Oil and Gas News Briefs
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Qatar expects decision on Texas Golden Pass LNG by end of year

(Reuters; May 8) - State energy giant Qatar Petroleum will push ahead with its gas-production expansion and foreign-asset acquisition strategy to be on par with oil majors despite a regional political and economic embargo on Doha, its chief executive said. QP, which produces 4.8 million barrels of oil equivalent per day, mostly natural gas, aims to boost output to 6.5 million barrels in the next eight years, and is expanding its upstream business abroad, particularly in the United States, CEO Saad Al-Kaabi said.

Qatar is one of the most influential players in the global liquefied natural gas market with annual production capacity of 77 million tonnes and global sales. “We are in Mexico, we are in Brazil, we are contemplating investing in the U.S. in many areas, in shale gas, in conventional oil. We are looking at many things,” Al-Kaabi said in an interview at QP’s offices. “We are looking very critically at the United States because we have a position there. We have the Golden Pass that we are investing in,” he said.

Qatar Petroleum is the majority owner of the Golden Pass LNG import terminal in Texas, and is looking with partner ExxonMobil at spending billions of dollars to add liquefaction and export facilities at the site — “depending on the project’s cost and feasibility.” Al-Kaabi said he expects to take a final investment decision on Golden Pass LNG by the end of the year. “I’m not in the business of infrastructure. I’m not going to have a liquefaction plant only. It has to be something that will be linked with an upstream business that we would buy in the U.S., so we need to be naturally hedged.”

Qatar awards initial design contract for gas production expansion

(Platts; May 7) - Qatar Petroleum announced a design contract May 5 with U.S. engineering firm McDermott as it prepares to push ahead with plans to expand gas production by 30 percent at the giant North field in the Persian Gulf. Already the world's largest LNG producer, Qatar a year ago lifted a moratorium on new gas developments at the field. The expansion will increase its LNG production capacity to more than 100 million tonnes a year by 2023, up from 77 million tonnes. Drilling would start next year.

"This is yet another milestone on the road to implementing one of the most ambitious gas projects in the southern sector of the North Field and starting the first LNG production from the new LNG mega-train by the end of 2023," CEO Saad al-Kaabi said. The design contract covering “jackets” (the steel frame supporting offshore platforms) is "an important step toward awarding the procurement, fabrication and installation contract by the end of this year," QP said.

The work is part of the larger project that will include six new platforms and pipelines to produce 4.6 billion cubic feet of gas a day. In March Qatar selected Japan's Chiyoda Corp. for the front-end engineering and design of three new liquefaction trains, each with a capacity of 7.8 million tonnes per year. The expansion project is also expected to produce as much as 200,000 barrels per day of condensates, most of which would be exported — a major boost for Qatar's condensate exports, which are currently between 300,000 and 400,000.

Sempra says Cameron LNG in Louisiana will be online in 2019

(Platts; May 7) - Sempra Energy said May 7 its top priority is making sure the three production units at its Cameron LNG export terminal in Louisiana are online in 2019, and for now it is confident there will not be any more delays. Analysts on a financial results call pushed Sempra for details about the schedule for the $10 billion project.

Cameron LNG has faced two prior delays. In August 2017, Sempra announced that the first train would be delayed until 2019. At the time Sempra disclosed a dispute in which its construction contractor was seeking to be paid more than the amount in the lump-sum agreement between the parties. The company said that dispute has been resolved. At full output Cameron will produce almost 15 million tonnes of LNG per year.

San Diego-based Sempra has made LNG expansion a key part of its growth strategy. Sempra, a partner in the Cameron project with Mitsui, Mitsubishi, and others, also has been considering an LNG export project on the West Coast at the site of the Energia Costa Azul import terminal in Baja California, Mexico.

Mozambique LNG partner says FID expected this fiscal year

(Reuters; May 9) - Japanese trading house Mitsui & Co. expects a final investment decision on the Anadarko-led liquefied natural gas project in Mozambique during the fiscal year ending March 31, 2019, its CEO said May 9. Mitsui holds a 10 percent stake in the venture. "The FID on the Mozambique Area 1 project during this financial year is in our sights," Mitsui's CEO Tatsuo Yasunaga told an analyst meeting. Spending on the 2 trillion yen ($18.3 billion) project will start the following fiscal year, he said.

Production start-up is expected by 2023, Yasunaga said. The two liquefaction trains in the project's initial phase would be rated at a total 12.88 million tonnes of LNG output per year. The partners have secured binding and non-binding purchase commitments from buyers totaling more than 9 million tonnes per year, Yasunaga said. The partners include Texas-based Anadarko and Mitsui, companies from Thailand and India, and Mozambique’s national oil company.

Yamal LNG reaches 2 million tonnes five months after start-up

(World Maritime News; May 8) - Yamal LNG has shipped 2 million tonnes of liquefied natural gas since the first of three liquefaction trains at the Russian Arctic project started up last December. Testing of the second train started last month with production expected by fall, according to the project’s leading partner, Russian gas producer Novatek. Start-up of the third train is expected by January 2019, bringing the plant’s total capacity to 16.5 million tonnes per year.

Yamal loaded 27 cargoes to reach 2 million tonnes, at almost 3.5 billion cubic feet of gas as LNG per cargo. After initial start-up cargoes from the first train, Yamal partners started supplying long-term contractual deliveries in April. The $27 billion Yamal LNG development is owned and operated by a partnership comprised of Novatek, Total, China National Petroleum Corp., and China’s Silk Road Fund.

Bangladesh signs second LNG contract at lower price than first deal

(Platts; May 7) - Bangladesh's state-owned Petrobangla has signed a 10-year deal to buy 1 million tonnes of LNG per year from Oman Trading International, Chairman Abul Mansur Mohammed Faizullah said May 7. The sales-and-purchase agreement is Bangladesh's second long-term contract. In September last year, it signed a deal to buy 2.5 million tonnes of LNG per year from Qatar's RasGas over 15 years. Petrobangla negotiated a lower price with Oman than it will pay Qatar.

The price paid to Oman is set at about 11.9 percent of the three-month average of Brent, crude plus a fixed cost of 40 cents per million Btu, Faizullah said. In comparison, the deal with Qatar is priced at 12.65 percent of the three-month average of Brent, plus an additional 50 cents per million Btu. At an average of $60 oil, the Oman LNG would cost Bangladesh about $7.54 per million Btu delivered to its terminal. Oil-linked LNG prices have been falling in recent years. Global consultancy Wood Mackenzie, in a 2011 report for the Alaska Gasline Port Authority, used 14.85 percent as its benchmark.

Under the Oman deal, the base quantity of 500,000 tonnes per year is subject to the completion of Bangladesh’s first LNG import terminal — expected to start service later this month — and the second 500,000 tonnes is subject to the completion of a second terminal, expected to start up later this year. The Oman LNG plant has two liquefaction trains with a total capacity of 6.6 million tonnes per year. It started up in 2000.

China would take over Iranian gas project if Total withdraws

(Bloomberg; May 6) - Total, the only Western energy major investing in Iran, will lose its stake in the South Pars offshore gas field to its Chinese partner if the Paris-based company withdraws from the country, the head of National Iranian Oil Co. (NIOC) said. Total has spent $90 million to help develop the field and will not be compensated before production begins, Ali Kardor, managing director of state-run NIOC, said May 6. South Pars is Iran’s section of the world’s biggest gas deposit, which it shares with Qatar.

Total signed Iran’s biggest international energy deal since world powers agreed in 2015 to ease economic sanctions on the Persian Gulf country in exchange for limits on its nuclear program. The company committed in July to develop Phase 11 of the giant South Pars field, pledging $1 billion in investment. President Donald Trump must decide by May 12 whether to re-impose sanctions. Such a step would put pressure on companies like Total that do business in Iran and which also have interests in the U.S.

Total has a 50.1 percent stake in the gas project, with China National Petroleum Corp. holding 30 percent and Iran’s Petropars 19.9 percent. If Total withdraws, Iran will transfer the French company’s full stake to CNPC, based on the contract, Kardor said. Iran has the world’s largest gas reserves, estimated by BP at 1,183 trillion cubic feet. Total had been working at South Pars until international sanctions forced it to withdraw in 2009. The project would produce 2 billion cubic feet a day of gas, Kardor said in July.

China focuses on need for more natural gas storage capacity

(Radio Free Asia; May 7) - With the problems of the past winter barely under its belt, China is looking to avoid another gas shortage during the next heating season. Analysts are expecting another year of strong gas demand after China's consumption climbed 15.3 percent to 8.3 trillion cubic feet in 2017, according to the National Development and Reform Commission, the top planning agency. The surge was spurred by the government's ban in 28 northern cities on coal-fired heating to avoid a smog crisis.

Lack of gas storage has become a focus as the surge in seasonal demand strains the stability of supplies. Last October, energy consultancy Wood Mackenzie said China had only one-fourth to one-sixth the gas storage capacity as the United States and Europe in relation to demand. The Chinese government plans to almost double storage capacity by 2020 and then double it again by 2030, but even that would be short of U.S. and European numbers, according to a Sanford C. Bernstein & Co. forecast.

China is trying to turn hundreds of fully and partially depleted wells into gas storage. But testing, designing, and building the facilities may take five to eight years, Reuters said in a report. New pipelines and infrastructure will also be needed to connect the storage with distribution networks. China plans to spend more than US$10 billion on new storage in the five- to eight-year period in an effort led by PetroChina, according to Reuters. However, the state-owned oil companies are seeking government subsidies and tax breaks to offset the costs of creating new storage, Reuters reported.

India seeks bids to further expand gas distribution services

(The Economic Times; India; May 8) - Half of India will have access to piped natural gas for cooking and vehicles after the latest round of city gas licensing. Bids are being sought to serve 174 of the country’s 640 districts, Oil Minister Dharmendra Pradhan said. It is India’s largest licensing round ever. The government is seeking to raise the share of gas in the country’s primary energy mix from the current 6.5 percent to 15 percent by 2030.

To achieve that goal, the government is adopting policies to encourage domestic gas production, boost imports, and is helping ramp up gas transport and consumption infrastructure. “The bid process has … investor-friendly parameters evolved to attract serious bidders and encourage competition,” Pradhan said at an investor roadshow for the licensing round. India already has issued licenses to provide gas distribution services in 130 districts.

Developer hopes LNG market will look favorably on Oregon project

(Platts; May 4) - Pembina Pipeline executives said May 4 they are more confident than in the past of being able to advance the Jordan Cove LNG export project in Coos Bay, Or., thanks to stronger netbacks on shipments to Asia and expectations of tighter global supply by early next decade. Calgary-based Pembina, which took control of the 5-year-old project following its acquisition of Veresen in October 2017, has yet to reach a final investment decision on the terminal and gas pipeline to deliver feed gas to the facility.

Pembina continues to talk to prospective buyers to secure long-term contracts. It also is spending money on development and seeking regulatory permits. During a conference call with investors to discuss first-quarter financial results, executives said competition from LNG Canada's proposed export terminal in British Columbia, which is expected to reach final investment decision by October, will not interfere with Jordan Cove's $10 billion plan for a liquefaction plant with annual capacity of 7.8 million tonnes.

"I think there is pretty broad consensus that we'll be short LNG capacity in the 2020-2023 timeframe, it's kind of shined a light on that project," CEO Michael Dilger said on the call. It was Jordan Cove's failure to show sufficient demand for its project that was cited by the Federal Energy Regulatory Commission as a key reason for the agency's denial in March 2016 of the project’s permit application. The project later filed a new application after reaching a preliminary agreement with two buyers in Japan.

Run up to $75 oil surprises many forecasters

(Wall Street Journal; May 6) - No one is more surprised by $75 oil prices than Wall Street's oil experts. The price of crude has climbed nearly 12 percent this year and has reached its highest levels since 2014 — a rally that has caught most big banks flat-footed. Last December, analysts surveyed by The Wall Street Journal predicted that Brent crude, the international benchmark, would average around $57 a barrel in the first quarter. Instead, prices averaged $67. On May 4, Brent prices rose to $74.87 a barrel.

Analysts often get it wrong across financial markets. But oil is seen as particularly tricky, given its sensitivity to hard-to-gauge geopolitics and the opaque workings of the Organization of Petroleum Exporting Countries. Recent years have been particularly challenging. The rise of the U.S. shale industry confounded all expectations, OPEC has shocked the market with its policy decisions, and the rapid collapse of Venezuela and other geopolitical shifts have jolted prices higher faster than many expected.

"Predicting oil prices is a mug's game," said Craig Pirrong, a professor of finance at the University of Houston. But the predictions are important. They're studied by producers deciding on new wells, airlines looking to hedge fuel costs and governments planning state budgets. "Forecasts can be upended by unexpected events — it's your best call at a point in time," said Harry Tchilinguirian, global head of commodity markets strategy at BNP Paribas. "Sometimes you get all the variables right, but your interpretation is not always the same as that of the market, so the forecast is off the mark."

Qatar will own almost 19% of Russia's largest oil company

(Bloomberg; May 4) - Qatar emerged as a major shareholder in Rosneft on May 4 after a $9 billion deal to sell a stake in Russia's state-run oil producer to China's troubled CEFC Energy Co. collapsed. The Qatar Investment Authority (QIA) stepped in after the sellers — a consortium of QIA and mining giant Glencore — told CEFC it wouldn't proceed with the original deal announced in October. A statement by Glencore didn't explain why they were canceling the sale, but CEFC has been struggling with debt.

The sudden change cements Qatar's links with Moscow at a time when Qatar is facing isolation from Saudi Arabia and other Gulf countries. The Kremlin, however, loses the prospect of China becoming a major shareholder in Russia's largest oil producer. After the new deal, QIA will own 18.93 percent of Rosneft, making it the No. 3 shareholder after the Russian state, which holds 50 percent, and BP with 19.75 percent. Led by Igor Sechin, a longtime associate of President Vladimir Putin, Rosneft produces more oil than any other publicly traded company in the world, about 4.5 million barrels a day.

CEFC, a sprawling conglomerate with big interests in oil and gas, has come under increasing government scrutiny in Beijing amid concern that rapid international expansion had stretched the group financially. Ye Jianming, the founder and chairman, is reportedly being investigated by government authorities.

Top female exec leads Exxon’s push into U.S. shale oil

(Bloomberg; May 4) – ExxonMobil's Sara Ortwein has delivered some of the energy industry's biggest engineering feats over a 38-year career. Her newest challenge: Winning in the nimble, fast-moving world of shale. Ortwein's task is as much cultural as technical. Exxon had given a long leash to the XTO shale unit she runs. Now she's moving XTO's headquarters to Exxon's Houston hub to better blend the unit's shale know-how with the oil giant's technical and management expertise.

Exxon was slow to the shale revolution that wildcatters began in 2005. By buying XTO in 2010, it served notice it had arrived. Ortwein, who started at Exxon drilling wells in East Texas, was named to lead the unit in 2016. She's one of just three women among the company's top tier of 25 executives in an industry long dominated by men.

Ortwein is seen within the company as the perfect leader for such an effort, with a career marked by a string of breakthroughs. She was part of a subsea project in the Russian Far East that broke drilling records, boasting an 8-mile-long sideways well. She worked on liquefied natural gas operations in Qatar that were unprecedented in their day. Now the pressure is on to deliver once again, this time in Permian basin shale.

The plan is to triple Exxon's shale production to almost 800,000 barrels a day by 2025, which would be a fifth of the company's output today. To do that, Ortwein is convinced the XTO will have to incorporate Exxon's traditional strengths of project management, technology and long-term planning, while preserving its fast-paced no-frills culture.

Vancouver mayor doubts oil pipeline expansion will go ahead

(Bloomberg; May 9) - Kinder Morgan’s proposed expansion of its oil pipeline to Canada’s Pacific Coast will never happen because local opposition to the project that’s dividing the nation is only going to intensify, said the mayor of Vancouver. “I don’t think this project will go — I really don’t — based on the resistance on the ground,” Gregor Robertson said in an interview May 8 at Bloomberg’s headquarters in New York.

Kinder Morgan has threatened to walk away from the US$7.4 billion project, setting a May 31 deadline for the federal government to neutralize opposition from the British Columbia government which has vowed to use “every tool” to block the expansion that would triple the line’s capacity to 890,000 barrels a day. Canadian Prime Minister Justin

Trudeau, who has staked his economic and environmental agendas on the pipeline, has pledged to see it built to ensure landlocked Canadian crude can flow to Asian markets.

The federal government is considering legislation to support the project. But don't count on local opposition giving way, said Robertson, whose decade-long tenure as mayor ends in October. "I don't think the resistance on the west coast is going to fade — I think it will only intensify," he said. For Robertson, 53, who presides over a city of 600,000 people where half the population takes transit, walks, or rides a bike to work, the issue goes beyond a single pipeline in the fight against global warming. "We have to get off of fossil fuels. It's really a question of how we implement that transition," he said.

Oil sands could average 7.5 million barrels a day by 2038, report says

(The Financial Post; Canada; May 8) – Oil sands production could grow by 44 percent to 270 percent over the next 20 years, according to a report from the Canadian Energy Research Institute. The report considered three scenarios: a high case, a low case and a reference case for oil sands production growth over the next 20 years. The report said total oil sands production could rise as high at 7.5 million barrels per day, or as low as 4 million. The reference-case scenario estimated 5.5 million barrels per day in 2038.

Total 2017 oil sands production averaged 2.77 million barrels per day — up about 9 percent from 2.54 million in 2016. Operating costs for production have been on a downward trend over the past few years. Part of this is due to the low cost of natural gas, which is a primary source of fuel in oil sands production. Labor costs have also come down. CERI considered new and existing projects and factored in assumptions for project delays and the state of technology and development in its forecast report.

Moving forward, production will become far more technology driven, said Dinara Millington, author of the study and CERI's vice president of research. Less energy will be used to produce bitumen and technology should become more advanced with more automation, he said. The report reported the oil and gas industry contributed about $108 billion to Canada's gross domestic product in 2017, about 6.5 percent of the total. Oil sands production provided $44.2 billion of the industry total.