

Oil and Gas News Briefs

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China sends confusing signals for tariffs on U.S. LNG, crude oil

(Radio Free Asia; Aug. 20) - China has sown confusion in international energy markets after reconsidering plans to slap tariffs on U.S. crude and liquefied natural gas. The conflicting signals reflect Beijing's uncertainty about the risks of retaliatory measures as it tries to match tariffs imposed by the United States in an escalating trade war. The reversal also highlights China's concern about its growing dependence on foreign oil and natural gas, with imports of crude now nearing 70 percent of the country's supplies.

But the U-turn on LNG tariffs may be particularly telling as China weighs the effect on its push to replace high-polluting coal with cleaner-burning gas. The threatened tariff on LNG is likely to be a topic when a Chinese delegation visits Washington for trade talks later this month. Although the United States supplied only about 6 percent of China's LNG imports last year, the volumes have been poised to climb with new U.S. export projects starting up and more proposed — driven in part by China's growing demand.

"If we impose tariffs on U.S. LNG, we pay a much higher opportunity cost," said Mei Xinyu, a researcher at a think tank affiliated with China's Ministry of Commerce, according to Reuters. On Aug. 3 the ministry said it would include U.S. LNG on a tariff list in response to President Donald Trump's threatened tariffs on Chinese goods. The retaliation sent a chill through the U.S. LNG industry, which had assumed China would continue to exempt the fuel.

The arguments against tariffs on LNG imports appear to have won out, at least for now. On Aug. 8, the ministry issued a revised list of U.S. goods subject to tariffs, leaving off crude oil and LNG, although maintaining penalties on liquefied petroleum gas and other fuels. It is unclear whether the exception for LNG is permanent or how long it will last.

Novatek looks at second LNG transfer terminal to trim shipping costs

(S&P Global Platts; Aug. 21) - Russian gas producer Novatek is considering building a 20-million-tonne-per-year liquefied natural gas transshipment terminal in the northern city of Murmansk, CEO Leonid Mikhelson said Aug. 20, a move that could help it save money on shipping LNG westward from the Arctic. The Murmansk terminal would mirror the transshipment terminal Novatek plans for Kamchatka in the Russian Far East, which would allow reloading of LNG cargoes from costly ice-breaking tankers traveling east along the Northern Sea Route onto regular tankers for shipment to Asia to cut costs.

The billion-dollar Kamchatka terminal is expected to start up in 2022 at a capacity of 20 million tonnes per year. The Murmansk terminal location will be determined "in the nearest future," Mikhelson said. The use of Ura Bay, some 25 miles from Murmansk, is under discussion with Russia's Defense Ministry, which operates a submarine base nearby. Novatek also is building a shipyard near Murmansk — to be completed next year — for use in constructing production modules for its proposed Arctic LNG-2 project, which would be built nearby to Yamal LNG that started up in December.

The Murmansk transfer terminal, located on the way from Yamal to Europe, would strengthen the company's positions in the global LNG market, Mikhelson said. "We are losing and will continue losing in transportation with ice-breaking tankers," he said. Analysts at VTB Capital expect the transshipment terminals in Kamchatka and Murmansk would help Yamal LNG save on transportation costs in the Asian direction and optimize shipments to Europe, cutting 20 cents per million Btu from LNG expenses.

Chinese partner in talks to take over for Total in Iranian gas project

(Wall Street Journal; Aug. 20) - Total is having difficulty unloading its stake in a \$5 billion natural gas project in Iran to a Chinese partner, after stopping work on the project earlier this year due to U.S. sanctions on Iran. Iranian Oil Minister Bijan Zanganeh confirmed Aug. 20 that the French oil giant has left the project in the South Pars gas field — Total had flagged in May that it planned to do so. The company had concluded in recent weeks that it was unlikely to receive a U.S. exemption from sanctions.

According to sources, Total is holding talks to transfer its 50.1 percent stake to state-owned China National Petroleum Corp., which holds 30 percent in the venture. China does not plan to follow U.S. sanctions on Iran. Total, however, doesn't expect to sell its stake to CNPC, but wants to be compensated for about \$50 million it has spent on the project, according to people familiar with the matter. A spokeswoman for Iran's Oil Ministry said talks to replace Total in the venture are continuing.

CNPC has been slow to reach an agreement on whether it will replace Total, according to people familiar with the discussions. Officials at CNPC have previously complained about challenges they face financing other projects in Iran. And the Chinese company is reluctant to take an 80 percent stake, which would grant it full control of the project. As the operator, CNPC could attract attention from the U.S. "CNPC doesn't seem to want the operatorship," the source said. Iran's state-run Petropars could step in to take over Total's stake, but a purely Iranian project would limit access to capital and technologies.

Sinopec joins partnership to build its fourth LNG import terminal

(Reuters; Aug. 22) - Sinopec has teamed with Zhejiang Energy Group on a 3-million tonne-per-year liquefied natural gas import terminal in east China, with the first phase set for operation at end-2021, the state oil giant said Aug. 22. The project, to be built in Wenzhou of Zhejiang province, includes four storage tanks, each capable of holding more than a full carrier load of LNG, plus a docking berth and connecting pipeline. The new entity, Zhejiang Zheneng Wenzhou LNG, is 51 percent owned by the Zhejiang, 41 percent by Sinopec and 8 percent by a local investment firm, said a Sinopec official.

This will be Sinopec's fourth LNG receiving terminal after similar-sized facilities built in Qingdao, Beihai and Tianjin. The state group is expanding its LNG receiving capacity rapidly under Beijing's push to replace coal with cleaner naturalgas. Zhejiang Energy Group, established in 2001, is a provincial government-backed entity engaged in thermal power generation and pipeline gas distribution, according to its website.

China aims to do a better job of managing for winter gas demand

(Reuters; Aug. 22) - China will encourage financial institutions to boost loans to smaller firms and aims for better planning of winter gas supplies to prioritize residential users and highly polluted areas, the cabinet said Aug. 22. At a meeting chaired by Premier Li Keqiang, the council discussed measures to assist smaller companies facing financing difficulties and said China would maintain prudent monetary policy without resorting to strong policy stimulus, according to a government radio broadcast and website posting.

The State Council also called for construction of natural gas infrastructure, such as pipelines, storage and receiving stations, to be stepped up to ensure a steady balance between supply and demand, and urged greater efforts in domestic gas exploration and production. To better manage gas supply in the coming winter and spring, new volumes will be offered first for residential use and to highly polluted areas switching from coal heating, the council said.

Last winter an over-ambitious attempt to convert millions of Chinese households from coal to gas heating left many villages without gas supplies amid freezing temperatures.

Japan's bigger nuclear operators start talks on partnership

(Reuters; Aug. 21) - Four of Japan's biggest nuclear operators and plant builders have started talks on a potential partnership in atomic energy, as the sector struggles to reboot in the wake of the Fukushima disaster seven years ago, a source said Aug. 22. Tokyo Electric, Hitachi, Toshiba, and Chubu Electric have signed an initial agreement that will be fleshed out in discussions, the source told Reuters.

The Nikkei newspaper earlier reported the companies had begun talks on an alliance that would initially focus on decommissioning old reactors. That could be extended to building and maintaining nuclear plants with the moves likely to spur a broad realignment in Japan's nuclear industry, the Nikkei reported. "It makes sense in the domestic arena to cooperate. Four balance sheets are better than one when it comes to nuclear risks," said Tom O'Sullivan, the founder of energy consultancy Mathyos Japan.

Japan's nuclear sector provided about 30 percent of the country's electricity supply before a tsunami and earthquake caused reactor fuel meltdowns at Tokyo Electric's Fukushima Daiichi station in March 2011. The disaster highlighted regulator and industry failings and turned swathes of the public against nuclear power with all reactors needing to be relicensed by a new regulator to meet tougher safety standards. Only about 20 percent of the country's reactors have been restarted. Japan's Ministry of Economy, Trade and Industry supports the partnership plans.

CNOOC will increase LNG delivery by truck to northern regions

(China Daily; Aug. 22) - China National Offshore Oil Corp. said it will provide more liquefied natural gas to northern parts of the country this winter using truck delivery to meet increasing demand to avoid shortages. The company will send out trucks to travel more than 1,250 miles from CNOOC's main LNG receiving terminals in the south to ease gas shortages in the north, if necessary. The decision comes as the government works to reduce pollution by encouraging more gas instead of coal for heating in winter.

Last winter the company sent LNG to the north from its Zhuhai, Yuedong, and Dapeng terminals in Guangdong province. More than 500 trucks, each with a carrying capacity of 20 tonnes of LNG (about 1 million cubic feet of natural gas), were sent out many days to northern China during the heating season to ensure enough gas supply. A single oceangoing carrier can deliver more than 3 billion cubic feet of gas as LNG. Li Li, research director at energy consulting company ICIS China, said there are no pipelines running north to south, and the only way to ship the LNG is via trucks.

As a pioneer in China's LNG sector, CNOOC built the country's first LNG terminal in 2006. It now operates nine LNG terminals nationwide. Only one, the Tianjin LNG terminal, is located in the north, but it is already operating at full capacity. The rest are scattered in southern regions, including Zhejiang, Fujian, Guangdong, and Hainan provinces, and Shanghai. The company's ninth LNG terminal entered operation in early August, its fourth in Guangdong, with a receiving capacity of 4 million tonnes per year.

Korea Gas wants to cut LNG costs, invest more in clean energy

(Kallanish Energy; Aug. 20) - State-run Korea Gas Corp. said Aug. 17 it will invest 10 trillion won (US\$8.84 billion) by 2025 to expand its natural gas capacity and also its infrastructure for hydrogen vehicles and other clean energy sources. KOGAS, the world's second-largest importer of liquefied natural gas, unveiled a long-term business plan on the 35th anniversary of its founding as it expects to play a greater role under the government's energy transformation policy, Hellenic Shipping News reported.

The state utility firm said it will buy LNG at cheaper prices in future contracts and take on joint efforts with other Asian buyers to have greater bargaining power, setting a goal of saving 6 trillion won (US\$5.36 billion) from gas import purchases by 2025. KOGAS has been seeking to diversify its import portfolio beyond its traditional sources in the Mideast and Southeast Asia, which provide about 70 percent of the nation's supply.

KOGAS said it will invest 6 trillion won (\$5.36 billion) to expand LNG capacity and combine advanced technologies to improve the energy management system and invest 3 trillion won (\$2.68 billion) in overseas projects to diversify gas supplies. The company also plans to inject 1 trillion won (\$893.33 million) in energy transformation projects to increase hydrogen-fueled cars, as well as LNG marine bunkering and trucks to help tackle air pollution problems. To boost sales of hydrogen vehicles, KOGAS aims to establish roughly 100 hydrogen charging stations and distribution centers by 2022.

Ghana starts using its own natural gas for power generation

(UPI; Aug. 21) - The power sector in the West African nation of Ghana for the first time is getting natural gas from its own offshore reserves. Global energy trader Vitol Group, a partner in the venture, said the Offshore Cape Three Points project has started delivering gas to the country's power producer. "Gas is flowing from two of the four deep-water subsea wells and gas volumes will increase gradually as the downstream gas infrastructure undergoes further commissioning," Vitol said.

The Offshore Cape Three Points was developed in two separate oil and gas phases by Italian energy company Eni. Getting gas from its own supplies is important for Ghana because it has relied on the past on imports from neighboring countries. A pipeline from Nigeria was damaged in 2012 leaving Ghana, population 28 million, dependent on a heavy grade of crude oil for its power plants.

Vitol said drawing on its own gas means Ghana can get the fuel at a lower cost than imports. The Offshore Cape Three Points should be in production for about 15 years and meet about half of Ghana's power requirements. The field is estimated to hold 1.5 trillion cubic feet of gas and 500 million barrels of oil, according to Vitol.

Rural Virginia community fights gas line compressor station

(Washington Post; Aug. 18) - The Rev. Paul Wilson felt a rising sense of urgency as he preached on a Sunday morning in his little church in Buckingham County, Virginia. Just down the road, across the rolling fields and woodlands where most of his congregation grew up, the most powerful corporation in Virginia plans to build a natural gas pipeline compressor station. Dominion Energy's facility is integral to the 600-mile Atlantic Coast Pipeline, which will tunnel under the nearby James River and march across the county.

The pipeline has drawn protests along its planned path from West Virginia, through Virginia and into North Carolina. But the Union Hill community in Buckingham County, founded after the Civil War by freed slaves and near the geographic center of the state, is the only place in Virginia that faces the additional issue of a compressor station. Federal documents say such stations — which keep the gas flowing — emit toxic chemicals that can harm human health. They can be noisy, and they light up at night.

The easiest path for residents would be to shrug and accept it. But Wilson is leading his community down the harder path. "They've approached us in the historical manner that big business and government approach communities such as ours," Wilson said, "and that manner has always been that 'we're going to do what we want to do.'" Next month, Wilson and his community face what could be a final opportunity to try to prevent construction of the compressor station. The State Air Pollution Control Board will hold a September hearing as it considers a vital air permit due by the end of the year.

Pipeline opponents use new legal strategy of states' rights

(National Public Radio; Aug. 20) - Environmental activists are using a new strategy to block construction of oil and gas pipelines. It already has worked in New York where construction has stalled on the \$1 billion Constitution Pipeline to transport Pennsylvania shale gas. Now activists are trying the strategy in Oregon. The proposed Jordan Cove LNG project includes a 229-mile pipeline that would transport gas across the Cascades mountains to the liquefaction plant and export terminal proposed for the Oregon coast.

Activists' frustration with federal regulators has increased under the fossil-fuel friendly Trump administration. Daniel Estrin, advocacy director for the Waterkeeper Alliance, looked for a new way to stop the gas pipeline in New York and found it in Section 401 of the Clean Water Act. It gives states the right to review new projects to make sure they don't harm local water. "It essentially gives states veto power over federal decisions," Estrin said. The industry argues that's not how the law is supposed to work.

At a recent protest rally supporters of the No LNG Exports campaign submitted more than 25,000 comments to encourage Gov. Kate Brown to reject the project. "The state of Oregon has the ability to deny the Clean Water Act permit and stop this project once

and for all," said Hannah Sohl, director of the group Rogue Climate. Activists like Sohl want to keep fossil fuels in the ground where they won't contribute to climate change.

The industry's efforts to stop this legal strategy in court have failed, and the pipeline industry is supporting federal legislation more to its liking. Sen. John Barrasso, R-Wyoming, introduced a bill in July that would limit a state's power in the permit process.

U.S. promotes Panama as LNG distribution hub

(Reuters; Aug. 17) - Panama on Aug. 17 will sign an agreement with the U.S. Treasury and Energy departments aimed at paving the way for more private investment to expand the importation and distribution of U.S. liquefied natural gas in Latin America. David Malpass, Treasury undersecretary for international affairs, said he hopes the "framework agreement" is the first of several with countries in the region to encourage investment to increase access to cheaper, cleaner energy.

The agreement is part of a Treasury-led initiative called America Crece, incorporating the Spanish word for growth, aimed at boosting U.S. LNG exports, developing Latin American energy resources and downstream demand. Malpass is in Panama for the signing and the inauguration of a major new LNG import terminal and 381-megawatt gas-fired power plant in Colon, Panama, run by U.S. power company AES Corp.

He said that new investments encouraged by the agreement will help turn the AES Colon project into an LNG distribution hub with cargoes imported from the United States distributed to other countries in the region, including Guatemala, Honduras, and Nicaragua. These countries and many Caribbean islands now rely largely on oil to generate electricity, with Venezuela a major supplier.

Floating LNG import terminal could start up in Australia in 2020

(Reuters; Aug. 19) - Norway's Hoegh LNG has won a tender to supply a floating liquefied natural gas import terminal for a consortium aiming to import the fuel to Australia's East Coast starting in 2020 in a push to boost the region's gas supply. Australian Industrial Energy, a consortium that includes Japan's JERA and Marubeni Corp., said Aug. 19 it signed an agreement giving it the right to lease one of Hoegh's floating LNG storage and regasification units, to be docked at Port Kembla.

The project needs approvals from the state of New South Wales, which is evaluating the proposal on a fast track as "critical state significant infrastructure," amid pressure to drive down local natural gas prices. Wholesale gas prices have nearly tripled over the past two years following the opening of three LNG export plants on Australia's East Coast that have sucked large volumes of gas out of the domestic market.

To help fill the supply gap, Australian Industrial Energy and AGL Energy each have advanced plans to import LNG. In addition, ExxonMobil, the dominant gas supplier to the southeastern market over the past several decades from fields in the Bass Strait, and a private firm also are considering importing LNG starting in 2021 or 2022.

Alberta's new energy-project regulatory process could cut time, costs

(Calgary Herald; Aug. 21) – Alberta's provincial government said it will fully implement a new regulatory regime for energy projects that will dramatically cut approval times and costs for the oil patch. At an announcement in Calgary on Aug. 21, Energy Minister Marg McCuaig-Boyd and Alberta Energy Regulator CEO Jim Ellis said the province has had success using the new Integrated Decision Approach (IDA) — which involves a one-stop software tool to cut paperwork — on a pilot basis for some projects.

McCuaig-Boyd said the government recognized the need for improvements to the provincial regulatory system to avoid duplication and improve transparency. “Top of mind for everyone was the need to maintain our competitiveness with a more simple and straightforward process,” she told reporters. “This means one application, one review, one decision on energy developments.”

Ellis said adopting the IDA means all applications are submitted to a single portal, automating low-risk applications while more complex projects are automatically forwarded to technical experts for review. The system was used as a pilot for Suncor's Meadow Creek East in situ oil sands project, with the review process reduced from an estimated five years to 15 months. Another pilot of the IDA, a heavy-oil proposal by Canadian Natural Resources, saw the company save \$1 million and four months.

Republican senators ask FERC to speed up review process

(S&P Global Platts; Aug. 21) - A group of Republican U.S. senators pressed the Federal Energy Regulatory Commission on Aug. 21 to speed up the permitting of pending LNG export projects and sought details about the resources the agency has available to accomplish that task. The market has been awaiting clarity on how many of the more than a dozen developers currently seeking authorization to build liquefied natural gas terminals on the Atlantic, Pacific, and Gulf coasts will move forward with their projects.

Because the regulatory process is a key part of those decisions, the Trump administration and GOP-led Congress have been pressing federal agencies to move faster. FERC Chairman Kevin McIntyre addressed a Senate committee in June, agreeing that timely permit processing was important to American energy goals. The Aug. 21 letter from eight senators to McIntyre suggests the matter should be made a priority. Sen. Lisa Murkowski, R-Alaska, was among the senators who signed the letter.

The senators asked about staffing resources at the commission. Among other things, they want to know what steps FERC is taking to ensure there are enough staff and consultants available to expeditiously complete the review of pending project applications. They also asked how FERC plans to work with other state and federal agencies to ensure that their participation is timely and constructive and that their reviews are conducted concurrently.

New vetting rules make it hard for China to invest in U.S.

(Bloomberg opinion; Aug. 20) - Doors are slamming shut not just to Chinese investment in technology but potentially to a wave of acquisitions with a tech element, as diverse as smart heaters and robotic lawnmowers. President Donald Trump last week signed an update to legislation for the Committee on Foreign Investment that broadened the inter-agency vetting committee's scope to cover even minority and passive investments in three areas: Critical technology, infrastructure and businesses that handle personal data. This tightening of the rules has been underway for some time, but it's now explicit.

But there's more to this CFIUS update. In the past "notifications to CFIUS were voluntary, at least until CFIUS came knocking," said Rod Hunter, a Washington-based trade partner at Baker & McKenzie. Now an acquirer planning to invest in anything remotely "smart" in the U.S. stands to be investigated, though ambiguity abounds.

The fact remains that China doesn't have a lot of options for bringing in the technology it needs. That puts Beijing on the back foot, under pressure to play fair and open its market to the world. China has already promised to permit investment its financial sector, after decades of complaints from Wall Street, and now is making it easier for foreign buyers to take strategic stakes in domestic companies in many industries. That may eventually be seen as the kind of reciprocal treatment Western governments want. For now, though, the world's doors are shutting to Chinese investments.

More Russian LNG stops in Europe on its way elsewhere

(Bloomberg; Aug. 21) - Northwest European liquefied natural gas terminals are for the first time exporting more of the fuel than they are feeding into the region's pipelines. Even with Europe's benchmark price at a record for this time of year, surging demand in Asia to South America means traders are sending ships loaded with LNG there instead of supplying utilities in Europe. Most of the ships arriving this month plan to sell the fuel elsewhere rather than for local markets or will fill storage tanks for resale and re-export.

Much of the gas is coming from the Russian Arctic, where the Novatek-led Yamal LNG project is expanding its output ahead of schedule. "The markets are working, allowing

LNG to move to where it is most needed,” said Thierry Bros, a senior research fellow at the Oxford Institute for Energy Studies. “With Yamal LNG Trains 1 and 2 now operating, we are going to see even more reloads in the winter” when Yamal LNG carriers’ eastern routes to China are restricted because of ice and the cargoes head toward Europe.

Even during the summer, when the Northern Sea Route has less ice and enables navigation eastbound for specialized ice-class tankers via the shorter direct route to Asia, transfers in northwestern European ports are proving popular. At least eight will take place in August alone, a record since Yamal started operations in December.

[Quebec government will test 50 hydrogen-fueled cars](#)

(CBC News; Aug. 19) - A few decades ago, there was hype of how hydrogen might one day may replace gasoline and diesel as the fuel most use to fill up their tanks. And while use of hydrogen is still in its infancy, it's growing in Canada. The potential is significant for how the most abundant element in the universe could change the transportation, electricity, and energy sectors. The interest in hydrogen vehicles is largely because they are considered emission-free, with only water vapor coming out of the tailpipe.

Toyota began investing in hydrogen back in the 1990s, and in 2014 unveiled its first fuel-cell vehicle, the Mirai. The Quebec government will have 50 of those cars by the end of this year. Hyundai, meanwhile, will start selling its hydrogen fuel-cell SUV, the Nexo, in 2019. However, the vehicles face the same obstacle confronting electric cars — the need to build refueling stations. That's why automotive experts say conventional gasoline-fueled vehicles will dominate the highway for years to come.

The first retail hydrogen-fueling station opened in June in Vancouver, but many more are needed to allow for normal commuting. Under the hood of a hydrogen vehicle, electricity is produced from a chemical reaction when hydrogen combines with oxygen. The electricity powers the engine and the only emissions are water vapor. One of the drawbacks is that some energy is lost. "It still remains to be seen whether the cost and efficiencies of producing hydrogen can be brought down to be viable on a commercial scale," said Nick Martin, a policy analyst with the Canada West Foundation.