Oil and Gas News Briefs
Compiled by Larry Persily
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Russia's push into LNG raises questions of political agenda

(OilPrice.com columnist; Dec. 8) – Now that Russia, as a major part of the so-called OPEC+ group, is essentially calling the shots in global oil markets, make no mistake that Moscow's ambitions are not just focused on oil or geopolitical developments in the Middle East and Europe. Russia also is focused on natural gas markets, both piped gas into Europe and liquefied natural gas production and exports, particularly to the Asia-Pacific region which represents 72 percent of global LNG demand.

Several years ago President Vladimir Putin said Russia aimed to be the largest LNG producer in the world, an unlikely possibility at the time and still not likely given that current leader Qatar will ramp up its liquefaction capacity from 77 million tonnes per year to a hard-to beat 100 million within the next five or six years. However, this reality seems to be lost on Russia, which is still pushing ahead with its LNG development.

Russia currently operates two LNG export projects totaling about 26 million tonnes of annual capacity, but has numerous other, some massive, projects in planning, under review, or trying to get partners on board. While it's certain that Russia will not be able to muster 100 million tonnes of liquefaction capacity in the foreseeable future to challenge Qatar, what is unclear is whether or not Russia will seek to politicize its LNG exports to achieve geopolitical advantage as it has done with oil and pipeline gas into Europe.

U.S. criticism prompts Novatek to speed up LNG transshipment plans

(Reuters; Dec. 11) - Leonid Mikhelson, the head of Russian natural gas producer Novatek, said Dec. 11 the company will need to speed up construction of permanent, land-based reloading facilities for liquefied natural gas after the United States slammed Norway for helping Novatek to tranship gas from the Yamal LNG project in Siberia. Allowing ship-to-ship transfers in Norwegian waters from Yamal undercuts Europe's energy diversification efforts, the U.S. State Department said last month.

Mikhelson did not mention the United States directly when he told reporters that Norway faced pressure from other countries due to ship-to-ship transfer of Yamal LNG cargoes. He said the company is aiming to start up an LNG reloading facility in the Murmansk region in northwestern Russia in 2022. Novatek, majority owner/operator of Yamal LNG, also is looking at building a transshipment terminal on the Kamchatka Peninsula in Russia's Far East.

The ship-to-ship transfers allow unloading of gas from costly ice-class LNG carriers from Yamal and loading the cargo aboard lower-cost conventional carriers for the rest of the long voyage to customers in Europe and Asia. The transfers allow the partners to make more efficient use of the ice-class carriers in the Arctic waters around Yamal.

Total sees no problem selling LNG from early start of 3rd Yamal train

(Reuters; Dec. 11) - French oil and gas group Total believes there is enough demand on the spot market for liquefied natural gas from the Yamal LNG plant in Russia, of which it holds a 20 percent stake, Total's chief executive said Dec. 11. The project has finished construction ahead of schedule, making more gas available on the spot market until Yamal's long-term sales contracts kick in. Yamal launched its third liquefaction train Dec. 11, boosting the Arctic plant's annual capacity to 16.5 million tonnes.

Start-up of the third train had been initially expected at the end of 2019. Yamal has pre-sold more than 96 percent of its LNG production under long-term contracts for the next 20 years. "It is not difficult to sell on the spot market. The LNG market is growing by 10 percent per year or more, so clients are asking for more LNG. It's not a real issue," Total CEO Patrick Pouyanne said. "It's good for the project. In fact, it is a surprise," he said.

Reuters reports China halts investment in Iranian gas project

(Reuters; Dec. 11) - China National Petroleum Corp. has suspended its investment in Iran's South Pars natural gas project in response to U.S. pressure and to minimize tensions amid trade talks between Beijing and Washington, three Chinese state oil executives said. South Pars is the world's largest gas field and CNPC's investment freeze is a blow to Tehran's efforts to maintain financing amid the re-imposition U.S. sanctions on its energy sector earlier this year. Iran wants to build its gas export trade.

CNPC had replaced Total as the operator of Phase 11 project at South Pars, Iran said Nov. 25, after the French company ended its participation rather than violate the U.S. sanctions. It was not clear if the Chinese government gave direct orders for CNPC to halt its investment in the multibillion-dollar project, but the sources said it is politically sensible amid the trade negotiations between China and the United States.

"China sees the relationship with the U.S. as paramount over anything else. As a state-owned entity CNPC will stay clear of bringing any unwanted trouble into this relationship as the U.S.-China trade talks are underway," said a source familiar with CNPC's global strategy. The source said Iran has 120 days to review CNPC's role in South Pars and decide whether to keep the Chinese firm as a dormant investor or cancel the deal.

Asian nations question project debt owed on Chinese investments

(Bloomberg; Dec. 11) - In late August President Abdulla Yameen of the Maldives hailed the opening of a Chinese-built bridge connecting two islands in the archipelago as "the gateway into tomorrow and the opportunities beyond." One month later, Yameen was voted out and the new government of the palm-fringed nation off the coast of India began to uncover the mountain of debt with which he had saddled the country.

A pro-China strongman who jailed opponents and judges, Yameen borrowed heavily from Beijing to build a new runway for the main airport, housing developments, and a hospital as well as the 1.3-mile China-Maldives Friendship Bridge. On a recent trip to New Delhi, Maldives officials opened up about their frustration over the scale of the debt to China and the preference given to Chinese financing. In one example, the previous government rejected a $54 million hospital bid in favor of a Chinese bid of $140 million.

"We have been burned," said Maldives Economic Development Minister Fayyaz Ismail. The tourist paradise isn't the only Asian nation to discover that the promise of China's infrastructure program was too good to be true. After an unprecedented run of funding large-scale projects from railways to highways across Asia, governments are adopting a far more cautious approach to China's grand plans. Voter anger over deals perceived as unfair or corrupt are prompting close examination and even suspension of projects.

A report this year by the Washington-based Center for Global Development identified eight nations at risk of debt distress from Chinese financing, among them Pakistan, the Maldives, Laos, Mongolia, and Djibouti, where China has its only overseas military base.

China resumes U.S. soybean imports, but not oil or LNG

(Reuters' columnist; Dec. 12) - There is a risk that investors will get carried away with optimism over an easing of the U.S.-China trade dispute on the back of China resuming purchases of U.S. soybeans. This is especially the case given there is yet no sign of new imports of crude oil, liquefied natural gas and coal, the energy commodities that will provide a far better signal of any detente in the trade spat.

China ended a six-month boycott of buying U.S. soybeans on Dec. 12, with state-owned companies purchasing at least 500,000 tonnes of the oilseed, traders said. Traders also said it appears the Chinese may seek more soybeans in coming weeks as they are struggling to meet all their import requirements from other suppliers. It may well be the first sign of a major thaw between the two countries.

What would be far more significant than buying soybeans, which China needs anyway, is the resumption of imports of energy commodities. In the first nine months of this year, China imported about 328,000 barrels of crude per day from the United States —

about 3.6 percent of its total crude imports. This fell to zero in October, and in November one cargo of U.S. crude was offloaded, according to ship-tracking data compiled by Refinitiv.

In LNG, no U.S. cargoes arrived in China in October, although two were offloaded in November. However, no cargoes are slated for arrival in December or beyond. In the first nine months of the year, 31 ships delivered 2.2 million tonnes of LNG from the U.S. to China, representing 6 percent of total imports, according to the vessel-tracking data.

China better prepared to meet gas demand this winter

(Bloomberg; Dec. 9) - China has gone all out to avoid a repeat of last winter's crippling natural gas shortages. The early verdict: So far, so good. China's gas needs peak in its winter heating season. It's a time of surging demand and firmer prices now as the nation seeks to curb its reliance on dirty coal. The difference so far this year is that there have been none of the widespread shortages that last winter froze northern cities as early as November and forced the government to allow some users to revert to coal.

Milder weather is surely helping. But so has better preparation, smarter policy, and improved infrastructure. Demonstrating reliable supply of the cleaner-burning fuel would be a victory for Beijing, which is trying to quell complaints about urban air pollution without the embarrassing criticisms of last winter. Policy makers are taking a more measured approach on their coal-to-gas campaign, prioritizing supply for existing needs, and scaling back the number of households that'll make the switch from coal this year.

China National Petroleum Corp., the country's biggest gas producer supplying more than half of winter demand, is running its fields at full tilt and has made more storage available after promising to increase supply to customers. CNPC has also hooked up its pipelines with domestic rivals to help better distribute gas from the south and east to the chillier north. The nation also is importing more gas, helping to soak up a global glut of liquefied natural gas with imports surging 34 percent in the first 11 months of the year.

China continues switching homes to gas heat

(Reuters; Dec. 13) - China has switched an additional 3.29 million households to gas heating this winter, Reuters calculations show, more than it added last year, as Beijing continues to push the use of cleaner fuels to curb pollution. Gas heating has been installed in recent months across a new swathe of northern China — known for its heavy smog — underlining the government's commitment to reduce pollution even after last year's efforts triggered a fuel shortage that left people freezing in their homes.

The new users will require an additional 160 billion cubic feet of gas in the Nov. 15 to March 15 heating season, but analysts said the increase would not necessarily boost overall consumption in the country. "If China wants to deliver gas as promised to households, it will sacrifice industrial supplies," said Chen Zhu, managing director of consultancy SIA Energy. Even with more domestic gas production, more gas imports by pipeline and aboard liquefied natural gas carriers, China is unlikely to meet the higher demand from all the new users without cutting some supply to industry, he said.

"This winter, village officials are under pressure to keep us warm," said an elderly farmer surnamed Liu living in Zhangjiapu village in Shanxi province. Last year Liu survived the winter without heat.

Cheniere sends out first cargo from Corpus Christi LNG terminal

(S&P Global Platts; Dec. 11) - A tanker loaded with the first cargo from Cheniere Energy's liquefied natural gas export terminal in Corpus Christi, Texas, departed Dec. 11. It's Cheniere's second LNG terminal. Its Sabine Pass terminal in Louisiana shipped its first cargo in 2016. The U.S. is poised to become a big player in global LNG trade. Cheniere and Dominion Energy (Cove Point, Maryland) are both exporting LNG, and three more projects are expected to start up next year in Texas, Louisiana, and Georgia.

The Tsakos Shipping & Trading-owned Maria Energy loaded up at Corpus Christi, though it was not immediately clear where it was headed as it moved swiftly through the Gulf of Mexico. The captain's destination was changed to TBC, for To Be Confirmed, S&P Global Platts Analytics' vessel-tracking tool cFlow shows. Destinations of LNG spot cargoes are often determined while in transit, and they can often change depending on where the shipper expects to receive the best netback.

Cheniere has two more liquefaction trains under construction at the Corpus Christi terminal — all three are rated at 4.5 million tonnes of LNG per year. The price tag for the Texas project is reported at $13 billion. Cheniere has five trains in operation at Sabine Pass and has proposed a sixth train.

Indian gas importer looking to buy U.S. LNG

(Reuters; Dec. 9) - Top Indian gas importer Petronet LNG is looking to sign a deal in a year's time to buy at least 1 million tonnes of U.S. liquefied natural gas annually for a period of up to 10 years as it pushes to diversify its supply sources beyond the Middle East. As part of any deal, the firm could potentially take a stake in a U.S. LNG project, said Petronet Managing Director Prabhat Singh.

“The U.S. market is open compared to other markets where the state is (often) the controller of minerals,” Singh told Reuters late last week. “The U.S. offers lots of opportunities and we would like to explore that properly and make a venture (there),” he said. Petronet currently runs two LNG import terminals in India, with a combined capacity of 20 million tonnes per year. It has long-term deals to buy 10 million tonnes of LNG per year with 8.5 million of that coming from Qatar’s RasGas.

Singh said Petronet was in talks with various companies including Tellurian about a potential U.S. deal. Singh had said in November that Petronet and ONGC Videsh were jointly in talks to buy a stake in Tellurian’s proposed Driftwood project in Louisiana. “If the pricing is right then India has appetite for huge volumes,” he said last week. Natural gas accounts for about 6.5 percent of India’s overall energy needs, far lower than the global average. The government wants to lift that to 15 percent in the next few years.

Alberta forms LNG investment team to work with industry

(Alaska Highway News; Fort St. John, BC; Dec. 11) – Alberta’s provincial government has named two seasoned oil and gas leaders to form its LNG investment team. They will work directly with industry to secure final investment decisions for export projects that could increase the value of Alberta's natural gas resources, the province said Dec. 10. The investment team is comprised of Greg Stringham, former vice president of markets and fiscal policy with the Canadian Association of Petroleum Producers, and John Carruthers, former president of Enbridge Northern Gateway Pipelines.

Their appointment responds to a key recommendation of Alberta’s Natural Gas Advisory Panel, which earlier this year advised on short- and medium-term actions Alberta could take to address its persistently undervalued gas and price volatility due to transmission, storage and market-access challenges. “The team will begin meeting with industry leaders and other stakeholders immediately. They will report back to the Minister of Energy in early 2019 with potential actions that could be taken,” the province said.

Growth in LNG exports changes work hours for U.S. traders

(Bloomberg; Dec. 11) - Welcome to the new world market for natural gas, where computers never sleep and, apparently, neither do traders. With U.S. liquefied natural gas exports set to surge by almost 80 percent in 2019, traders in America face a new reality: exhaustion. As more international players participate in U.S. gas markets, round-the-clock vigilance is required. John Kilduff, a New York-based hedge-fund manager, has learned that you can’t rest on the increasingly volatile U.S. gas market.

On Nov. 14 Kilduff logged on at his usual 3 a.m. Eastern time and, instead of being able to log off again and catch a nap before his normal workday, he watched prices jump to a four-year high in just two hours. “This is a 23-hour-a-day market now and you have to be on top of it,” Kilduff, a partner at Again Capital, said in a telephone interview.

Natural gas trading went electronic in a big way just under two years ago, when the New York Mercantile Exchange commodity pits shut down. CME Group’s Globex electronic system took over at a time of big changes in the U.S. energy picture. The shale boom was greatly boosting U.S. gas production. Meanwhile, Cheniere Energy had started up the first liquefied natural gas export terminal in the Lower 48 states.

With U.S. gas increasingly becoming a global fuel, Kilduff is among a growing group of Americans now finding themselves glued to their electronics struggling to keep up. It’s a shift that’s also helped turn Henry Hub, the Erath, Louisiana, pricing benchmark for Nymex futures, into the most actively traded gas contract in the world.

Wyoming looks to LNG exports to help boost prices for its gas

(Casper Star Tribune; WY; Dec. 10) - When Brian Jeffries, executive director of the Wyoming Pipeline Authority, got into the natural gas business in 1979, the long-term outlook wasn’t great. The father of Jeffries’ college roommate gave him grim advice: Get out of the business. At the time remaining U.S. reserves of gas — reserves producible with given technology and existing demand — was about 10 years, Jeffries recalled.

Technology has changed all that, driving a tremendous gas boom across the country over the past decade. More recently, the opportunity to export U.S. natural gas to other countries by supercooling it to a liquid and shipping it overseas has spurred excitement in new markets and better prices. Based on current estimates, U.S. gas reserves could last for another century. The direct impact on Wyoming as terminals open up on the Gulf Coast to take liquefied natural gas to new markets is higher prices, Jeffries said.

“I’m still excited about LNG,” said Michael Land, head of marketing for Casper-based Kirkwood Oil and Gas. “The price you can get for LNG is fantastic. A lot of that stuff just gets exported to Asia. They pay because their livelihood depends on it.” U.S. Gulf Coast LNG export terminals are a long way from Wyoming, but they are good for the gas market, Jeffries said. It’s not just about the price bump, he said. It’s about keeping the price from going down as U.S. gas production keeps growing.

Opponents threaten fight over LNG project in Texas

(Houston Chronicle; Dec. 12) - Opponents are threatening to file a lawsuit to block a proposed liquefied natural gas export terminal in the Port of Brownsville after the Texas Commission on Environmental Quality decided Dec. 12 against holding a hearing on the air quality permit for the Rio Grande LNG project. A coalition of environmentalists, fishermen, neighboring cities, and residents opposing the project asked the commission to hold a “contested-case hearing” to consider health, safety, and property issues.

Chairman Jon Niermann said that under state law, contested-case hearings are reserved for people, organizations, or cities given "affected-person" status if they are impacted by a project in ways not shared by the general public — such as impairing their health or safety or by interfering with the use or enjoyment of their property. Niermann said almost all the requesters live too far away from the LNG project site to quality as affected persons. The permit will now move through the normal process.

The decision drew criticism from members of the Sierra Club-led organization Save RGV from LNG. "This is yet another example of the commission rubber-stamping air permits for the fossil fuel industry, but it's not a done deal," Save RGV from LNG organizer Rebekah Hinojosa said. "Locals, along with allies across the state, will continue to pressure the regulators to deny all permits for Rio Grande LNG." NextDecade expects to receive Federal Energy Regulatory Commission approval next year but will still needs its state air quality permit and other authorizations.

Sierra Club criticizes Houston mayor for LNG support

(Houston Chronicle; Dec. 11) - Houston Mayor Sylvester Turner is receiving criticism from environmentalists after reaching across the political aisle to support a proposed liquefied natural gas project in the Rio Grande Valley. Turner joined U.S. Sen. John Cornyn, R-Texas, to request that federal regulators approve NextDecade’s proposed Rio Grande LNG export terminal at the Port of Brownsville. The two wrote letters to the Federal Energy Regulatory Commission in support of the project.

Turner is one of four co-chairs of the 400-member Climate Mayors movement, and the Sierra Club quickly criticized the mayor’s backing of the project. Turner’s support, they said, comes at a time when three cities near the site — South Padre Island, Port Isabel, and Laguna Vista — have all passed resolutions opposing the project. “Mayor Turner is turning his back on the cities that have passed resolutions against this project,” the Sierra Club’s Beyond Dirty Fuels Houston Organizer Bryan Parras said in a statement.

Cornyn primarily cited economic reasons for his support of the project. If the company obtains regulatory approval and finds financing and customers needed to proceed to construction, it would spend up to $20 billion to build the LNG terminal and gas pipeline projects. “FERC’s final approval of this project will unleash the additional natural gas export potential of the U.S. and the state of Texas, driving significant economic, energy, trade, and environmental benefits for generations to come,” Cornyn wrote.

More energy firms set up LNG trading offices in Singapore

(Reuters; Dec. 10) - Several energy firms are setting up dedicated gas trading desks in Singapore as they try to capture the fast-growing liquefied natural gas market in Asia. As of September, Singapore had more than 45 companies with an LNG trading or business development presence, Enterprise Singapore told Reuters on Dec. 10. That's up from the nearly 40 companies set up in May, according to local media.

Singapore has been expanding its LNG infrastructure by increasing storage capacity and adding capabilities to bulk-break cargoes, an Enterprise Singapore spokeswoman said. Asia's appetite for the fuel, led by China, is expected to grow rapidly over the next few years, attracting investment and triggering new LNG trading desks opening globally. Singapore, Asia's oil trading hub, is seen as a natural hub for LNG especially for companies that already have a presence there and are looking to expand into LNG.

The gas and power division of China National Offshore Oil Corp. has set up an office in Singapore, which it will officially open on Dec. 10, several sources familiar with the matter told Reuters. Aramco Trading Co. and Japan's gas procurement joint venture JERA also are adding staff to their Singapore offices.

Global commodity trader reports 22% gain in LNG volumes

(S&P Global Platts; Dec. 10) - Geneva-based commodity trading company Trafigura increased its LNG trade volumes by 22 percent to 9.9 million tonnes in its financial year ending Sept. 30, 2018, the annual report said Dec. 10. The increase was driven by a surge in Asian demand, notably in China and South Korea. In China, imports jumped by 45 percent on the year, supported by a national policy to import gas to reduce its reliance on coal for power generation. In South Korea, LNG purchases also rose sharply due to lower nuclear output, combined with a cold winter and a hot summer.

Imports by India were up 19 percent in 2018 due to infrastructure expansion unlocking further demand. Other emerging market such as Pakistan and Bangladesh "continued to demonstrate their growth potential," the trading company said. The Asian share of Trafigura's LNG business jumped to 30 percent. On the supply side, new LNG supply was generated by Australian, Russian, and U.S. projects.

"The widespread expectations that a global LNG surplus would emerge in 2018 were confounded. Instead, the surge in incremental LNG production, notably from the U.S., was absorbed in Asia and gas prices rose," the company said. "We expect demand to continue its upward trajectory over the next year." Trafigura is scheduled in January to take its first cargo under a 15-year deal signed with Cheniere Energy, which has LNG export terminals in Louisiana and Texas. The deal is for 1 million tonnes per year.

[Dredging will open Texas port to larger oil tankers for exports]

(UPI: Dec. 7) - After three decades of wrangling, Texas officials have approved funding to expand the Port of Corpus Christi, which will widen and deepen its shipping channel — a project that will have national and international implications. The $360 million Corpus Christi Channel Improvement Project is expected to give a boost to Texas oil drillers as large tankers will be able to load more than 2 million barrels of oil at a time.

The federal-local-private funding came together weeks after the Carlyle Group announced plans for a major crude export terminal near the mouth of the port. The project aims to dredge to a depth of 75 feet, large enough to accommodate fully loaded tankers, called Very Large Crude Carriers. The terminal will be the first onshore location in the U.S. capable of exporting oil by VLCC, the Carlyle Group said in a statement.

"It lowers the transportation costs and helps our comparative advantage in the world market," said Bud Weinstein, economist and associate director of the Maguire Energy Institute at Southern Methodist University. The goal is to get Carlyle Group's Harbor Island project built and dredged by 2021, port CEO Sean Strawbridge said. "We're ready to go when those pipelines come in," he said. "The new lines will add 2.4 million barrels of takeaway capacity just from the Permian (oil fields)."

[Quebec premier makes it clear: No oil pipeline]

(The Canadian Press; Dec. 7) - New Brunswick Premier Blaine Higgs remained optimistic Dec. 7 that, someday, a pipeline would be built to bring Western Canadian crude to ports in his region for export overseas. But the Quebec premier tried his best to kill that dream. While Canadian leaders found common ground on issues such as trade during their meeting in Montreal, they were confronted with the harsh reality that Quebec will not accept an oil pipeline.

"I understand that Alberta and the other provinces that produce oil want to find ways to get it (to tidewater), but I was very, very clear," Quebec Premier Francois Legault said after the closed-door meeting. "There is no social acceptability for a pipeline that would pass through Quebec." Legault saw no contradiction in lobbying premiers Dec. 7 to buy more hydroelectricity from his province while rejecting western energy. "We are offering an energy that is not expensive and is clean," he said.

TransCanada had proposed the C$15.7 billion Energy East pipeline to bring western crude through Quebec and onward to New Brunswick before being shipped overseas. The company abandoned the project more than a year ago, and a spokesperson recently said it has no plans to revive it. Despite the hurdles, New Brunswick's Higgs said he isn't giving up. "I am optimistic that if we work together with people in our province and his province and across the nation that we'll find solutions."

Another tremor shuts down fracking in England

(Reuters; Dec. 11) - British shale gas company Cuadrilla has again paused fracking at its site in Lancashire in northwestern England after tremors were detected, the company said. This marks the third time operations have been halted following seismic activity under Britain's so-called "traffic light regulation system" since drilling began in October. "A series of micro seismic events in Blackpool have been recorded … following hydraulic fracturing at our shale gas exploration site," Cuadrilla said. The largest tremor, of 1.5 magnitude, occurred after fracking work had already stopped, the company said.

Fracking involves injecting water, sand and chemicals at high pressure to break up the rock and release more gas. It is opposed by environmentalists who say extracting more fossil fuel is at odds with Britain's commitment to reduce greenhouse-gas emissions. However, the government is keen to reduce the country's reliance on imported gas.

The company first attempted fracking a gas well near the coastal town of Blackpool in northwestern England in 2011, but that led to a 2.3 magnitude tremor — which led to an 18-month nationwide ban on fracking while further research was carried out. The government has since introduced the traffic-light system that immediately suspends work if seismic activity of magnitude 0.5 or above is detected.