Oil and Gas News Briefs
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Cheniere gives go-ahead for third LNG train at Corpus Christi

(Platts; May 22) - Cheniere Energy said May 22 it would build a third train at its LNG export terminal in Corpus Christi, Texas, the first positive final investment decision on liquefaction capacity in the United States since 2015. The decision, while expected, is a welcome sign for a U.S. market that has struggled to advance construction of more LNG production units beyond the ones under construction, amid struggles to secure long-term agreements with offtakers sufficient to finance the multibillion-dollar projects.

In February Cheniere said it had finalized two long-term supply deals with state-owned China National Petroleum Corp. that would support a third train at Corpus Christi, where the first two trains are already under construction. “The CNPC contracts supported the building of this train,” said Cheniere spokesman Eben Burnham-Snyder. Together with earlier deals with Portugal 's EDP and commodity trader Trafigura, Cheniere has inked deals that would take 3 million tonnes of Train 3's annual capacity of 4.5 million tonnes.

Cheniere said it plans to issue a full notice to proceed to its engineering contractor Bechtel. The first two trains at Corpus Christi are scheduled to start operations later this year. Cheniere has four trains in operation at its Sabine Pass, La., terminal, which started deliveries in February 2016. A fifth liquefaction unit is being built at Sabine Pass, and Cheniere is looking to sign up customers for a possible sixth train there.

Total expected to sign up for second Russian Arctic LNG project

(Platts; May 24) - France's Total is expected to sign a deal with Russia's Novatek to enter the Arctic LNG-2 project, the Kremlin said in a note ahead of a meeting later this week of French President Emmanuel Macron and Russian President Vladimir Putin in St. Petersburg. Total has a 20 percent stake in Novatek's first liquefied natural gas export plant, Yamal LNG, launched late last year, and has repeatedly said it would be interested in cooperating on the Russian company's second LNG project.

Arctic LNG-2, at almost 20 million tonnes of annual output capacity, is planned for construction on the Gydan Peninsula, across the bay from Yamal LNG on the Bay of Ob in the Russian Arctic. It is expected to start up its three liquefaction trains between 2022 and 2025, according to Novatek. The deal signing is expected after Putin's talks with Macron at the St. Petersburg International Economic Forum, which will take place Thursday through Saturday.

In addition to Total, China National Petroleum Corp., which also holds 20 percent in Yamal LNG, and Saudi Aramco have expressed interest in Arctic LNG-2, Novatek CEO Leonid Mikhelson said in February. Yamal LNG shareholders also include China's Silk Road Fund with 9.9 percent with Novatek holding 50.1 percent. Novatek plans to attract new shareholders into Arctic LNG-2 after completing front-end engineering and design by the end of 2018, Mikhelson said at the time.

BP commits to LNG from proposed Louisiana project

(The Financial Times; London; May 21) - BP has signed up to take 2 million tonnes of liquefied natural gas a year for 20 years from Venture Global, which is gathering commitments for its proposed LNG export project in Louisiana. The BP deal brings to 6 million tonnes the total committed purchases for the Calcasieu Pass project. BP joins Shell, Italy's Edison, and Portuguese gas group Galp on the list of signed purchase agreements for the proposed facility with 10 million tonnes annual output capacity.

Contract terms were not disclosed. Venture Global's website says the company plans to make a final investment decision late 2018. In addition to signing up customers and arranging financing, the project is waiting on approval by the Federal Energy Regulatory Commission and export authorization from the Department of Energy.

U.S. LNG hopefuls see potential if China wants to cut trade surplus

(Reuters; May 21) - China's interest in reducing its trade surplus with United States through increased energy imports could advance plans for U.S. liquefied natural gas plants. The White House and China on May 19 said a U.S. trade team would travel to China to explore energy and agricultural deals. There are over 24 proposed U.S. LNG plants waiting for customer commitments to reach a final investment decision, and many are looking to China. About 13 percent of U.S. LNG went to China last year, said data provider Genscape. China in 2017 passed South Korea as the world's No. 2 buyer.

"For us it's strictly been about marketing to China," said Greg Vesey, chief executive of LNG Ltd., which is working to develop an export plant in Louisiana and another in Nova Scotia in Canada. The company hopes to reach a final investment decision on the U.S. project by year-end and begin exports in 2022. "If you look at some forecasts for 2035, there are really only two places that have significant increases in LNG imports. Europe goes up about 100 million tonnes per year and China goes up about 200 million."

Texas LNG, which is proposing an LNG export facility in Brownsville and has five early-stage deals with Chinese buyers, hopes to make a final decision next year. "Sentiment in the LNG markets is heating up again," said Texas LNG co-founder Langtry Meyer. In February Cheniere Energy — the first U.S. exporter of shale gas from its LNG terminal in Sabine Pass, La. — signed a 25-year contract with China National Petroleum Corp. to deliver LNG from a plant under construction in Corpus Christi, Texas.

Japan looks to LNG as a way to ease trade dispute with U.S.

(Nikkei Asian Review; May 22) – U.S. liquefied natural gas is flowing into Asia at an accelerating pace with Japan becoming the most recent country to buy the fuel under a long-term contract. Japan will begin getting a sizable portion of its LNG from the U.S. to improve its energy security. Tokyo also seeks to alleviate pressure from President Donald Trump's administration over trade imbalances. Other Asian countries are tapping this relatively new source as well, amid growing demand for energy.

The U.S. became a net exporter of natural gas last year, taking advantage of its huge reserves of shale gas. Japanese buyers plan to procure 10 million tonnes of LNG a year from American sources, data from the industry ministry shows — enough to meet more than 10 percent of Japan's demand. "Diversifying our [LNG] sources will help increase our energy security," a senior Japanese industry ministry official said.

The U.S. promotes exports of its shale gas as a way to reduce trade deficits. Japan sees energy imports as an alternative to meeting demands from the Trump administration to buy more automotive and agricultural goods — areas where ceding any more ground would be difficult for Tokyo. Japan also plans to work with the U.S. to promote shale gas exports to other Asian markets. Companies are conducting feasibility studies for facilities such as receiving terminals and power plants around Asia.

China is becoming a major buyer of U.S. oil and gas output

(Platts; May 22) – According to a joint statement May 19 in connection with bilateral trade talks, the United States will send a team to China to work out details of increased energy exports. No timeline was provided. Regardless of future deals, China already is becoming a major customer of U.S. liquefied natural gas, crude oil and propane.

China may be on track to become the largest buyer of U.S. LNG this year. It has taken nearly 1.25 million tonnes of U.S. LNG in 2018 to date, up from 1.16 million in all of 2017. It trails only Mexico and South Korea, according to S&P Global Platts Analytics. In February 2018, Houston-based Cheniere Energy finalized two long-term supply deals with state-owned China National Petroleum Corp. for 1.2 million tonnes of LNG per year. The deal underpins development of a third liquefaction train at Cheniere's export terminal under construction in Corpus Christi, Texas.

China already is the largest Asian buyer of U.S. crude. China's crude imports from the U.S. in the first quarter rose to an average 316,770 barrels per day. China's U.S. crude import growth has been the fastest in the world with volumes rising from almost zero to 220,000 barrels per day in 2017. In addition, the United States is China's second largest propane supplier after the United Arab Emirates. U.S. propane has emerged as one of the country's fastest-growing hydrocarbon exports.

Gazprom reports 1,100 miles completed of gas pipeline to China

(LNG World News; May 22) - Russian gas giant Gazprom said it has built more than 1,100 miles of its Power of Siberia pipeline, an 83 percent completion rate for the initial segment of the full 2,000-mile venture to bring gas to China. The company is developing the Chayandinskoye gas field, which will serve the first segment of the pipeline. It has drilled 105 development wells and started assembling gas processing equipment.

The second phase of the project will include construction of about 500 miles of pipeline, linking the Kovyktinskoye field in the Irkutsk Region to the Chayandinskoye field. Gazprom, Russia's gas-producing and exporting giant, has said the pipeline will start deliveries to China by the end of 2019. Total project cost, including pipelines, compressor stations, processing facilities and field development costs, have been reported at around $50 billion. China has a 30-year deal with Gazprom to take up to 3 billion cubic feet of gas per day. Pricing terms have not been disclosed.

Papua New Guinea takes harder line on LNG expansion terms

(Bloomberg; May 22) – Critics say the impoverished nation of Papua New Guinea came out on the short end of a $19 billion natural gas development led by ExxonMobil. As the company pushes to expand its liquefied natural gas output there, the government vows that the second round may require a much bigger payday for locals. By most accounts, the LNG project that Exxon and partners built is a success. PNG LNG, which started up in 2014, is delivering more fuel than expected. It's so promising that Exxon has declared the Pacific island a key building block for its future growth and plans to double output.

Trouble is, the original deal reached a decade ago has failed to deliver the windfall to Papua New Guinea that the government and an Exxon-commissioned study predicted. An International Monetary Fund analysis showed "quite limited benefits" for the country, which granted Exxon generous rights to recover costs before paying taxes or fees.

"There is a general view that Papua New Guinea gave away too much," said Peter Koim, a member of the negotiating team and director of the country's Gas Project Coordinating Office. For the next round "the country will not give away concessions," he said. Exxon last year spent almost $4 billion buying access to additional reserves and drilling rights and is working with partners including Australia’s Oil Search and France’s Total on a $13 billion venture to add 8 million tonnes of additional annual LNG capacity.

During the original negotiations, Papua New Guinea recognized it needed to sweeten the deal by allowing for things like tax breaks on infrastructure spending, said Koim and Fabian Pok, the nation’s energy minister. “These incentives may not be available” in talks over the expansion, Pok said.

Bangladesh drops LNG deal over dispute-resolution terms

(Platts; May 21) - Bangladesh and Swiss commodity trader Trafigura have abandoned a preliminary LNG supply deal for the company to deliver 200 million cubic feet per day of natural gas following delays in agreeing to terms, including specifications for the liquefied natural gas delivered to Bangladesh and the venue for any potential dispute resolution, a senior Bangladesh official said late last week.

Bangladesh was seeking to settle any potential disputes at the Bangladesh International Arbitration Center but Trafigura preferred Singapore, state-owned Rupantarita Prakrtitik Gas Co.'s managing director Mohammed Quamruzzaman said May 17. The parties reached a preliminary agreement in December for Trafigura to supply LNG for 10 years but annulled it earlier this month, Quamruzzaman said.

Bangladesh joined the ranks of LNG importing countries with the arrival of the first cargo at its new receiving terminal April 24, making Bangladesh the first new country to start importing LNG in 2018 and only the second since Jan. 1, 2017. Malta was the only new LNG importer last year. Bangladesh has multi-year contracts to take LNG from Qatar and Oman and is in final negotiations for additional supplies.

Osaka Gas may sign long-term contracts to boost trading operations

(Reuters; May 24) - Osaka Gas may sign new long-term liquefied natural gas contracts as Japan’s second-biggest city gas supplier boosts its trading operations amid a shake-up in the Asian market for the fuel, a senior official said. The comment signals there may be a willing buyer of long-term supplies in Japan, where utilities have been spurning such contracts because of a ready availability of the fuel on a short-term or spot basis, excess supplies and falling demand.

The resistance in recent years to long-term contracts among buyers in Japan, the world’s biggest importer of LNG, has been one factor for a dearth of new big export projects coming online, as developers need commitments over many years. “We are interested in signing new contracts as we make efforts to increase the overall trading volumes,” said Keiji Takemori, senior general manager of LNG trading at Osaka Gas.

He said the company will look for long-term contracts that do not have restrictions on resale, so it can trade the cargoes. Osaka Gas has signed contracts to resell more than 3 million tonnes of LNG in 2020, nearly three times the amount in the year ended March 31, 2017, a move that may boost liquidity in Asia's natural gas markets. The Osaka-based utility plans to increase LNG purchases, including for resale, to more than 10 million tonnes in 2020, up from 9.5 million tonnes in the year through March 2017.

Poland plans to double LNG imports this year

(Reuters; May 23) - Poland's state-run gas firm PGNiG expects to double its imports of liquefied natural gas this year from the 60 billion cubic feet of gas it imported in 2017, PGNiG deputy head Maciej Wozniak said May 23. PGNiG, the dominant gas firm in Poland, still imports most of its gas from Russia's Gazprom, via pipeline. But it is seeking to reduce its reliance on Russia. Doubling its LNG imports would require about three dozen LNG fully loaded carriers, delivering about 2.5 million tonnes for the year.

The company signed a long-term agreement in 2009 with Qatargas for LNG supplies that will run until 2034 and signed a mid-term deal in November for LNG deliveries from Cheniere Energy's Sabine Pass, La., terminal through 2022. Wozniak said PGNiG also expects to buy more supplies on the spot market. In 2017 LNG accounted for 13 percent of Poland's gas imports.

Australia looks at LNG imports to meet domestic supply gap

(Reuters; May 20) - A pipeline across Australia and natural gas imports from as far away as the United States are on the drawing board as the country races to plug a domestic supply gap that is driving up east coast gas prices and threatening jobs. Although Australia is the world's No. 2 liquefied natural gas exporter, much of its east coast gas production is tied up in long-term export contracts while supplies in the populated southeast region of the country are drying up more quickly than expected.

Imports will be needed within four years, warn industry executives and experts, which means gas prices that have more than doubled in the past three years are not going to abate and could rise an additional 50 percent to match global spot LNG prices. "Some people still find the import of LNG to what is meant to be an energy superpower absurd, and they have a point, it does seem very weird," said Tennant Reed, national public policy adviser at the Australian Industry Group.

The government is under fire from household gas users and industry, particularly big users such as petrochemical and fertilizer plants that have warned the high prices are making some businesses uncompetitive. Shortages will grow from 2022 due to a steep output decline in the main gas field that has supplied southern Australia for five decades, the Australian Energy Market Operator has warned. In the longer term, gas is expected to flow from new developments, but the near-term answer is to import LNG.

Floating nuclear station will power Russia's Arctic oil ambitions

(Agence-France Presse; May 19) - To meet its growing need for on-site electricity as it drives to develop oil resources in remote Arctic regions, Russia has built a floating nuclear power station, a project that detractors deride as a "Chernobyl on ice." Built in St. Petersburg, the Akademik Lomonosov is currently moored in Murmansk, where it is being loaded with nuclear fuel before heading to eastern Siberia.

The head of state nuclear power firm Rosatom unveiled the station May 19 in the city's estuary as an orchestra played the national anthem. "I hope today will be a symbolic day for the Arctic," said Rosatom chief Alexei Likhachev. The 472-foot-long barge holds two reactors, each with a 35-megawatt power plant. The barge will be towed in the summer of 2019 to the port of Pevek, population 5,000, in the autonomous Chukotka region in Russia's extreme northeast. As Russia is forced to push further north into the Arctic in the search for oil and gas, it needs electricity in far-flung locations.

The Akademik Lomonosov is set to replace an aging nuclear reactor and a coal-fired power plant in Chukotka. Activists at the environmental group Greenpeace have called for international monitoring of the nuclear plant. They fear the Akademik Lomonosov could become a "nuclear Titanic" or a "Chernobyl on ice" 32 years after the Soviet nuclear disaster. Greenpeace Russia said he barge "will be especially sensitive to storms, environmental phenomena, and threats such as terrorism."

Novatek will form Arctic shipping subsidiary

(Independent Barents Observer; May 22) – Russian liquefied natural gas producer Novatek has decided to establish Sea Arctic Transport, a subsidiary for managing its shipping operations in Arctic waters. CEO Leonid Mikhelson said the new unit will help enhance efficiency of costs and fleet management. "The long-term strategy of Novatek includes the growth in LNG production in the Arctic region to at least 55 million tonnes per year [and] therefore the organization of efficient models for shipping on the Northern Sea Route is one of our priorities," Mikhelson said.

Novatek is the operator and lead partner in Yamal LNG, a $27 billion Arctic gas project which loaded its first cargo in December. The company already is planning to add a second LNG export terminal in Russia's far north, Arctic LNG-2. At full operation, the two liquefaction plants would have a combined output of almost 35 million tonnes per year. Novatek has yet to take a final investment decision on Arctic LNG-2.

The decision to create a maritime subsidiary comes as Russian authorities are taking steps to nationalize shipping along the Northern Sea Route. In mid-November 2017, President Vladimir Putin announced that all shipments of oil and gas along the Northern Sea Route would be nationalized. Then in March the Ministry of Industry and Trade said only Russian-built vessels would be allowed to call on ports on the northern route.

Oil majors see opportunities in Latin America

(Wall Street Journal; May 21) - The world's largest energy companies are placing enormous bets on Latin America, a region rich with oil that many avoided in the past due to restrictive economic policies and the threat of resource nationalism. ExxonMobil, Shell, and others have flocked to offshore auctions in Mexico and Brazil, fracking prospects in Argentina and big discoveries in the small nation of Guyana.

The wave of interest comes as several countries, including the region's two largest economies, Brazil and Mexico, have liberalized their energy markets in a bid to offset declining oil production. The changes have lured most major Western oil companies — the companies have little choice. Latin America has become one of the few areas in the world outside the United States where they can find profitable drilling opportunities. "The center of the universe in oil is moving that way," said Amy Myers Jaffe, an energy expert at the Council on Foreign Relations in Washington.

Many countries with significant oil and gas reserves, such as Saudi Arabia and Iraq, generally offer their best prospects to their own state oil companies, while U.S. sanctions have put Russia and Iran mostly out of reach. Global oil companies are set to spend tens of billions of dollars in Latin America in the coming years. Exxon executives have said prospects in Brazil and Guyana are among the best assets the company has had in decades. To insulate themselves against political risk, Exxon, Chevron, and others have sought partnerships with state oil companies, executives said.

Exxon commits to reduce gas flaring by 25% within 2 years

(Bloomberg; May 23) - ExxonMobil plans to reduce the amount of natural gas it burns as waste by a quarter within two years to reduce climate-changing emissions, something long demanded by environmental groups and activist investors. Efforts will be focused on oil wells off the coast of West Africa, Exxon said in a statement May 23. In that region and others, gas produced alongside crude is routinely burned because there's no way to move it to markets. The practice, known as flaring, has been assailed as wasteful and environmentally harmful on every continent where oil is produced.

The oil industry's decades-old practice of flaring gas when there are no pipelines or population centers nearby has drawn the ire of climate activists and regulators.

Explorers also are under increased scrutiny to curb leaks that release damaging amounts of methane into the atmosphere. The company's new targets build on a plan announced in September to reduce methane leaks. Some $34 billion of the world's gas supply is lost each year to leaks, according to the Environmental Defense Fund.