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Lack of quorum at U.S. Export-Import Bank hurts LNG projects

(Platts; April 6) - One of the few federal agencies that could help the U.S. liquefied natural gas export industry is stalled in a leadership crisis, preventing developers from using a tool that could boost new multibillion-dollar ventures facing financing difficulties. While U.S. LNG exports have the support of the Trump administration and others, their main challenge is a lack of creditworthy buyers willing to sign long-term contracts.

The Export-Import Bank, an independent agency supporting the sales of U.S. goods and services abroad, could help LNG projects with loan guarantees for overseas buyers in order to secure financing — or directly lend to U.S. project developers. But there is a problem. The bank has no chairman, and three board seats are vacant.

The shortest path to supporting energy exports "is to make Ex-Im work again," said Michael Whalen, a managing director at consulting firm Berkeley Research Group and a former official at the Export-Import Bank. To do that, the White House would have to again nominate a chairman after lawmakers blocked its first nomination, and the U.S. Senate must vote to confirm the president's picks to the board. The bank has been without the ability to make deals of more than $10 million since it lost a quorum in 2015.

A roadblock for U.S. LNG exports is the lack of 20-year contracts that allow the costly projects to line up financing — that is where the Ex-Im Bank could help. "These projects are so capital-intensive that that greatly helps to minimize the risk of investing in these projects," said Katie Ehly, senior policy adviser for the Center for Liquefied Natural Gas.

White House permitting memo doesn't change federal laws

(Platts; April 11) - Industry officials are hopeful a White House memorandum on infrastructure permitting released April 9 could keep pressure on agencies to avoid delays in the natural gas permitting process. But environmental advocates said the agencies will still be bound by existing statutes. The memorandum of understanding is intended to ensure there is "one federal decision" on major projects with a designated federal agency taking the lead, cooperating agencies keeping up with deadlines, and a key goal of finishing environmental reports and having a final decision within two years.

The action applies to a wide array of projects, including natural gas pipelines and LNG export terminals. The Federal Energy Regulatory Commission and a host of other departments and agencies signed on, including Interior, Commerce, the Environmental

Protection Agency, and the Army Corps of Engineers. FERC is already designated as the lead agency for gas pipeline and LNG reviews and sets deadlines for other agencies. But the new MOU is seen as elevating attention to the timelines.

Moneen Nasmith, staff attorney with Earthjustice, called it "a disturbing signal" that the agencies and FERC would sign the MOU that aims to have every project review complete in two years or less. "Any suggestion by FERC or any other agency that it is going to somehow try to shoehorn environmental review processes into an arbitrary amount of time is disturbing," she said. Montina Cole, senior attorney with the Natural Resources Defense Council, said that much in the MOU seems similar to current rules and practice that FERC already follows and that there is no need to further streamline a process that has led to approval of all but two out of 400 applications since 1999.

Exxon in talks with Qatar to develop U.S. natural gas

(Wall Street Journal; April 10) – ExxonMobil is in talks with Qatar over a partnership that could see the Middle Eastern nation owning U.S. gas, sources said. The potential deal could lead to the state energy giant Qatar Petroleum investing in Exxon's vast U.S. gas resources, extending from West Texas to North Dakota, according to sources, as both seek to deepen an already lucrative relationship. It could be a joint venture in which Qatar partners or invests in new wells with Exxon subsidiary XTO Energy, sources said.

Qatar wants to broaden its investments outside the Middle East and curry favor with Washington amid an economic blockade by Saudi Arabia and its Gulf allies. Exxon's operations in Qatar are hugely profitable and it needs Doha's financial support and signoff to proceed on a proposed $10 billion liquefied natural gas export project in East Texas, Golden Pass LNG. The development is critical to allowing Exxon to reach markets abroad for its U.S. gas bounty as prices come under pressure domestically.

The fate of Golden Pass could hinge on a deal. The project is mainly owned by Qatar Petroleum, which has held off agreeing to develop it with Exxon until it owns U.S. gas supplies. "We are not going to proceed with that without upstream assets in the U.S.," Saad Sherida al-Kaabi, QP's CEO, said in an interview. Qatari LNG is already one of Exxon's most profitable partnerships. The country produces more than a quarter of the world's LNG. In 2018, Qatar will account for about 25 percent of Exxon's after-tax cash flow and 16 percent of its oil and gas output, according to analytical firm GlobalData.

China National Petroleum chair says energy ties with U.S. will grow

(Bloomberg; April 9) - The head of China's largest gas importer believes the country's energy ties with the United States are set to deepen, despite trade conflicts between the world's two largest economies that has roiled financial markets. "There is more room for cooperation than confrontation between China and the U.S.," China National Petroleum Corp. (CNPC) Chairman Wang Yilin said April 9 in an interview with Bloomberg.

"I hope our cooperation with U.S. partners won't be negatively affected by the trade disputes, I'm confident our cooperation will only get better and closer," he said. China last week proposed slapping tariffs on liquefied propane and petrochemicals from America, signaling it can strike the U.S. energy industry if the dispute intensifies.

CNPC in February signed China's first long-term contract to import U.S. liquefied natural gas in a deal with Cheniere Energy to take 1.2 million tonnes a year through 2043. The contract helps underpin Cheniere's expansion of its LNG export terminal in Corpus Christi, Texas. "We currently have great cooperation with many U.S.-based companies such as ExxonMobil, Chevron and ConocoPhillips," Wang said.

The chairman also reported that the pipeline that will bring Russian gas into China is on schedule to start up in 2019 as planned and both sides are accelerating construction. Russian gas prices should be competitive with other suppliers that send gas to China, said Wang, who didn't provide details on the pipeline pricing formula.

Chinese investment adds to Venezuela's economic woes, report says

(OilPrice.com; April 4) - Venezuela's oil production fell by another 100,000 barrels per day in March, a devastating blow that will only make the country's economic crisis worse. Output is expected to continue its downward spiral; the only uncertainty is over the pace of decline. As Venezuela comes apart, it will hand over more and more control of its natural resources, and even power over its institutions, to China, according to a new report from the Washington-based Center for Strategic & International Studies.

The report argues that enormous levels of foreign investment may seem beneficial, but China has made Venezuela's economic predicament worse. Taking advantage of Venezuela's desperation, China has managed to convince Caracas to sign "one-sided financial agreements" that perpetuate the economic malaise afflicting the country. Over the past decade, China has sent an estimated $62 billion to Venezuela in one form or another, representing about half of all the money that China has lent to Latin America.

For years, Venezuela has been sending oil to China as repayment. Last year, it sent about 330,000 barrels a day — earning little or no revenue. China's patience, however, seems to have worn thin. Reuters reported that China is likely to roll over a financing arrangement with Venezuela, allowing for lenient repayment, but won't lend any more money to the government. China remains Venezuela's largest debt owner with $23 billion. Venezuela will remain in a colonial-like state, its resources extracted for China's benefit, the report said. Moreover, China's loans to Venezuela are particularly opaque.

The Philippines, China look to jointly explore for oil and gas

(Reuters; April 9) - The Philippines is looking to seal a pact with China within a few months to jointly explore for oil and gas in a part of the busy South China Sea claimed by both countries, a Philippine official said April 9. In February the two countries agreed to set up a special panel to work out how to jointly explore for offshore oil and gas in areas that both sides claim without needing to address the touchy issue of sovereignty.

"We're trying to see if we can achieve an agreement, hopefully within the next couple of months," said Jose Santiago Santa Romana, Philippine ambassador to the People's Republic of China. There is political willingness to land a deal, but both parties could take as much time as needed to ensure the goals are met, Santa Romana said, adding that the Philippines aims to boost its energy security.

Beijing claims most of the South China Sea, a key trade route with areas believed to hold large quantities of oil and gas. Parts of it are subject to competing claims from Brunei, Malaysia, Taiwan, and Vietnam besides the Philippines. Last month, the Philippines identified two areas in the South China Sea where joint exploration for oil and gas may be undertaken with China.

Exxon plans early-May restart of Papua New Guinea LNG

(Reuters; April 11) - ExxonMobil expects to restart production from its Papua New Guinea liquefied natural gas project at the start of May after it was shut following an earthquake in February, ExxonMobil LNG Vice President Emma Cochrane said April 11. The $19 billion facility, which opened in 2014 in a remote location in one of Asia's poorest and most politically troubled countries, has been closed since the powerful 7.5 magnitude earthquake.

The project is considered one of the world's best-performing LNG operations, despite the challenge of drilling for gas and building a plant and pipeline in the remote Papua New Guinea jungle. Australia's Oil Search and Santos are Exxon's main partners in the project. The LNG plant may not be able to produce at full capacity at first and will likely ramp up gradually, Cochrane said on the sidelines of the International Energy Forum. "We are hopeful that we will be able to start in the beginning of May," she told Reuters.

ExxonMobil has said there has not been any indication that the 435-mile pipeline that delivers gas to the coastal LNG plant was damaged by the quake, which flattened villages, killed dozens of people, and spoiled water sources. Cochrane also said the company has recertified the reserves in its P'nyang field in Papua New Guinea, and the reserves are higher than it previously thought. "That gives us the potential to expand the facilities in the P'nyang field for the PNG LNG foundation project," she said.

BP gives go-ahead to gas project in Oman

(Platts; April 9) - BP said April 9 it had taken the final investment decision on development of a second phase of the giant Khazzan tight-gas field in Oman as demand for gas in the Middle Eastern country continues to rise. Oman, which exports about 350 billion cubic feet of gas as LNG mostly to South Korea and Japan, expects its domestic gas consumption to grow in the coming years as it looks to meet demand from industry. Oman started up its first liquefied natural gas exports in 2000.

Oman’s domestic demand rose to 820 bcf in 2016 from 236 bcf in 2004, according to data from the U.S. Energy Information Administration. Its gas output, meanwhile, has been mostly flat in recent years, according to the BP Statistical Review of World Energy. It imports some gas via the pipeline from Qatar. Oman is pinning its hopes for meeting future gas demand on development of the first phase of Khazzan — which started production in September last year — and its second phase called Ghazeer.

"We are pleased to announce the sanction of Ghazeer, BP's first project final investment decision of 2018," BP Oman president Yousuf Al Ojaili said. Khazzan is producing at plateau of about 1 bcf per day, while Ghazeer is expected to come on stream in 2021 with an additional 0.5 bcf per day. Total output would meet about two-thirds of Oman's current gas demand. Khazzan and Ghazeer are expected to deliver total production of 10.5 trillion cubic feet of gas and 350 million barrels of condensate.

Singapore imports first LNG cargo for domestic use

(Bloomberg; April 8) - Singapore’s state-owned gas importer has brought in its first cargo of liquefied natural gas for domestic use. Pavilion Energy, owned by Singapore’s Temasek Holdings, unloaded the LNG from the tanker Al Oraiq on April 7. The vessel carried the fuel from Qatar, the world’s largest LNG exporter. Pavilion last year became one of two companies, along with Shell, granted a license to import LNG into Singapore.

The Asian nation sees imports of the fuel as necessary to supplement possibly declining pipeline gas supplies from Malaysia and Indonesia. About 95 percent of Singapore’s electricity is generated by gas-burning power plants. Pavilion has brought in LNG cargoes to the Jurong Island terminal before, but they’ve been reloaded and shipped back out instead of being warmed into gas and fed into the local energy system.

LNG plant contractor Bechtel says world needs more export projects

(Bloomberg; April 10) - The world may need investment of as much as $200 billion in new liquefied natural gas export terminals by 2025 to satisfy a growing appetite for cleaner-burning fuels, according to Bechtel Group. Even under a moderate-growth scenario, global LNG demand will climb by 15 million tonnes a year, Bechtel CEO Brendan Bechtel said in an interview April 10 in Riyadh, where the engineering firm is celebrating its 75th anniversary of doing business in Saudi Arabia.

Bechtel is a top LNG contractor, having built 41 plants in 10 countries, according to its website. Last month the company announced a $50 million investment in Tellurian, a would-be U.S. Gulf Coast gas exporter. Tellurian has proposed the Driftwood LNG terminal in Louisiana, a project that could enter service in 2023 if it receives environmental approvals, signs up customers and lines up financing.

"Our long-term view is that gas is the prince of hydrocarbons," Bechtel said. "It's hyper-flexible, it's relatively clean" and "it's a great transition fuel as the energy mix around the world transitions toward more carbon-free sources."

U.K. may finally learn if shale gas can fulfill its potential

(The Financial Times; London; April 8) - Cuadrilla, the company leading the charge to unlock gas trapped in tight-rock formations in the north of England, last week completed its first horizontal well of the kind that has transformed the U.S. energy sector. It drilled down 8,850 feet and laterally for 2,600 feet in a gas-rich area near Blackpool. If gas can be produced commercially, it would add momentum to plans for further exploration across North West England, as well as in neighboring Yorkshire and the East Midlands.

Work is under way on a second well at the same site this summer with a view to hydraulic fracturing — injecting water, sand and chemicals at high-pressure to open cracks in the rock. Yet this celebration of Britain's first horizontal shale well, compared with over 100,000 in the U.S., shows how little headway has been made toward tapping the extensive resources believed to exist within the Bowland Shale formation stretching from Blackpool and Wrexham in the west to Scarborough and Nottingham in the east.

Cuadrilla is only now getting back on track after a hiatus when its test-fracking caused minor tremors in 2011. Similar delays have beset other U.K. shale pioneers as low gas prices hit at the same time as grassroots opposition grew. Whereas U.S. resource rights usually rest with the landowner, in Britain they belong to the Crown. That gives people little incentive to support developments liable to scar landscapes and clog roads. Yet the potential is big enough for believers to keep the faith. The British Geological Survey estimates the Bowland Shale holds 1,300 trillion cubic feet of gas. Even if only a fraction was recovered, it could help meet the U.K.'s annual demand of about 3 tcf for decades.

Russia, China and U.S. all see opportunity in the Arctic

(Nikkei Asian Review; April 10) - Temperatures are rising in the Arctic in both the literal and geopolitical senses. As global warming melts sea ice, the region is becoming a development hot spot, with Russia and China seeking control of resources and transit routes. This creates a potential security flashpoint, too. Climate change made it all possible. Arctic sea ice has been steadily shrinking due to our planet's rising average temperatures. The maximum ice coverage hit the lowest level on record in 2017. By as early as 2030 the Arctic Ocean could be largely free of ice in the summer.

The trend is opening shipping routes once considered unusable with economic and geopolitical implications. Immediate benefits would come from shorter shipping times. After all, the Arctic Circle is much more than a barren expanse: It may hold about 30 percent of the world's undiscovered gas, according to the U.S. Geological Survey.

Russia in December started up its first liquefied natural gas project in the Arctic, Yamal LNG. The developer, Novatek, had help. China National Petroleum Corp. holds a 20 percent stake with Beijing's Silk Road Fund at 9.9 percent. Yamal is just the beginning. Moscow is launching a second project, Arctic LNG-2, with development scheduled to start in 2019. It wants to boost the region's annual LNG capacity to 50 million tonnes by 2030. In November, Novatek and CNPC signed a cooperation deal for Arctic LNG-2.

The wave of international interest in Arctic resources is raising concerns about security as Russia and the U.S. already are staring each other down over geopolitics while President Donald Trump supports aggressive oil and gas development in the Arctic. China's emergence complicates the situation. China has put the neighborhood on notice. In January, it published a white paper titled "China's Arctic Policy." It describes the country as a "near-Arctic state" and an "an important stakeholder in Arctic affairs."

Fight builds over small LNG plant on Tacoma waterfront

(Seattle Times; April 9) - What started out as a plan by Puget Sound Energy to build an LNG production and storage facility to provide cleaner fuel for transportation and gas to its customers has turned into a waterfront battle more bitter than anything seen in years in Tacoma, Wash. Climate activists and self-described Water Warriors have rappelled off construction cranes, chained themselves to plant gates and erected a tent city at the state capitol. They’ve built a longhouse in front of the developer’s headquarters.

The Puyallup Tribe, an economic and political powerhouse on the waterfront, is at the center of the fight and has the support of allied tribes all over the Northwest. Work on a 33-acre site owned by the Port of Tacoma began in 2016. PSE is facing lawsuits by the tribe and additional government environmental reviews prompted by opponents of the $310 million project.

The most recent victories for activists have been defeats of a proposed oil-by-rail terminal in Vancouver, Wash., and in Tacoma opponents in 2016 beat back a massive methanol export facility, also planned for the tideflats. Fresh from that win, many of the same opponents turned their focus to the LNG plant despite its promise of cleaner fuel.

Puget Sound Energy, with 1.1 million electric customers and more than 800,000 natural gas customers primarily in Western Washington, says its $310 million investment in the LNG plant will provide customer reliability and cleaner fuel for marine and land transport users. The company wants the plant operational by 2019. The plant is intended to produce approximately 250,000 gallons of LNG a day and store up to 8 million gallons.

Kinder Morgan tells Canada it can take its pipeline money elsewhere

(The Financial Post; Canada; April 9) - There are other pipeline projects where Kinder Morgan can invest its shareholder money, the company said April 9 as it announced it would stop spending money on the Trans Mountain oil line expansion between Alberta and British Columbia. The B.C. government is fighting the project. "It has become clear that this particular investment (the Trans Mountain expansion) may become untenable for a private party to undertake," said Kinder Morgan CEO Steve Kean.

Kean said $1.1 billion had been spent on the C$7.4 billion project to expand the delivery of crude from Alberta to the B.C. coast. The company had said it was spending $30 million per month on the project but will now delay all non-essential spending. Kean reiterated his company's May 31 deadline, asking the Canadian federal government to intervene in the dispute between Alberta, Saskatchewan, and B.C. The coastal province has consistently opposed the project and attempted to frustrate its progress.

Kean said he didn't want to risk more shareholder dollars until Canada could provide more certainty that the project would be built. Environmental and local opposition is strong against the project, which would about triple the capacity of the existing Trans Mountain line to almost 900,000 barrels a day.

Alberta premier willing to consider public money in oil sands pipeline

(The Canadian Press; April 10) - Alberta Premier Rachel Notley is looking at an outright government purchase of the Trans Mountain pipeline to ensure its expansion to ship more oil to Asia-Pacific markets. In the escalating battle over the oil sands pipeline, Notley signaled April 10 she could put taxpayer money on the line to gain much-needed export capacity, while British Columbia Premier John Horgan said that strategy is irrelevant to his government's concerns about environmental impacts of potential spills.

The federal government has yet to say how it will win over British Columbia, or ensure the project is built without the province's support. Pipeline owner Kinder Morgan warned that if British Columbia continues to throw legal roadblocks in the way of the expansion plan, it could be forced to cancel the C$7.4 billion project. The Houston-based parent company said it needs financial protection for shareholders and an end to the B.C. government's threats of obstruction by May 31. The expansion would about triple the line's capacity to almost 900,000 barrels a day to an export terminal on the B.C. coast.

Alberta and Ottawa — which both argue the project is in the national interest — said they are open to exploring financial support and other options. Any move by Alberta to invest in the project, regardless of federal support, could put billions of dollars of public money at risk. Notley's office did not provide any dollar figures. The federal cabinet April 10 held an emergency meeting on the project. The government did not announce any action. Ottawa approved the project in 2016 as opposition continues in British Columbia.

Pipeline capacity constraints are a concern for U.S. gas industry

(Bloomberg; April 10) - Bottlenecks on the U.S. natural gas superhighway are stacking up, raising concerns whether infrastructure can be built fast enough to meet surging supplies. Gas output will grow by 24 billion cubic feet a day, or 32 percent, through 2025 from last year, according to federal estimates. To support that growth, the industry must spend $170 billion the next seven years on pipelines, compressor stations, export terminals and other infrastructure, said Meg Gentle, CEO of gas exporter Tellurian.

"One threat to the U.S. being able to export LNG and expand its export capability is the overall commitment to invest in infrastructure," Gentle said at the Bloomberg New Energy Finance Future of Energy Summit on April 10. It's a warning that the pipeline woes are not over yet for parts of the country. Appalachian producers have been grappling for the better part of the shale boom with limited pipeline access. Spot prices there fell to record lows in 2017, and are starting to recover as new capacity starts up.

Now the Permian Basin, known for its oil-rich rock, is facing the threat of having to slow down the output of crude because drillers lack capacity to handle all the gas that's flowing as a byproduct. Producers are getting increasingly concerned about worsening pipeline constraints, Drillinginfo co-founder Allen Gilmer said at the summit. It's harder for the industry to get its hands around this because the limits aren't being driven by operating or engineering issues but by "social change and cultural conditions," he said.

Bahrain reports multibillion-barrel shale oil discovery

(Bloomberg; April 9) – Bahrain's announcement of an enormous shale oil find under its shallow waters should not be underestimated: Commercial offshore shale oil production would be a first for the worldwide industry. Perhaps more significant is the discovery could boost Middle East output, while raising the odds that shale oil production outside the U.S. and Canada finally takes off. The Mideast has the advantages of good geology, existing petroleum infrastructure, and a lack of environmental or community opposition.

To be sure, local producers will have to offer attractive terms to international investors to compensate for higher costs and technical risks than conventional fields, source fresh-water for fracking the wells or use other hydraulic fracturing technologies, and develop or bring in service companies skilled in unconventional resources. But the Bahrain find offers interesting possibilities for large international oil companies as partners.

Given their proximity, the resources probably stretch into Saudi and perhaps Qatari waters. Halliburton said the resources were on the "edge of the conventional-unconventional type of plays." The mid-case estimate is for 81.5 billion barrels of oil and 13.7 trillion cubic feet of gas. Based on U.S. production numbers, 5 to 10 percent of the oil might be recoverable. Good flow-rates will be needed to compensate for the higher cost of offshore wells, although it might be possible to reach at least some of the resources by horizontal drilling from onshore sites, or artificially dredged islands.

Saudis want higher oil prices to support Aramco valuation

(Bloomberg; April 10) - Saudi Arabia wants to get oil prices near $80 a barrel to pay for the government's crowded policy agenda and support the valuation of state energy giant Aramco before an initial public offering of the company's stock. In conversations with OPEC delegates and oil-market participants, Saudi officials have been careful to avoid pinpointing an exact price target. Yet people who have spoken with them said the inescapable conclusion from the conversations was that Riyadh is aiming for $80.

The private talks, relayed by several people who met the Saudis over the past month, chimes with the hawkish tone in public from Saudi officials. In an interview last week Saudi Crown Prince Mohammed bin Salman made the first public statement linking his expectation of higher oil prices with the timing of the public offering of Saudi Aramco.

"We believe oil prices will get higher this year and also get higher in 2019, so we are trying to pick the right time," he said. Riyadh, which initially targeted the second half of 2018 for the listing, is now aiming for next year. Saudi Oil Minister Khalid Al-Falih has also sounded increasingly hawkish in public, suggesting OPEC should keep tightening the market even through the cartel is close to meeting its goal of cutting oil inventories.

While there’s little indication the Saudis are prepared to deepen their oil cuts to achieve $80, at the very least the aspiration suggests they will keep with the current measures.