Oil and Gas News Briefs
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LNG Canada still wants to start construction this year in Kitimat

(Business in Vancouver; March 15) - In 2016, when LNG Canada hit the pause button on its multibillion-dollar liquefied natural gas project in Kitimat, B.C., CEO Andy Calitz made clear the project was "delayed, not canceled." At a forum March 14, he confirmed the company plans to seek a final investment decision from the main partners, which includes Shell, this year. Despite skepticism that a large LNG project will ever be built in British Columbia, Calitz and Shell have been telegraphing their intent to move ahead with LNG Canada and have said they expect to make an investment decision in 2018.

Calitz went a bit further this week, saying the goal was to start construction this year. "When we paused LNG Canada in 2016, when oil prices were $35 and there was no market for LNG in Asia, at the time we said we wanted to be in construction in 2018," he said. "My answer remains unchanged," Calitz said, adding LNG Canada is preparing final investment documents for stakeholder approval. Those stakeholders include Shell and three of Asia's biggest companies: PetroChina, Korea Gas, and Mitsubishi.

LNG Canada originally planned a final investment decision in 2016. The project, at up to 24 million tonnes of LNG per year, has its environmental approvals and agreements with First Nations. While Calitz conceded there are significant challenges to building a project of that size — not the least of which is building a gas pipeline across a mountain range — he said there are some distinct advantages, one of which is the short shipping distance to Asia. The project has been estimated to have an all-in capital cost of $40 billion. That includes the LNG plant, a 415-mile pipeline and upstream gas assets.

Novatek complains that Russian LNG is not 'bad gas'

(Bloomberg; March 16) - Political tensions with Europe and the U.S. should not be a reason to denounce Russian energy supplies, which are just as essential for the global market as oil and gas from anyone else, said Russia's newest liquefied natural gas exporter, Novatek. "We don't understand why cargoes now have a DNA attached to them," Mark Gyetvay, chief financial officer for Novatek, said in a Bloomberg interview. Russian LNG has come to the U.S., and a cargo reportedly is on its way to the U.K.

"Why all of a sudden we got to this point when there is good and bad gas," with "good gas coming from everywhere else and bad gas coming out of Russia," the executive said March 16 in London. "We've been vilified for delivering gas to the market." The furor between Russia and the U.K. in the wake of the nerve-agent attack earlier this week prompted Prime Minister Theresa May to retaliate by expelling Russian diplomats and seeking alternatives to Russian gas, including LNG produced by Novatek.

Cargoes of Russians gas are supplied by traders who choose the most profitable destination — that is how commodity markets work, Gyetvay said. Yamal LNG was sold from the Siberian plant “to a trader who then sold it off to another trader who took it to the market where they felt they could receive the highest netback,” he said. Novatek started its $27 billion Yamal LNG plant in December amid U.S. sanctions against Russia. Novatek’s largest shareholders include Russian billionaires Leonid Mikhelson.

First LNG from Maryland terminal appears headed to U.K.

(Financial Times; London; March 15) - The first tanker of liquefied natural gas to depart a new export facility in Maryland has changed course mid-Atlantic and is heading for the U.K., the day after questions were raised in England about rising imports of Russian LNG. The Gemmata tanker, which left the newly opened Cove Point, MD., terminal in Chesapeake Bay roughly 10 days ago and was thought to be on its way to Asia, has turned northeast and is said to be heading for the Dragon LNG terminal in South Wales.

The Financial Times reported this week that of the six LNG tankers that have made deliveries into the U.K. so far in 2018, three have carried cargoes originally from Russia, leading to questions whether Moscow was gaining a foothold in the U.K. market after starting up the Yamal LNG facility in Siberia in December. With tension between the U.K. and Russia at the highest level since the Cold War, following the alleged nerve agent attack by Russia on a former spy in Salisbury, Prime Minister Theresa May said March 14: “In looking at our gas supplies we are indeed looking at other countries.”

The U.S. LNG, however, is likely primarily chasing higher gas prices in the U.K. Gas prices have risen after a cold snap a few weeks ago drained supplies with more wintry weather expected to arrive this weekend. Shell, which is lifting the initial cargoes from the Cove Point terminal during its commissioning phase, appears to have redirected the cargo that was originally sailing toward Asia around the southern tip of Africa. The ship is expected to arrive in the U.K. on March 20, according to data compiled by Reuters.

B.C. government orders scientific review of fracking

(Globe and Mail; Canada; March 16) - The B.C. government has launched a long-awaited scientific review of hydraulic fracturing, with the Energy Minister saying she wants “to get to the truth of the matter” of issues surrounding the controversial practice. But the province’s New Democratic Party partners in government, the B.C. Green Party, immediately denounced the effort as a waste of time and a substitute for “appropriate action” to deal with concerns that the practice may be linked to earthquakes.

In fracking, fluids are injected deep underground to shatter rock and release trapped oil and gas. While a boon for the energy sector, it has raised fears about groundwater contamination and increased seismic activity. B.C. Energy Minister Michelle Mungall announced March 15 that a three-member panel — professors of hydrogeology and geological engineering and a geological engineer — will conduct the review and provide their findings before the end of the year.

"I am not going to prejudge what the recommendations are. I just want the panel to do a really good job and I am confident that they will," Mungall said. The panel is to consider fracking as it relates to earthquakes and its impacts on water quality and quantity, as well as methane emissions linked to the practice. It will consult academics, industry professionals, communities in northeastern B.C. where the practice has been under way, and also First Nations.

Shell says lack of long-term LNG deals could hurt market

(Reuters; March 15) - Shell, the world's biggest liquefied natural gas trader, said buyers have not taken advantage of a favorable market and have failed to extract better deals. Steve Hill, executive vice president at Shell Energy, said this is damaging to all market participants as it prevents new supply from being developed. "You could argue that buyers haven't necessarily taken advantage of the buyer's market because buyers haven't done very many long-term deals," he said at a seminar in Tokyo on March 15.

"I think our concern is that if deals aren't done and projects aren't sanctioned, eventually it won't be a buyer's market anymore because demand will grow and supply won't." Hill said a traditional model of switching back and forth between the buyer's market and the seller's market would not be helpful either way because that would lead to demand destruction in addition to projects not being developed on a regular schedule.

"What would be better would be a continued growth in the market. Meeting the needs of the buyers, which is clearly crucial, and enabling the growth of new projects at the same time is this challenge we're facing today," Hill said. He also said imported LNG has a particularly important role in China because of its growing gas demand and increasing seasonality in its gas demand, and because it has very little storage capacity and is dependent on import deliveries to cover that lack of storage.

Commodity traders see LNG opportunity in emerging markets

(Reuters; March 14) - Vitol is targeting Southeast Asia's booming liquefied natural gas markets to boost its sales and catch up with rival commodity traders by developing import projects in Pakistan and Bangladesh. In its biggest potential project, the trader is teaming up with France’s Total on a floating LNG import facility in Port Qasim, Karachi, industry and government sources said.

The unusual alliance between the Swiss trade house and oil major shows how emerging markets’ appetite for gas is becoming a focal point for the global LNG industry as it faces years of strong supply growth. Rival trading houses Trafigura and Gunvor are already developing LNG projects in Pakistan and Bangladesh, betting the countries will account for a rising share of future profits and LNG trade.

The Vitol-Total project joins about eight other proposed LNG terminals in Pakistan — largely clustered around Port Qasim — vying to tap into a market set to expand five-fold by 2022 to 30 million tonnes per year. Floating import terminals are faster and less costly to set up than traditional land-based units and offer traders a route into new markets, helping to absorb a growing LNG surplus. The floating projects tend to cost about $250 million for a ship that can store and regasify LNG as needed for local use.

Louisiana LNG hopeful says steel tariffs will boost project costs

(Houston Chronicle; March 16) - Tellurian, the Houston liquefied natural gas company co-founded by ex-Cheniere Energy boss Charif Souki, said U.S. steel tariffs could raise the costs of its proposed $15 billion Driftwood LNG export terminal in Calcasieu Parish, Louisiana. The prospect of increased materials costs under the Trump administration's 25 percent tariff on foreign-made steel stunned the oil and gas industry late last month.

Companies are building or planning to build dozens of oil and gas pipelines, LNG terminals and other infrastructure to accommodate the second U.S. shale boom, and they're beginning to use new math to calculate the cost of those projects. "Recently announced tariffs on imported steel may significantly increase our construction costs," Tellurian said in regulatory filings March 15. The Driftwood LNG project is waiting on its federal environmental impact statement, in addition to needing customers and financing.

Tellurian estimates it will cost several billion dollars for new pipelines to deliver gas to the liquefaction plant from wells in Louisiana and Texas. The company said those costs could rise but did not provide an estimate on how much tariffs could lift those costs.

Statoil will change name to Equinor to reflect turn away from oil

(Bloomberg; March 14) - Statoil, Norway’s biggest petroleum company, will change its name to Equinor as it seeks to broaden its energy reach beyond oil and gas production. “The world is changing, and so is Statoil,” said Chairman Jon Erik Reinhardsen in a statement. “The biggest transition our modern-day energy systems have ever seen is underway, and we aim to be at the forefront of this development.”

The new name reflects the starting point for equal, equality and equilibrium, and “nor,” to signal the company’s Norwegian origin, according to Statoil, which is 67 percent controlled by the government. The change comes just a few months after Norway’s $1 trillion sovereign wealth fund shocked the world in proposing to divest all of its oil and gas stocks, arguing that given the country’s overall exposure to oil, including its ownership in Statoil, it didn’t make sense to also tie up financial assets in the sector.

Norway is seeking to reduce its reliance on petroleum production. Statoil’s strategy presented in 2017 set clear principles for development of a portfolio that includes about 15 to 20 percent of its investments in “new energy solutions” by 2030. Since CEO Eldar Saetre took over in 2014, Statoil has increased investments in offshore wind power and recently entered solar energy. The new name will be proposed to shareholders May 15. The change is supported by the Norwegian government, as well as Statoil’s five unions.

Shell may supply Hong Kong with LNG for power generation

(Reuters; March 14) - Shell is close to bagging a deal to supply Hong Kong with liquefied natural gas, beating out major competitors for the right to be the first company to supply LNG to the city. Shell has edged out companies such as Malaysia’s Petronas to supply LNG through a long-term contract to Hong Kong utility CLP Power, two sources familiar with the matter told Reuters.

Hong Kong is undertaking a massive shift to using more natural gas to fuel its electric power generation instead of coal, potentially creating a steady and lucrative demand source in the Asian LNG market. Under the deal, Shell will supply about 1.2 million tonnes per year for about 10 years starting after 2020, the sources said. However, the supply agreement is subject to a final investment decision for an offshore LNG import terminal to include a floating storage and regasification unit, one of the sources said.

As part of its commitment to the Paris Climate Change Agreement, Hong Kong is aiming to increase the use of gas in its total fuel mix for power generation to about 50 percent by 2020 from 22 percent as of 2012. The country’s coal-fired plants will reach the end of their useful life in the next decade. Hong Kong currently produces power using imported fuel oil or imported gas from mainland China. Hong Kong’s gas demand is expected to grow after 2020 as a result of efforts to meet environmental targets.

Japanese company offers consulting services for LNG by train

(Nikkei Asian Review; March 16) - Japan Petroleum Exploration is promoting rail transport as an environmentally friendly way to distribute liquefied natural gas in the U.S. and Europe, which have extensive track networks. The company, known as Japex, said its method of combining trains and trucks can slash carbon dioxide emissions 80 percent compared to using trucks alone. It is offering feasibility studies and consulting services to railway operators and other businesses in the West and elsewhere.

Japex started transporting LNG by rail from Japan's Niigata Prefecture in 2000. It uses trains and trucks to move the fuel from its plant in Tomakomai, on the country's northern island of Hokkaido. The plant has an annual capacity of 70,300 tons, about 3.3 billion cubic feet of gas as LNG. The company has not disclosed exactly how much it will charge for its assistance, but the fees are expected to run between a few thousand and a few tens of thousands of dollars per feasibility study.

Trucks are generally used to reach areas that lack pipeline access. The LNG is brought to satellite storage stations near factories, for example, and returned to its gaseous state for use as fuel. Momoyo Yuki, senior manager of Japex's business development group, said rail transport is a viable option. One benefit is that, since LNG containers can be simply unloaded from trucks and placed on freight trains, the investments are minimal — assuming the railway infrastructure is already in place.

Italy’s Eni wants to boost its presence in LNG markets

(Platts; March 16) - Italy-based Eni said it plans to accelerate its growth in the natural gas, liquefied natural gas and power markets as it looks to benefit from its integrated energy position and reduce costs and carbon emissions. The company outlined plans March 16 to increase its annual contracted LNG volume to 12 million tonnes a year by 2021 and to 14 million tonnes by 2025 from the 10 million tonnes per year envisioned in its previous 2017-20 plan.

LNG will play "a crucial role" in meeting growing energy demand, particularly in Europe and Asia, CEO Claudio Descalzi said. The company, whose upstream resources are more than 50 percent gas, sees the development of LNG trade as "a major opportunity" to maximize these assets, he said. Eni has set a target to provide 70 percent of its LNG trading volume from its own assets by 2021 compared with 30 percent now. Most of this volume will come from Africa and the Far East, said.

In the gas and power segment, the company outlined plans to boost power generation, particularly renewables, with domestic growth and in other markets where Eni already has a presence. The company has 65 projects on the slate and will add 400 megawatts of capacity in the next couple of years, then boost the total to 1 gigawatt by 2021 with an investment of 1.2 billion euros ($1.5 billion) and to 5 gigawatts by 2025, Descalzi said.

Exxon working with Pakistani businesses on LNG import terminal

(Bloomberg; March 16) - ExxonMobil is working with a group of Pakistan's large businesses on a proposal to build and supply the country's third import terminal for liquefied natural gas, according to the nation's minister for maritime affairs. Exxon has partnered with Pakistani consortium Energas to develop the import terminal, the minister, Mir Hasil Khan Bizenjo, said March 16 without providing further details.

According to a presentation the companies made to the country's regulators March 16, a copy of which was obtained by Bloomberg, the group plans to start building a $150 million offshore terminal at Port Qasim near Karachi in May, pending government approvals. Exxon and Qatar would supply LNG to the terminal, which is expected to be completed by the end of 2019, according to the presentation.

With a population of more than 200 million and a growing economy, Pakistan has the largest appetite for LNG among emerging markets, according to Bloomberg New Energy Finance. The nation's domestic gas production has remained stable for more than a decade despite growing demand for the fuel. The terminal will have throughput capacity of 750 million cubic feet of gas per day, or about 5.6 million tonnes of LNG per year, according to the presentation. Exxon and Energas already have customers for about 300 million cubic feet of gas per day including power plants, it said.

Uruguay focuses on renewable energy as LNG 'is on standby'

(Platts; March 15) - Uruguay has put a focus on getting most of its power from renewable sources and using oil as a backup fuel for peak demand, as a project to import LNG takes longer than expected and may not pan out, a government official said March 16. The project to import liquefied natural gas "is on standby," Ramon Mendez Galain, the country's national director of energy, said on the sidelines of The Economist's Argentina Summit in Buenos Aires.

Uruguay had planned to install a floating LNG receiving, storage and regasification facility outside the Port of Montevideo. It would have a send-out capacity of about 350 million cubic feet of gas per day, of which half would be used as power-generation fuel to replace costlier and dirtier diesel and fuel oil. The rest would be sold to Argentina, but its South American neighbor has hesitated on its participation, leading to delays and finally a suspension of the $1 billion project.

As a result, Uruguay has put a focus on building up biomass, wind and solar power capacity, which now meets about 95 percent of demand. Diesel and fuel oil are used as a backup, averaging about 3 to 4 percent of annual power production, Mendez Galain said. "We have a combination of renewables that means that oil, which is used as a backup, is so limited in consumption that it is not that much of a problem," he said.

Qatar will cut back on deposits to sovereign wealth fund

(Bloomberg; March 14) - A combination of lower energy prices and increased domestic investments will curb the net transfer of funds to Qatar's sovereign wealth fund until 2022, according to the gas-rich country's latest forecast. Qatar, isolated in a standoff with its Gulf neighbors, has trimmed its budget since energy revenue began declining in 2014, including removing some subsidies and consolidating government ministries and state-owned companies.

But even with the reductions in expenditures, there will be limited surpluses left over for the Qatar Investment Authority, as the fund is known, the government said in a national development strategy report. After almost two decades of rapid expansion driven by a sevenfold increase in the production of oil and gas, Qatar's energy boom has waned this decade as projects were completed and focus shifted to promoting non-oil growth.

The world's biggest producer of liquefied natural gas plowed its surplus into building a $320 billion sovereign wealth fund. The expected reduction in fund transfers is just the latest challenge facing the fund. It repatriated capital to shore up deposits in local banks after Saudi Arabia, the United Arab Emirates and Bahrain withdrew funds and began a boycott of Qatar in June.

Canada's federal government supports oil pipeline to the coast

(The Canadian Press; March 15) - Canada's natural resources minister said Ottawa is determined to see the Trans Mountain oil pipeline expanded, despite an interprovincial dispute on whether the project should go ahead. Jim Carr said the federal government approved the project after broad consultations determined it was in the national interest and will help facilitate a transition to clean energy.

"Our plan is to use this time of transition to Canada's advantage by building the infrastructure to get our resources to global markets and using the revenues to invest in clean forms of energy," he said March 15. "That's why we've approved pipelines, including the Trans Mountain expansion." Alberta and British Columbia have been locked in a battle over the future of Kinder Morgan's $7.4 billion plan to triple the capacity of the line, which runs from Edmonton to a marine terminal in Burnaby, B.C.

Alberta Premier Rachel Notley has called on the federal government to do whatever it takes to get the pipeline built. The federal government continues to support the project and has stepped in to intervene with the National Energy Board over construction delays, Carr said. He noted Trans Mountain still faces significant opposition in B.C., where thousands of people recently rallied in protest and where the provincial government has raised concerns about possible environmental and economic impacts.

Coast Guard moving closer to new $1 billion icebreaking cutter

(Bloomberg; March 15) – Admiral Paul Zukunft found himself next to Donald Trump on the presidential inauguration parade route on Jan. 20, 2017. The president asked the Coast Guard commandant whether he had everything he needed. “No, sir,” Zukunft replied. “What do you need?,” Zukunft recalls Trump asking. “I need icebreakers,” he said. More than a year later, the Coast Guard has started a competition to build the first new heavy icebreaker cutter for the Arctic and Antarctic after decades of neglect.

Russia and, increasingly, China have expanded their polar presence while the U.S. currently has only one 40-year-old heavy icebreaker. The proposed $1 billion ship, which would be able to cut through 21-foot-thick ice, is becoming a symbol of American presence and power in the Arctic in the absence of a clear national strategy to defend U.S. interests there. Without a new icebreaker, proponents say, the U.S. risks being caught empty-handed in a region where Russia has expanded its reach and rebuilt a military arsenal while the relationship between the two countries has deteriorated.

The Coast Guard last February awarded firm fixed-price contracts for heavy polar icebreaker design studies and analysis to five different firms. A single contract will be awarded in 2019. The Coast Guard projects needing at least three heavy icebreakers, with the cost coming down after the first is built. The Coast Guard requested $750 million for the icebreaker in fiscal 2019. Together with a congressional addition of $175 million for the program in 2017, and possibly some more this year, the service will have enough money to pay for its first new cutter. Estimates put delivery of the ship in 2023.