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FERC says it will streamline LNG project reviews

(Platts; July 17) - Federal Energy Regulatory Commission Chairman Kevin McIntyre said July 17 that a formal agreement is likely "in the coming days" with other agencies to streamline permitting and trim LNG project review timelines. His comments come as industry and lawmakers have aired concerns that staff shortages at FERC could slow reviews as U.S. liquefied natural gas export terminal developers are racing to line up offtake agreements and as trade tensions are adding to their worries.

"In just the last few days we have made truly significant strides in reforming the permitting process with our federal partners, eliminating duplicative efforts and instituting a streamlined procedure that will significantly reduce our LNG permitting timelines," McIntyre said in a FERC podcast. "The details are still being hammered out, but we expect to have a formalized agreement in place in the coming days."

He denied a news report that FERC had told developers there would be delays of 12 to 18 months in LNG application reviews. While he did not release details of the upcoming process changes, he said FERC is working with the departments of Energy and Transportation to improve project review coordination, in line with the administration's memorandum of understanding encouraging one federal decision on permits. FERC is also taking a hard look at its own processes to find efficiencies, he said, and is working to hire more LNG plant engineers and to farm out more work to third-party contractors.

Investment in new LNG supply has dropped the past two years

(Platts; July 17) - Investment in new LNG supply projects is set to fall to just $15 billion this year, the International Energy Agency said July 17, and is likely to dip further in the coming years unless there are new final investment decisions. In its latest annual World Energy Investment report, the IEA said spending on new gas liquefaction plants was "subdued" the past two years. Investments fell after a large wave of projects mainly from Australia and the United States were sanctioned in the first half of the decade.

The IEA said that wave of Australian and U.S. projects will add more than 110 million tonnes of annual LNG production capacity by 2020, equivalent to almost one third of global liquefaction capacity at the end of 2017. Spending on LNG peaked in 2014 and 2015 at around $35 billion per year, the IEA said, but been declining ever since, dipping to $20 billion in 2017. The agency said the current overcapacity in the market has created a reluctance to spend on new projects. "Many companies have been adopting a wait-and-see approach to new LNG investments," it said.

A reluctance to invest is also related to buyers not being willing to commit to new long-term contracts despite expectation of higher demand. The impact of the lack of FIDs could be a tighter market in the 2020s, the IEA said. "In the absence of the sanctioning of new LNG liquefaction projects over the next 12 to 18 months, the LNG market could significantly tighten by 2023." One mitigating factor is likely to be the expansion from 77 million tonnes per year to 100 million tonnes of LNG production capacity in Qatar.

Arctic LNG looks to be growth opportunity for Russia-China trade

(OilPrice.com; July 16) - With Russia and China as close as ever on geopolitical and energy-related issues, there is a growing facet to their cooperation — trade in liquefied natural gas. Two Yamal LNG carriers will reach China's Jiangsu province July 19, the first supplies from the Arctic project to reach China directly. The initial Yamal delivery to China took place in April, when a cargo took the long route via the Suez Canal, a voyage of about 40 days. Using the Northern Sea Route cut the time in almost half.

Even with the expense of the costly ice-breaking LNG carriers used on the northern route, transport charges for the direct route are almost one-third lower than the long way around. And with the Chinese government's coal-to-gas conversion drive, China's LNG imports will inevitably grow even further. In the near future, Novatek, operator of Yamal LNG, intends to cut transport costs by about 10 percent by building a transshipment hub in Avachinskiy Bay of the Kamchatka Peninsula in Russia's Far East.

That will allow the ice-class LNG carriers to transfer their cargoes to conventional LNG tankers for the rest of the voyage to China, making better use of the expensive ice-breaking ships. The transshipment hub will be even more useful if Novatek goes ahead with its plan for a second Arctic LNG project. Moreover, the Russian state could buttress Novatek's China drive by lowering Northern Sea Route tariffs, if necessary. The Russia-China LNG trade seems like a legitimate win-win situation.

India's renegotiated LNG deal with Gazprom will save $1-plus billion

(LNG World News; July 18) - India could save up to 95 billion rupees ($1.39 billion) from its renegotiated long-term liquefied natural gas supply deal with Russian gas giant Gazprom, according to India's Minister of Petroleum and Natural Gas Dharmendra Pradhan. The initial 20-year LNG deal signed in 2012 between Gazprom and state-owned gas importer and distributor GAIL India was revised at the start of this year to reduce the oil-linked price of the gas cargoes.

GAIL and Gazprom "successfully renegotiated the long-term LNG sale-and-purchase agreement reflecting the current global gas market dynamics," Pradhan said July 18 in a written reply in the upper house of the Indian parliament. "The renegotiated price, compared to the earlier contract price, will result in saving" about $1.2 billion to $1.39 billion over the term of the contract if oil is at US$50 to $70 per barrel through 2040, Pradhan said. Gazprom delivered its first contracted LNG cargo to India on June 4.

In addition to its Gazprom deal, GAIL has successfully renegotiated long-term contracts with Qatar (2015) and ExxonMobil (2017) to achieve a lower price. Expectations of an oversupplied market enabled GAIL to strike better deals with its contract suppliers.

Shell-led British Columbia LNG project plans 95% Canadian hire

(The Globe and Mail; Canada; July 15) – The Shell-led LNG Canada project will hire primarily Canadian workers to build its liquefied natural gas terminal in Kitimat, B.C., according to newly released provincial government briefing notes. The employment strategy is in contrast to plans of the now-defunct Pacific NorthWest LNG project, which would have used far more foreign workers at a site near Prince Rupert, according to the notes officials prepared for B.C. Premier John Horgan and his energy minister.

Shell and four co-owners of LNG Canada are expected to decide by the end of 2018 whether to forge ahead with the C$40 billion project in Kitimat. Pacific NorthWest LNG, led by Malaysia's state-owned Petronas, announced in July 2017 that it had canceled its plans to build an export terminal on Lelu Island in the Port of Prince Rupert. But Petronas disclosed in May, less than a year later, that it had signed a deal to become the second-largest partner in LNG Canada.

Before the cancellation of Pacific NorthWest LNG, Petronas estimated that foreign workers would account for almost 40 percent of the 4,000 people required to build its terminal. The recent provincial notes said LNG Canada envisages foreign staff accounting for just 5 percent of its construction work force of 4,500: "We expect LNG Canada to seek to bring in this small percentage of temporary foreign workers to fill jobs for which unique skills are required."

Pipeline company loses request for steel tariff exemption

(Reuters; July 16) - A $1.1 billion U.S. oil pipeline was denied an exclusion July 16 to the Trump administration's tariff on imported steel, the first such ruling on a major energy project since the tariff went into effect. Plains All American Pipeline's request was denied because suitable pipe is available from U.S. producers, the Commerce Department ruling said. The Trump administration this spring slapped a 25 percent tariff on imported steel and 10 percent on imported aluminum to safeguard U.S. jobs.

It allowed companies to seek exemptions if U.S. metals were not available in sufficient quality, quantity, or in a reasonable time. Several major energy companies are awaiting rulings. Plains said it will build its 550-mile Cactus II line with steel from Greece, but called the rejection “unjust” because it had ordered steel last year before the tariff decision. Plains did not say how much the tariffs will increase the project cost.

Plains is among pipeline companies trying to address surging oil and gas production in West Texas and New Mexico. The line will expand capacity to move oil to export hubs along the U.S. Gulf Coast. Plains will use steel from a unit of Corinth Pipeworks Pipe Industry in Greece. It said in its application that only three steel mills in the world could produce the material required, and none are in the U.S. But Berg Steel Pipe in Florida opposed the tariff exemption, saying it could supply product made with a different process than sought by Plains.

First Nations talk with Canadian banks about financing pipeline stake

(Vancouver Sun; July 17) - Talks are underway with unnamed Canadian banks on a potential financing and equity model that could see B.C. First Nations take an ownership stake in the controversial Trans Mountain oil pipeline expansion. Whispering Pines First Nation Chief Michael LeBourdais said Canadian banks approached First Nations this spring — about the time pipeline owner Kinder Morgan issued an ultimatum that unless it had certainty it could expand the line through British Columbia, it was walking away.

Since then, the Canadian government has stepped in to purchase the existing Trans Mountain pipeline and its expansion project for C$4.5 billion, a transaction expected to close in the fall. LeBourdais would not name the banks and would not say what other First Nations were involved in the talks, saying they don’t want to go public at this time. The Trans Mountain project is viewed as critical by the federal and Alberta governments and oil producers to diversify Canada’s oil export markets away from the United States.

LeBourdais said he has had discussions with as many as 27 First Nations along the pipeline route, the majority of them in B.C. He said the whole point of buying a stake in the pipeline is to get First Nation support by taking control of the pipeline and taking responsibility for environmental oversight. “The best way for those who are worried about the environment is to have control over the thing you fear,” LeBourdais said.

Gas vs. renewables an issue in Hawaii’s gubernatorial election

(Honolulu Civil Beat; July 16) - U.S. Rep. Colleen Hanabusa’s family gas station in Hawaii plays a featured role in the gubernatorial candidate’s life story. But more than nostalgia links her to the fossil fuel industry. She served as a director of Hawaii Gas, a subsidiary of Macquarie Infrastructure Corp. of New York, from June 2015 to November

2016. In sharp contrast to the incumbent, Gov. Davide Ige, Hanabusa is open to using gas to produce electricity until Hawaii's 100 percent renewables law kicks in in 2045.

Although Hawaii's energy policy is spelled out in statute, the governor plays a significant role in implementing the policy. For Ige gas is not part of the equation. His predecessor, former Gov. Neil Abercrombie, had extolled the benefits of liquefied natural gas that could be shipped by tanker and help lower electricity costs for Hawaii ratepayers while reducing carbon emissions. But Ige strongly opposes LNG, saying it makes no sense to invest heavily in infrastructure — ports, regasification facilities, and the like — that the state would quit using in the not-too-distant future.

One of the thorniest issues for policymakers is how to drive down costs for consumers. The current plan generally calls for encouraging competition among energy project developers, like solar and wind farms. But the argument for gas is that it is available immediately to fuel the state's power plants that run on oil or coal. Whatever the case, Hawaii residents pay the nation's highest rates for power. Statewide electricity rates were almost 24 cents per kilowatt hour in 2016 — more than twice the national average.

Papua New Guinea governor wants gas agreement reviewed

(Papua New Guinea Post-Courier; July 16) - The ExxonMobil-led Papua New Guinea liquefied natural gas project has almost completely recouped its entire US$19 billion capital cost while producing and exporting less than 10 percent of the known gas reserves. The export terminal started shipping LNG in May 2014. With the cost recovery almost complete, the project would have paid its first income taxes in April if a 7.5-magnitude earthquake had not disrupted operations.

Without the quake the project would have achieved positive cash flow in April 2018, triggering income tax payments to the government. These revenues will now be pushed back by at least three months. "Can you imagine that US$19 billion capex of the PNG LNG project has been recouped in less than four years?" said Philip Undialu, governor of the gas-producing Hela province. "This fact alone confirms that there is a lot of cream in the PNG LNG project. Papua New Guinea stands to have all its wealth in the project eroded in the next 50-plus years if the gas agreement is not reviewed."

Undialu on July 13 presented his paper, "A Narrative in a Nutshell about PNG's Oil and Gas Industry," at a governors' conference. "The project will be producing gas and exporting LNG for more than 30 years based on the project open-book economic model, but based on my objective judgment the project has an economic lifespan of more than 50 years as the upside potential is huge," Undialu said.

[Local unrest, suspicion present challenge in Papua New Guinea]

(OilPrice.com; July 16) - Until recently, Papua New Guinea was the envy of liquefied natural gas producers. Not only did its LNG project come online without much delay, it avoided budget overruns and feuds between worker groups and project developers. By 2017, the ExxonMobil-led $19 billion project was producing some 8.3 million tonnes of LNG, an increase of 20 percent from the design specification of 6.9 million tonnes. By last year, ExxonMobil's PNG project looked as if its success would be endless.

Then the first crack appeared as a 7.5 magnitude earthquake struck the project area, triggering landslides and killing at least 100 people. The project restarted by mid-April, but not without damage to the project partners' reputation among villagers who blamed gas drilling as either the main cause or at least as one of the main contributors to the quake. Project partners, along with geologists, disputed the claims, but the goodwill that had been won more than a decade ago has been lost and will be hard to win back.

Next, government officials are claiming they received an unfair deal 10 years ago when negotiating terms and have vowed that any new projects will not suffer the same fate. Radio New Zealand recently reported that landowners have advised the government that it must resolve a dispute over unpaid gas royalties by July 18 or the venture would be "closed permanently." The danger for ExxonMobil is not only how it will handle the public relations damage, but whether local unrest could affect LNG expansion plans.

[Gas flaring down worldwide last year, but up in the U.S.]

(UPI; July 17) - Gas flaring from oil and gas operations, a source of greenhouse gas emissions, is on the decline, but reaching a goal remains elusive, the World Bank said. The United Nations and World Bank in 2015 endorsed a goal of zero routine flaring by 2030. The aim, which is supported by 27 governments and more than 24 oil companies, is to find ways to end burning off gas associated with oil production no later than 2030.

Satellite data from a World Bank-managed program found gas flaring last year declined even though global oil production increased by about a half percent. "The latest global gas flaring data is encouraging, but we will have to wait a few more years to know whether it represents a much-needed turning point," Riccardo Puliti, a World Bank director of its energy and extractive industries, said in an email July 17.

Gas flaring puts millions of tons of carbon dioxide, a potent greenhouse gas, into the atmosphere every year. World Bank data show the total volume of natural gas flared last year was down about 5 percent from the previous year. For Russia, the largest gas-flaring country in the world and among the world leaders in oil production, the volume of associated gas burned off declined 11 percent from 2016. In the United States flaring increased nearly 7 percent. Much of the gas associated with U.S. shale oil deposits is burned off, or flared, because of a lack of processing plants and pipelines to market.

Oil output from major U.S. shale basins looks to hit record in August

(Reuters; July 16) - U.S. oil output from seven major shale formations is expected to rise by 143,000 barrels a day to a record 7.47 million barrels per day in August, the U.S. Energy Information Administration said in a monthly report July 16. Production is expected to rise in all seven formations, with the largest gain of 73,000 barrels per day in the Permian Basin of Texas and New Mexico. All shale regions except for Appalachia are at a high point, according to the data.

Meanwhile, U.S. natural gas production in the biggest shale basins was projected to increase to a record 70.5 billion cubic feet per day in August. That would be up almost 1.1 bcf per day over the July forecast and would be the seventh monthly increase in a row. A year ago in August, gas output in the biggest shale basins totaled 57.8 bcf a day. Output in the Appalachia region, the biggest shale gas play, was set to rise over 0.3 bcf to a record high 28.9 bcf per day in August.

Growth in floating LNG regasification units slows down

(Reuters; July 18) - A giant vessel docked at the port of Moheshkhali in Bangladesh two months ago, propelling the populous but poor nation into the fast-expanding club of liquefied natural gas buyers. The Excellence is the world's latest floating storage and regasification unit (FSRU), but the young industry has been beset by more project delays than successes in the past 12 months as fluctuating energy prices, shipping rates, government policies and strong demand for gas in China reshape the sector.

"In the last year or so, FSRUs have suffered a bit of a setback from the stellar growth they were previously enjoying," said Andrew Buckland, Wood Mackenzie's global LNG trade and shipping principal analyst. "Some of that is down to conditions unique to particular proposed projects," he said. But a lot is because growing demand in China is soaking up an anticipated oversupply in the market.

Since a golden period between 2015-2017, when almost half of the world's 34 FSRUs came onstream, projects in Ghana, Pakistan, and Ivory Coast have been scrapped and in countries such as Chile, Croatia, and South Africa, delayed. FSRUs are relatively new — the first was put in operation in 2005 by U.S. company Excelerate, which figured out how to fit an entire LNG terminal onto a ship. They have a big advantage over onshore terminals — cheaper by half at around $300 million to $400 million, twice as quick to deliver and flexible because the vessel can journey to other ports after it is not needed.