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Exxon ready to make big move for LNG market share in China

(Reuters; Oct. 17) - In the middle of a China-U.S. trade war, the world's largest publicly traded oil and gas company is turning toward Beijing for business at a time when most of Corporate America is looking elsewhere to avoid the threat of tariffs. ExxonMobil is placing big bets on China's soaring demand for liquefied natural gas. Its gas strategy is moving on two tracks: Expand its LNG output in places such as Papua New Guinea and Mozambique, and promote more demand in China by opening Exxon's first import and storage hub, according to an Exxon manager and people briefed on the plans.

That combination "will guarantee us a steady outlet for lots of our LNG for decades," said the Exxon manager, who was not authorized to discuss the project. One of the company's top policy goals this year, the manager said, is building its Chinese client roster. "China's gas demand is rising really fast, with imports soaring well over 10 percent annually at the moment because of the government gasification program and due to fast-rising industrial demand, including in petrochemicals," the manager said.

Years in the making, the strategy delivers an added benefit: It helps Exxon sidestep a trade war. Exxon projects in Papua New Guinea and Mozambique will not incur the 10 percent tariff China put on U.S. LNG as part of the trade war between the Trump administration and Beijing. Exxon last month said it would participate in construction of an LNG import terminal in Huizhou, Guangdong region and supply gas to it. This makes it only the second foreign major with such a stake in an LNG import terminal in China.

Chinese energy trader signs 20-year deal to buy LNG from Exxon

(Reuters; Oct. 18) - ExxonMobil said Oct. 18 it had signed a framework agreement for a liquefied natural gas supply deal with Zhejiang Provincial Energy Group, the Chinese company's first long-term supply deal. Peter Clarke, the president of ExxonMobil gas and power marketing, inked the 20-year supply deal in a signing ceremony during the International Petroleum and Natural Gas Enterprise conference at Zhoushan, in Zhejiang province, the company said in a statement.

The Chinese company will receive 1 million tonnes of LNG per year from ExxonMobil under the agreement, Zhejiang Energy President Tong Yahui told Reuters on the sidelines of the event. ExxonMobil said it will deliver the LNG starting in the early 2020s. The LNG supplies would come from a combination of ExxonMobil's global portfolio, Clarke said on the sidelines of the meeting. He did not specify possible supply sources, though Exxon is looking to boost its output from Papua New Guinea and Mozambique.

State-owned Zhejiang Energy is a coal producer and utilities operator, and formed a joint venture earlier this year with commodities trader Glencore to trade energy products including LNG. Zhejiang Energy is teaming up with state-owned Sinopec to build an LNG receiving terminal near the city of Wenzhou in Zhejiang, with a capacity of 3 million tonnes per year. The plant is planned for start-up by the end of 2021.

Sinopec reportedly in talks to buy more Papua New Guinea LNG

(Reuters; Oct. 19) - Unipec Asia, the trading arm of Chinese oil major Sinopec, is in talks to buy more liquefied natural gas from the ExxonMobil-operated Papua New Guinea project, industry sources told Reuters. The supply deal likely will start ahead of winter and will be for about three years, sources briefed on the matter said. They spoke on condition of anonymity as they were not authorized to speak with media. The exact volumes under discussion were not immediately clear.

The Papua New Guinea LNG project has a nameplate capacity of 6.9 million tonnes per year but consistently exceeds that volume. The terminal in May and June produced at an annualized rate of 8.5 million tonnes. The higher volumes give Exxon and its partners additional gas to sell beyond the project’s long-term commitments. The project has 6.6 million tonnes under long-term contracts to Japanese trading giant JERA, Osaka Gas, Sinopec, and Taiwan’s CPC Corp. It also has mid-term deals with BP and PetroChina, which signed a three-year deal in July for 450,000 tonnes per year.

Rosneft, Exxon talking about cooperation on new oil and gas projects

(Bloomberg; Oct. 19) - Russia has begun talks with ExxonMobil on possible new oil and gas projects, potentially creating a dilemma as the U.S. government mulls more sanctions against the country. The talks could lead to increased cooperation between the U.S. energy giant and state-run Rosneft, Russian government officials said, asking not to be named discussing confidential information.

Several options have been prepared for Exxon, including gas, refining and chemicals, none of which are currently subject to U.S. sanctions, two Russian officials said. Exxon abandoned most of its joint ventures with Rosneft earlier this year amid a previous round of U.S. sanctions. That was a blow for both companies. Agreements signed five years ago to drill millions of acres in the Arctic and Black Sea should have been the crowning achievement of Rex Tillerson’s 11-year tenure as CEO of Exxon. It would also have cemented the dominance of Rosneft boss Igor Sechin over Russia's oil industry.

President Vladimir Putin personally blessed those ventures, foreseeing decades of exploration in the country's richest — and largely untapped — offshore areas. After Exxon withdrew, Rosneft bought out its stakes in projects holding an estimated 100 billion barrels of potential oil and condensate resources. Rosneft has said it would welcome Exxon back should it see an opportunity to do so without legal risks.

China's first privately owned LNG import terminal takes initial cargo

(Reuters; Oct. 19) - Chinese gas distributor ENN Energy Holdings has begun operations at the first phase of its Zhoushan liquefied natural gas import terminal, company vice president Ma Shenyuan said, speaking at a commencement ceremony for the terminal Oct. 19. A tanker carrying LNG from Australia docked at the terminal, marking the launch of China's first privately owned LNG facility.

ENN has signed long-term supply deals with Chevron and Australia's Origin Energy and also has an agreement to buy LNG from Total. The three deals total about 1.5 million tonnes per year of LNG. The terminal, in the Zhoushan archipelago south of Shanghai, will have an annual capacity of 3 million tonnes a year in its first phase, said Song Siyuan, an executive with the terminal operator. Song said ENN aims to expand the terminal with a second phase by June 2021.

Last winter many villages were left without gas supplies as a surge in demand created by China's gasification push caused shortages. The government switched millions of Chinese homes to gas heating from coal to reduce air pollution but was caught unprepared by the increased consumption. The nation's energy companies are boosting LNG imports to meet demand. ENN has prepared more than 400 tanker trucks to deliver LNG from its terminal this winter to serve customers not connected by pipeline.

Asian LNG buyers more price-sensitive, demand more flexibility

(Nikkei Asian Review opinion column; Oct. 18) - Asia's liquefied natural gas markets are facing a transformation with rising imports from U.S. shaking up a sector traditionally dominated by supplies from Australia, the Middle East, Russia, and Southeast Asia. With demand growth driven by economic expansion and, increasingly, by environmental concerns about coal, Asian countries require large LNG capacity investments.

But the current way of organizing the market around long-term contracts with large importers such as Japan and South Korea will not suit emerging Asian buyers. They want flexibility with arbitrage opportunities and transparent trading systems. They are more price-sensitive than traditional importers and want the flexibility to adjust price and volume risks. They want an LNG market that functions like the transparent oil market.

Fortunately, such a market is starting to emerge in Asia. But it needs a lot more development. In particular, we must eliminate one of the great bugbears of the traditional gas market — destination restrictions that limit resale deals and inhibit development of a spot market, which in turn hinders the growth of LNG futures trading. A more flexible LNG market is emerging in Asia to address these concerns, and it may ultimately resemble the oil market with extensive arbitrage, futures markets, and transparent physical and financial trading systems.

U.S. oil, LNG and coal exports to China drop to almost nothing

(Reuters' columnist; Oct. 17) - It's probably not the kind of success President Trump had in mind, but his trade fight with China has effectively killed the burgeoning energy trade between the world's top two economies. China's imports of U.S. crude, liquefied natural gas and coal have slowed to a trickle amid the escalating tariff war. Perhaps the irony of the fall in China's energy imports from the U.S. is that this was the area most likely to deliver Trump's much-sought lowering of the trade deficit between the pair.

If China had continued to buy increasing volumes of U.S. crude, LNG and coal, this would have been far more effective at lowering the trade deficit than Trump's path of imposing tariffs on $200 billion of imports from China. Crude oil imports from the United States are expected to have dropped to zero in October, according to vessel-tracking and port data compiled by Refinitiv. China's imports of U.S. crude peaked in June this year, when almost 14 million barrels, or about 466,000 barrels per day, arrived.

Similar to crude, no U.S. cargoes of LNG are scheduled to arrive in China in October, although one vessel from the Sabine Pass LNG facility in Louisiana is slated to arrive in November. In the first nine months of the year, 31 ships delivered a total of 2.2 million tonnes of LNG from the United States to China, representing about 6 percent of total imports, according to the vessel-tracking data. Exports to China were about 13 percent of total U.S. shipments of LNG in the first nine months of the year.

It's largely the same story for coal, with U.S. exports to China plummeting after growing strongly over the past two years. No U.S. coal is scheduled to arrive in China this month, although three ships are due in November. Though it may be tempting to think that China will be able to rapidly ramp up imports of U.S. energy should the trade dispute be resolved, the risk for U.S. energy exporters is that markets, once lost, are difficult to recover, especially if your customer has readily available alternative supplies.

Exxon targets Africa for next big oil discoveries

(Bloomberg; Oct. 19) - ExxonMobil is targeting western and southern Africa for the world's next big oil bonanza as the explorer scours the globe to repeat its success in Guyana. The oil supermajor "really loaded" its exploration portfolio recently by purchasing large positions in Ghana, Mauritania, South Africa, and Namibia, as well as Cyprus and Malaysia as rivals pulled back, Stephen Greenlee, Exxon's president of exploration, said in an interview in Houston.

Exxon's buying spree has targeted drilling concessions and seismic surveys for now. Bigger finds tend to generate bigger profits, and the ultimate prize is known in the industry as an elephant — a discovery that hold a billion barrels or more. "We're acquiring large amounts of seismic data with the idea that in the future one or two of those are going to turn out to be the next Guyana," Greenlee said.

Greenlee led the team that discovered the massive tranche of crude off Guyana's coastline in 2015, a find that has grown into the world's biggest new deepwater play. At 4 billion barrels, the discovery dwarfs the reserves of OPEC-members Equatorial Guinea and Gabon. Exxon is no stranger to West Africa, having pioneered deep-sea discoveries off Nigeria and Angola, and opening landlocked Chad to drilling. While Ghana already has yielded a major find known as Jubilee, the other African countries in Exxon's sights have little experience of deepwater oil and gas production.

Petronas will buy stake in giant gas field in Oman

(Wall Street Journal; Oct. 18) - Malaysia's state oil and gas company has agreed to acquire about a 10 percent stake in the giant Khazzan natural gas field in Oman, according to sources. The planned purchase, which could be announced in the coming days, gives Petronas a toehold in one of the biggest fracking projects ever completed outside the United States, a $12 billion development run by BP that launched last year.

BP's partner in the project, Oman Oil, had been looking to sell a portion of its 40 percent stake in the gas field. After Petronas's acquisition, the company will retain about a 30 percent stake, while BP will hold 60 percent. Big oil companies are increasingly betting on gas, anticipating strong demand growth. Major producers like Qatar have significant plans to increase exports of liquefied natural gas, targeting fast-growing economies in Asia. Oman is the among the region's largest exporters of LNG after Qatar.

For Petronas, this marks its second gas deal this month. The company is among a consortium planning to develop a giant LNG project in Canada announced earlier in October. The Khazzan gas field is currently producing 1 billion cubic feet of gas a day, with work underway to add an additional 500 million cubic feet a day by 2021.

[Polish gas distributor firms up contract with U.S. LNG developer]

(Reuters; Oct. 17) - Poland's dominant gas distributor PGNiG has finalized terms to buy liquefied natural gas from Louisiana project developer Venture Global LNG, part of its move to cut reliance on Russian gas, PGNiG said Oct. 17. The 20-year contracts with Venture Global subsidiaries cover 2 million tonnes of LNG a year, starting in 2022/2023. Venture Global has not taken a final investment decision on either its proposed project in the Calcasieu Ship Channel or in Plaquemines Parish on the Mississippi River.

PGNiG joins Repsol, BP and Shell as customers for the Calcasieu Pass LNG terminal, proposed at 10 million tonnes annual capacity. The Federal Energy Regulatory Commission issued its draft environmental impact statement for the project in June, and the commission is scheduled to make a decision on the application in January 2019.

Under its deal with Venture Global, PGNiG will be able to decide based on its needs whether to take delivery of the contracted gas or resell the cargo on the global market. Poland consumes about 600 billion cubic feet of gas annually, more than half of which comes from Russia's Gazprom under a long-term deal that ends in 2022. PGNiG does not intend to extend the agreement and is taking steps to secure new supplies.

[Projects vie to claim title as Canada's second LNG terminal]

(Calgary Herald; Oct. 17) - Two more liquefied natural gas export projects are poised to proceed in Canada over the next six months, setting up what analysts call "a dream scenario" after years of delays. Pieridae Energy's C$10 billion Goldboro LNG project in Nova Scotia and Woodfibre LNG's C$1.6 billion project just north of Vancouver are vying to be the country's second LNG project sanctioned after Shell and its partners approved the C$40 billion LNG Canada project on the West Coast earlier this month.

Pieridae expects to receive its construction permits this week and close its merger with Calgary-based gas producer Ikkumma Resources in November. "We will make our final investment decision shortly after that," CEO Alfred Sorensen said. If built, the project would allow the export of Western Canadian gas to Europe. Capacity is planned for almost 10 million tonnes per year. Sorensen said the company is negotiating a pipeline agreement with TransCanada to use its existing network, which would need expansion to move gas to the East Coast for export.

Woodfibre LNG, at 2.1 million tonnes annual capacity, is nearing its own decision. "We're looking for a notice to proceed to construction in the first quarter (of 2019)," president David Keane said. The company is working to finalize an impact-benefits agreement with the Squamish First Nation, looking at ways to reduce project costs and seeking relief from Canada's anti-dumping tariffs on fabricated components from Asia.

LNG carriers are half of Korean shipyard's business this year

(Business Korea; Oct. 16) – South Korea's Daewoo Shipbuilding & Marine Engineering said Oct. 15 that liquefied natural gas carriers would soon account for more than half of its sales. DSME projected that the company's LNG carrier sales would reach 5 trillion won (US$4.41 billion) this year, about 51 percent of its total sales. It will be the first time the share of LNG carriers in Daewoo's total sales exceed 50 percent. The figure stood at 7 percent in 2014.

The number of new orders has been increasing every year amid a steady rise in global demand for LNG. Daewoo's sales of the ships in 2015 and 2016 doubled compared to a year earlier and the figure grew more than 40 percent in 2017. The trend is expected to continue as demand for LNG carriers is on the increase. South Korean shipbuilders, including Daewoo, are recognized for having more advanced technical skills than Chinese shipyards that compete with lower labor costs.

British shipbuilding and marine industry tracker Clarkson Research Services predicted in March that the number of new orders for LNG carriers worldwide would reach 37 this year and 39 next year but it upgraded the figures to 55 and 61, respectively, in September. In addition, the annual average number of new LNG carrier orders is expected to reach 46 between 2020 and 2023 and 56 between 2024 and 2027.

India's push for gas will boost steel pipe makers

(Bloomberg; Oct. 15) - Steel pipe makers are set to benefit from India's $10 billion push to expand its natural gas pipeline network to more of its urban masses as the country aims to reduce air pollution. India has just completed its biggest city gas distribution auction, intended to extend coverage across a third of the nation. This project aims to see 10 million homes linked to gas grids by 2020, bringing relief to smog-filled cities.

"There will be a lot of requirement for steel pipelines coming in from next year," said E.S. Ranganathan, managing director of Indraprastha Gas, which supplies homes and transport in New Delhi and its suburbs. The push will require almost 8,000 miles of pipe within the next three to four years, he said. India is seeking to double the share of gas in the country's energy mix to 15 percent by 2030, while cutting emissions by a third.

"The gas economy and pipeline industry move in tandem," said Dinesh Kumar Sarraf, chairman of the state-run Petroleum & Natural Gas Regulatory Board. "The deeper we push gas use, the greater will be the need for pipelines."

Pakistan wants to renegotiate LNG import terminal deals

(Reuters; Oct. 18) - Pakistan's new government will renegotiate agreements for two liquefied natural gas import terminals, the petroleum minister said Oct. 18, part of a wide investigation into deals struck by the previous government. Minister Ghulam Sarwar Khan said the government of ousted premier Nawaz Sharif agreed to pay too much to Pakistan's Engro Corp. for at least one of the terminals. "This will be renegotiated with the parties," Khan said. Engro said Oct. 19 it had "no obligation" to renegotiate.

Pakistan's rapid adoption of LNG has made it one of the industry's fastest-growing markets in Asia. Engro, Pakistan's largest listed conglomerate, built the country's first LNG terminal in 2015 and has said it will begin building another one starting in early 2019. Its contract is for 15 years for storing LNG and then moving up to 600 million cubic feet of natural gas per day into the pipeline system. A spokesman for Engro said the contract is worth about $83 million a year, or about 38 cents per million Btu.

Prime Minister Imran Khan's government came to power in July, riding on a wave of anti-corruption rhetoric. Sharif was sentenced to 10 years in prison this year following his removal from office by the Supreme Court. His party denies all charges. Petroleum Minister Khan made no direct claim of corruption in the LNG deals but said the contracts gave a maximum return on equity of 44 percent for one of the terminals and 22.7 percent on the second one, which he said was far above the industry standard.

FERC approves Rhode Island LNG plant to serve winter demand

(Providence Journal; R.I.; Oct. 18) - Federal regulators have approved construction of the $180 million liquefied natural gas production plant proposed by National Grid on the Fields Point waterfront in Rhode Island, a plan supported by labor unions and business groups but opposed by environmental advocates, residents of nearby neighborhoods and a slate of elected officials including Providence Mayor Jorge Elorza.

The Federal Energy Regulatory Commission approved the project Oct. 17. The plant would pull gas from a nearby pipeline, liquefy and store the LNG in a 127-foot-tall insulated tank, then warm up and regasify the fuel as needed to meet peak demand during the winter. The utility currently gets LNG by truck from an import terminal in Everett, Massachusetts, storing the LNG until it is needed. The company said the local liquefaction plant will ensure a more secure and potentially cheaper supply of gas.

In reaction to FERC's decision, the group NO LNG IN PVD called the plant "shortsighted and dangerous." Mayor Elorza expressed disappointment in the approval. Opponents say it means increasing Rhode Island's dependence on shale gas produced with hydraulic fracturing, which they claim can taint drinking water supplies, lead to leaks of the potent greenhouse gas methane, and cause other environmental damage.

TransCanada moves closer to start of Keystone XL construction

(Financial Post; Canada; Oct. 18) - More than a decade after it was first proposed by TransCanada, the Keystone XL oil pipeline project is moving closer to the construction phase in Canada and the United States, despite legal obstacles facing the company. Preliminary work has begun on the pipeline route in Alberta, Saskatchewan, Montana, and South Dakota — all except for the state of Nebraska, where the project faces a legal challenge, a TransCanada spokesperson told the Financial Post.

The company is delivering pipe, conducting civil engineering work on pump stations and clearing vegetation along the route ahead of full construction, which is expected to start next year and take two years, though the company has yet to officially announce a final investment decision. “Later this year we will start moving equipment to prepare workforce camp and camp modules,” TransCanada spokesperson Matthew John said.

The long-delayed Keystone XL has emerged as a critical lifeline for Canadian oil companies as existing pipelines have filled up, leading to record-breaking US$50-per-barrel discounts for Western Canada Select, a heavy oil blend. First proposed in 2008, the Keystone XL pipeline has been delayed multiple times by fierce opposition. The southern leg of the pipeline, from Kansas to Texas, which didn’t need a presidential permit, has been built. President Donald Trump approved the Canada-to-U.S. leg in 2017, though opponents are challenging state regulatory approval in Nebraska.