiple terminals, is easy to process, helps Chinese refiners meet tightening sulfur specifications and, importantly, is priced to be exported. With Chinese refinery runs increasing, refiners there are looking for crude from all potential sellers. And with OPEC still restraining its output, rising U.S. sales are a logical choice. In 2016, just four vessels left the U.S. destined for China. But in 2017, China has become the largest single buyer of U.S. seaborne crude.

Developer expands capacity on Permian natural gas liquids pipeline

(Corpus Christi Caller-Times; Texas; Nov. 14) - The company behind an ambitious pipeline that would link Corpus Christi, Texas, and the Permian Basin is already planning to move more natural gas liquids than it said it would just two months ago. Construction began Nov. 14 on the first phase of the EPIC NGL Pipeline project. The 650-mile pipeline is expected to be finished in early 2019, and would serve multiple points in the Permian, Delaware and Midland basins of West Texas and New Mexico.

The pipeline would be capable of moving at least 375,000 barrels a day. In September, company officials said it would be designed to move up to 220,000 barrels of natural gas liquids each day, and would run parallel to a crude oil pipeline that EPIC announced earlier this year. EPIC is working on the gas liquids project with BP.

EPIC, which stands for Eagle Ford, Permian, Ingleside and Corpus, said in a statement that the natural gas liquids line would run parallel in Texas with a 730-mile oil pipeline the company announced in March. That line, expected to be operating by the first quarter of 2019, will move about 440,000 barrels a day of crude and condensate out of the Permian Basin to the Corpus Christi region for refining and possible export.

Norway's wealth fund may stop investing in oil and gas

(Wall Street Journal; Nov. 16) - Norway's sovereign-wealth fund said Nov. 16 it may stop buying oil and gas stocks. The Norwegian central bank, which uses the fund to invest the proceeds of the country's oil resources, said that investing money back into the energy sector amplifies Norway's exposure to the price of crude, particularly given the country's majority stake in Statoil. Oil and gas equities account for about 6 percent of the Government Pension Fund Global's benchmark index (about $36.49 billion).

The fund owns large stakes in most big oil companies, including Chevron, ExxonMobil, BP and Shell. Norges Bank, the central bank, made the proposal to Norway's Ministry of Finance, saying that, given its size, the fund accounts for an increasingly large share of the nation's wealth and is an integral part of government fiscal policy. That means that the vulnerability of government wealth to a permanent drop in oil and gas prices would be reduced if the fund pulled out of the stocks in that sector, Norges Bank said.

The Ministry of Finance said the government aims to make a decision in the fall of 2018. A bank official said the advice doesn't reflect a view on future oil and gas prices. Norway's fund was established to harness and invest the country's oil and gas income while also giving the government room to maneuver in fiscal policy should oil prices drop and as its oil eventually runs out. In September, the fund value reached $1 trillion for the first time.