Oil and Gas News Briefs
Compiled by Larry Persily
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Shell-led venture not giving up on LNG project in British Columbia

(Globe and Mail; Canada; Sept. 19) - It seems Andy Calitz didn't get the memo from industry experts about Canada missing the boat on exporting liquefied natural gas to Asia. Far from giving up, the CEO of LNG Canada believes it is a matter of when — not if — a $40 billion export terminal will be built in Kitimat in northwestern British Columbia. This week, the National Energy Board approved the Shell-led consortium's request to extend the deadline for starting exports to 2027 instead of the end of 2022.

"I do not subscribe to the view that the growth period for LNG or natural gas is over," Calitz said. Despite the gloomy outlook for LNG proposals worldwide, he is pressing ahead. LNG Canada has started dismantling aging infrastructure such as storage tanks on the proposed Kitimat site where methanol maker Methanex Corp. closed operations in 2006. Site cleanup began in July and is halfway toward completion.

Next up is to select a prime contractor. The deadline for submissions from four bidding groups is Nov. 30, and the selection process should be finished in the second quarter of 2018. Calitz said a decision to proceed to the first phase of construction will be made after the prime contractor is chosen. He doesn't have a specific target date for revealing a green or red light for the project, although analysts expect an announcement in the second half of 2018. The partners had delayed their decision from last year.

Already two major LNG projects in British Columbia have been canceled this summer — one led by Malaysia's Petronas, and another led by a Canadian subsidiary of China National Offshore Oil Corp. The Shell-led group is looking for signals that the current global oversupply of LNG will gradually ease and eventually create an opening for new supplies. Shell holds 50 percent of LNG Canada. South Korea's KOGAS and Japan's Mitsubishi each have a 15 percent stake, while PetroChina owns a 20 percent interest.

Rosneft will invest in gas export pipeline in Kurdistan

(Reuters; Sept. 17) - Russian oil major Rosneft will invest in a gas pipeline in Iraq's autonomous Kurdistan, expanding its commitment to the region ahead of an independence referendum to help the region become a major exporter of gas to Turkey and Europe. Kurdistan's parliament approved a plan on Sept. 15 to hold a referendum on independence Sept. 25, ignoring opposition from Baghdad and the wider region as well as Western concerns that the vote could heighten tensions in the region.

Kurdistan has been exporting oil independently from Baghdad since 2014 and Kremlin-controlled Rosneft joined the list of buyers this year, lending the region hundreds of millions of dollars in loans guaranteed by future oil sales. Now Rosneft is widening its investments to gas by agreeing to fund a natural gas pipeline in Kurdistan, Rosneft and the Kurdistan Regional Government said Sept. 18. Two sources close to the deal said the investments would amount to more than $1 billion, with gas exports starting in 2020.

Kurdistan has relied on oil to improve its fiscal position but has struggled to develop its large gas reserves. For Rosneft, it's a big boost to its international gas ambitions. Rosneft has long sought to challenge Gazprom, Russia's gas export monopoly, in supplying gas to Europe. For Turkey, it means the arrival of new supplies for its energy-hungry economy. The line is expected to handle up to 3 billion cubic feet of gas exports a day. Kurdistan sits on some of the largest untapped gas deposits near Europe.

Norway's oil and gas savings fund tops $1 trillion

(Financial Times; London; Sept. 19) - Norway's oil and gas savings fund, the world's largest sovereign wealth fund, has topped $1 trillion in assets for the first time in its history. The fund, which started in 1996, reached $1.001 trillion in market value Sept. 19. In a country of just 5.2 million people, the fund has been an extraordinary success, growing faster than ministers imagined to become one of the world's largest investors, owning on average 1.3 percent of every listed company in the world.

The fund was set up to help manage Norway's oil and gas wealth for future generations by taking the revenues from petroleum and investing it in financial assets abroad. At the same time, Norway did not reduce its heavy personal and business taxes, allowing it to save 100 percent of its oil and gas revenues. The fund has grown at a dizzying pace, with its assets rising 13-fold since 2002. At the end of 2016, about half of the fund's assets were due to the returns on its investments, approximately 45 percent due to inflows from oil and gas revenues, and the rest due to currency movements.

It started by investing purely in bonds but now has close to 65 percent of its assets in stocks. It made its first investment in property in 2011 and has now built up a $30 billion portfolio, mostly in the U.S. and Europe. It has also become an increasingly active shareholder, voting against some of its biggest holdings such as Apple and Facebook on corporate governance issues. But it faces big questions about its future. There are growing concerns about how much of the fund the government uses in its budget. An unofficial rule to use up to 4 percent of the fund's value each year has been revised down to 3 percent, but many argue that this still could prove too much.

Bangladesh signs fifth LNG supply agreement

(Platts; Sept. 19) – Commodity trader Gunvor Singapore is set to supply liquefied natural gas to Bangladesh starting next year after signing a memorandum of understanding with state-run Petrobangla on Sept. 19. It is Bangladesh's fifth LNG supply agreement, and the third this month. Bangladesh has agreements to take cargoes from LNG producers Qatar, Oman and Indonesia, and Switzerland-based trade AOT Energy. The country is poised to start imports next year to meet growing demand.

Gunvor plans to supply LNG to Bangladesh from different sources, its head of LNG Asia, Luc Speeleved, told S&P Global Platts at the deal-signing ceremony. Speeleved would not comment on volume or price, but said he hopes negotiations with Petrobangla would be concluded within two to six months.

"We like to diversify sources to ensure availability of LNG so that the country does not face any unforeseen crisis," said Petrobangla chairman Abul Mansur Md Faizullah. The country is planning to start LNG imports in early 2018. Bangladesh's existing gas reserves will be completely depleted by 2038 if no new exploration and discovery takes place, said a report prepared by Copenhagen-based research firm Ramboll in association with Geological Survey of Denmark and EQMS Consulting.

Private industries in Pakistan join together to build LNG terminal

(Reuters; Sept. 17) - Three Pakistani industrial groups plan to begin importing liquefied natural gas through a private terminal due to be completed in early 2019, bringing the total number of potential LNG import projects in the country to eight. Currently, Pakistan has only one active LNG import terminal at Port Qasim in Karachi, but is seen by traders and suppliers as a major growth market key to soaking up a growing oversupply of the fuel on international markets.

Yunus Brothers Group, Sapphire Group and the private backers of Pakistan's Halmore Power Generation Co. are co-funding the Energas terminal to supply their power plants, cement, auto and chemical factories, and textile mills with about 2.1 million tonnes of LNG per year. The terminal at Port Qasim in Karachi will include a floating storage and regasification unit, converting the LNG back into gas for feeding into the pipeline grid.

"Energas is a buyers-only consortium, pooling demand together to secure long-term LNG supply on preferential terms," Energas CEO Anser Khan said. Additional power generating companies are in talks to join the consortium, which expects to cut its fuel costs by switching away from diesel to cheaper, less polluting gas. "Energas is currently engaged in talks to secure a 15-year LNG supply deal," Khan said. A challenge facing some of Pakistan's proposed import projects is a lack of end-user demand needed to underpin investments in terminal infrastructure and LNG supply, industry sources said.

Angola LNG strikes deal with another commodity trader

(Reuters; Sept. 20) – Switzerland-based trading house Glencore will buy liquefied natural gas from Angola LNG over a multi-year period, adding to similar recent deals between the producer and traders including Rotterdam-based commodity trader Vitol. Angola LNG on Sept. 20 said the Glencore deal was another step toward building its sales book. Last month it reached a deal to sell LNG to Vitol over a multi-year period and also entered a sales deal with the trading arm of German electric utility RWE.

Until recently, Angola has been selling all of its LNG via competitive tenders in the spot market, partly because a previous plan to ship LNG to the United States fell through after the U.S. shale gas boom eliminated the need for natural gas imports. Concerns over the Angola plant's reliability, as well as limitations on feed-gas supplies from offshore fields, also prevented the Chevron-led project from locking in LNG sales deals. The $10 billion plant opened in 2014 but was plagued by shutdowns and costly repairs.

LNG production will add to global carbon emissions, says new report

(Reuters; Sept. 19) - Liquefied natural gas will be the biggest source of carbon emission growth for the world’s top oil and gas companies by 2025, says a new study by Wood Mackenzie, as demand for the fuel is set to rise sharply. Oil and gas companies such as ExxonMobil, Shell and Total have promoted gas as a cleaner fuel that will displace coal to meet growing demand for energy as the world shifts away from fossil fuels.

But converting natural gas into LNG is an energy- and emission-intensive process, said Wood Mac analyst Amy Bowe. Capping emissions of heat-trapping gases by the oil and gas industry has moved to the forefront of investors’ agendas in the wake of the 2015 Paris climate agreement to limit global warming. Companies are under growing pressure to tackle emissions from flaring excess gas at oil fields as well as limiting methane emissions, a highly potent greenhouse gas, from pipelines and LNG terminals.

The Edinburgh-based oil and gas consultancy said emissions from oil and gas production of 25 of the world’s top energy companies are nevertheless expected to rise 17 percent by 2025. Fossil fuel output will increase by 15 percent over the same period. Emissions from LNG production are forecast to grow by 43 percent over the period compared with a 22 percent increase in supply, according to the report.

Official says LNG exporters not doing enough to supply Australians

(Reuters; Sept. 20) - Australia’s competition watchdog said Sept. 20 that the country’s East Coast gas exporters have not done enough to shore up local supply, in a warning shot ahead of a decision by the federal government whether to curb exports in 2018.

The comments by Australian Competition and Consumer Commission Chairman Rod Sims hint at what the watchdog may recommend to the government, which is due to decide by Nov. 1 whether to limit exports of liquefied natural gas.

"The gas supply outlook in 2018 now appears worse than at the time of our first gas report in March 2016," Sims said in a speech in Canberra. Recent deals announced by companies like Origin Energy, co-owner of the Australia Pacific LNG plant, and Santos, operator of the Gladstone LNG project, to boost local gas supply had done little to help the market, he added. East Coast gas consumers have been complaining of tight supplies and high prices, which they blame on Australia's growing LNG export trade.

"I said six months ago ... if I were providing private advice to the LNG producers … they would be well advised to support the domestic market as much as possible. They have largely not done so." GLNG, owned by Santos, France's Total, Malaysia's Petronas and Korea Gas, is most likely to face export curbs as it is taking gas from the local market to help fill export contracts. Sims said Santos had taken some steps to boost local supply, "but none of these moves have made any serious inroads into the gas supply problem."

FERC gives go-ahead for gas pipeline; says New York took too long

(EnergyWire; Sept. 18) - The Federal Energy Regulatory Commission has overruled New York's decision on a gas pipeline, clearing the way for construction of a project that state regulators rejected. Last month, the New York State Department of Environmental Conservation denied a water permit to the Valley Lateral Project. In its Sept. 15 order, FERC said the state had taken more than a year to do its review and thus "waived" its authority. Millennium Pipeline Co. said it will ask FERC for permission to start building.

The order is one of the first major actions by FERC under Chairman Neil Chatterjee, a Trump appointee, and will escalate the conflict between state and federal authorities over new infrastructure, setting up a battle that will play out in courts and the regulatory world for months and years to come. FERC's decision will elate a pipeline industry that's recently found itself stymied by New York. The state has rejected water permits for three major gas pipeline projects — which all got FERC approval first.

The decision will deflate states that had hoped for a legal tool that could block pipelines. FERC is the lead federal agency reviewing interstate gas pipelines, but under the Clean Water Act states can review projects for compliance with state water laws. Without this certification, a pipeline can't be built. The exception is if a state has taken too long: The statute allows "a reasonable period of time (which shall not exceed one year) after receipt of such request." In that case, FERC can declare a waiver and the project returns to the commission for final approval. New York has 30 days to seek a rehearing.

[Gas pipeline opponents say FERC allows excessive rate of return]

(Platts; Sept. 19) - Regulators are falling short of their duty to assess whether new interstate natural gas pipelines are supported by long-term demand, creating the potential for corporations to shift financial risks to utility ratepayers, says a study by three nonprofit groups released Sept. 19. The report, dubbed "Art of the Self-Deal," by Oil Change International, Public Citizen and Sierra Club, was released in advance of the Federal Energy Regulatory Commission's first monthly meeting in seven months.

FERC is slated to decide on a slew of pending gas projects in the coming months. The study points to the 14 percent return on equity FERC has tended to allow for new pipelines, saying the "excessive rate" distorts markets, luring utility holding companies to invest in pipelines. That rate, first set in 1997 when interest rates were double today's average, exceeds what is typical for other major utility investments, the report argues. It calls particular attention to projects that lean heavily on utility affiliates of pipeline owners as customers, warning that FERC needs to scrutinize "self-dealing."

Utility holding companies "are launching their own projects to cash in on the high returns associated with pipeline development," the report contends. It raises doubts about whether the projects will be underutilized, increasing financial risks for ratepayers. "FERC fails ratepayers when it takes at face value pipeline company estimates of future gas demand while the momentum behind clean-energy's disruption of fossil fuel markets is accelerating," said Lorne Stockman, a co-author of the report.

[FERC allows gas pipeline developer to restart work at river crossings]

(EnergyWire; Sept. 19) - The Federal Energy Regulatory Commission on Sept. 18 authorized resumption of tunneling work that regulators had put on hold after a massive drilling fluid spill in wetlands near the Tuscarawas River in Ohio in April. FERC staff said Rover could restart horizontal directional drilling at nine road and river crossings, approving plans put forward by the company with support of independent consultants.

The requirements include using extra pressure-tracking devices for boring and using additional independent inspectors to monitor for unintended releases of drilling fluid. The restart will help Rover complete the pipeline by the end of this year. Work on laying pipe for much of the $4.2 billion, 713-mile gas pipeline has continued since FERC stopped certain work in May, and a portion of the pipeline was put into service at the end of August, but the company was unable to make progress on the final crossings.

Even as FERC granted Rover permission to move forward, officials warned the developer that its continued cooperation was required as the agency investigates the April release of an estimated 2 million gallons of drilling slurry that was later found to be contaminated with traces of diesel fuel. The pipeline mostly runs through Ohio and Michigan, with a short stretch in West Virginia.

Port of Tacoma defends LNG fueling depot

(Ship & Bunker News; Sept. 19) - The Tacoma Port Authority has responded to concerns over its decision to allow development a liquefied natural gas bunkering facility by earmarking a specific page on its website to counter what it says is misinformation. "Because there is so much misinformation in the community about this project, we have created a page on our website [which] provides primary-sourced information as well as links to other resources," port commissioners Clare Petrich and Don Johnson wrote.

"The facility will not affect groundwater and, in the unlikely event of a fuel spill, LNG turns back into a vapor, which is lighter than air and quickly disperses," the article added. The commissioners pointed out that LNG "emits a fraction of the pollution of the industry standard bunker fuel. … switching to LNG means a 90 percent reduction in diesel particulate matter, a known carcinogen and threat to public health."

Shipping company TOTE, which serves Alaska from the port of Tacoma on Puget Sound in Washington, will use the LNG fueling depot, as will other marine customers. The port has signed a lease with Puget Sound Energy, developer of the $300 million facility that will include a liquefaction plant, storage tank and loading operations. The Tacoma operation is scheduled to start operations in late 2019.

U.S. natural gas prices could rise with cold winter

(Reuters columnist; Sept. 19) - U.S. natural gas stocks look somewhat tight after low prices this summer worked off the excess stocks that built up in the first half of the year. Current stocks are in line with the five-year seasonal average but that may not be enough given the increase in exports and the number of additional power plants that have become operational in 2017. The past two winters have been exceptionally mild; if this winter proves colder, gas inventories could come under pressure.

The price of gas for delivery at Henry Hub in January 2018 has already risen by 29 cents per million Btu, or 9 percent since early last month. The Henry Hub U.S.-benchmark natural gas price as of Sept. 19 for October delivery was $3.13 per million Btu, with January 2018 delivery trading at $3.42. Now that excess stocks inherited from earlier this year have been worked down, the outlook for gas this winter appears somewhat tight and forward prices are rising as a result.

Chinese oil giant looks for partners in its Mexico prospects

(Bloomberg; Sept. 15) – China National Offshore Oil Corp. is searching for partners to develop oil prospects deep into the Gulf of Mexico as the Chinese giant extends its global reach. After bidding alone for exploration rights in Mexico's first-ever deep-water auction in 2016, CNOOC is seeking deals known as farm-outs, a common joint-venture where a stake in an oil prospect is exchanged for help with drilling and production costs. The company has yet to choose partners, a CNOOC spokeswoman said Sept. 15.

China, the world’s biggest oil consumer after the United States, has sought a foothold in crude production everywhere from Africa to Canada as it looks to ensure supplies to its fast-growing economy. Several Latin American countries such as Venezuela and Brazil have taken advantage of China’s thirst for crude to secure investments or loans that haven’t always been easy to obtain elsewhere.

CNOOC is the first foreign producer to seek a farm-out in Mexico since the opening of the country’s oil industry to competition, following decades of a monopoly in the hands of state-owned producer Petroleos Mexicanos. "It makes sense" that CNOOC would seek a partner, said Juan Carlos Zepeda, Mexico’s oil commissioner. "It’s logical because in deep waters, companies normally develop the projects in consortium groups or partnerships."