Oil and Gas News Briefs
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First Nation says LNG Canada treated it as a partner

(Vancouver Sun; Oct. 3) - LNG Canada "set a new standard" for respectful consultation with First Nations, the Haisla Nation's deputy chief councillor Brenda Duncan said of the five-member consortium that will build the first liquefied natural gas export terminal on the B.C. coast. What LNG Canada did right in its multi-year consultation was to engage consistently and early with community members and sincerely listen and accommodate, Duncan said in an interview in Kitamaat Village, 10 miles from the project site in Kitimat.

LNG Canada plans to build its terminal on traditional territory of the Haisla Nation. "We always hear about 'nation building,' and even before reconciliation became a term, or a buzz word, LNG Canada treated us as stewards of this land and as the landlords. … We're very respectful of that," Duncan said. "We've been on the outside looking in at economic development in our territory for decades. Our ancestors have been here for time immemorial and we've been spectators to industry," she said.

"When LNG Canada first engaged with us, it was the first time ever that we were seen as partners, that we were treated as partners. And we are now participants in our own economy." LNG Canada and the Haisla reached a benefits agreement for the project, though the terms have not been disclosed. "The benefits and revenue that it provides us … we're able to empower a new generation of Haisla," Duncan said. "Whatever career aspirations our members have, we finally have the ability and the autonomy to do that."

LNG Canada says it will minimize impacts on local housing market

(Terrace Standard; Terrace, BC; Oct. 4) - LNG Canada has laid out a detailed plan to reduce as much as possible housing impacts on residents now that the green light has been given to its multibillion-dollar liquefied natural gas project in Kitimat, British Columbia. In documents filed with the B.C. Environmental Assessment Office that form part of the project's environmental certificate, the company acknowledges the high potential for reduced housing availability, higher home prices, and rent increases.

The Shell-led venture said its Kitimat work camps — which will house at least 4,500 non-resident workers with a potential jump to 7,000 — are at the heart of its plan to avoid disrupting the local housing market during the estimated five-year construction and commissioning phase of the project. "With few exceptions," the company said in its documents, non-resident workers will be required to live in the camps.

LNG Canada will not provide housing allowances to non-resident workers “unless a benefit can be shown to the local community without creating an impact.” The company has already quashed a living-out proposal by a subcontractor, LNG Canada community advisor Ruth Sulentich said at a lunch in Terrace, B.C., sponsored by the Real Estate Institute of BC. For example, LNG Canada wants to avoid overcrowded basement accommodations with multiple pick-up trucks parked on residential streets, she said.

B.C. trades council says it can meet labor force needs for LNG project

(CBC News; Canada; Oct. 4) – British Columbia’s trades sector is confident most of the thousands of workers required to build and operate the province's first major liquefied natural gas export facility will come from within British Columbia. LNG Canada's C$40 billion investment in an export terminal in Kitimat, B.C., and a 415-mile pipeline from northeastern B.C. to the coast is expected to generate roughly 10,000 jobs by 2021.

The venture has agreed to place priority on local and B.C. hiring and has conditionally awarded a $620 million contract to work with Indigenous businesses for the pipeline. But some critics have questioned whether B.C. has the skilled labor supply needed to take full advantage of the economic benefits, which the government has said are a worthy trade-off for the increase in carbon emissions the plant will generate. Tom Sigurdson, director of the B.C. Building Trades Council, said the workforce is ready.

"We may have to turn to other western provinces to get some of the trades, but for the most part I'm pretty confident that we'll be able to supply the vast majority of the skilled labor force out of British Columbia," Sigurdson said. Some temporary foreign workers with specific expertise in LNG may be needed when the plant goes into operation, he said. Of the $40 billion investment, provincial officials say $24 billion will be spent in the province and $16 billion will be spent overseas, mostly on plant modules.

It’s hard to ignore dark clouds over U.S. LNG trade with China

(Wall Street Journal; Oct. 3) - North America has a new free-trade agreement. But PetroChina may soon be tanking up in British Columbia rather than on the U.S. Gulf Coast. The Chinese state-owned energy giant has given a thumbs-up for its 15 percent stake in Canada’s first liquefied natural gas export project, the Shell-led LNG Canada venture. The timing — as President Donald Trump aims to isolate China by reaching new direct-trade agreements with allies — doesn’t look coincidental.

The global energy business has always come with a heavy dollop of geopolitics, but the emergence of the U.S. as a significant LNG exporter — and China as the world’s largest net importer of natural gas — is adding a new twist. The burgeoning U.S. LNG industry could end up as collateral damage. LNG Canada will start shipping in the early 2020s, eventually as much as 26 million tonnes a year. For perspective, the U.S. exported just 14 million tonnes last year, and the entire global market amounted to just 285 million.

China, by far the fastest-growing major market, has slapped a 10 percent tariff on U.S. LNG and just signed a big supply deal with Qatar. With Canada entering the game, U.S. energy companies' ambitious expansion plans are starting to look riskier. The irony is that in pre-trade fight days, the U.S. looked well-positioned to capture a big chunk of the Chinese market. But now, looking at China's import tariffs, higher steel costs for LNG plant construction thanks to U.S. import tariffs, and a report that PetroChina may cut back its U.S. LNG purchases, the storm clouds over U.S. exporters are hard to ignore.

Russia talking with China about increased pipeline gas deliveries

(Reuters; Oct. 4) - Russia's Gazprom is in talks with China about additional natural gas supplies via the Power of Siberia pipeline, Interfax news agency quoted Gazprom's CEO Alexei Miller as saying Oct. 4. Interfax quoted Miller as saying that the existing pipeline contract is for almost 1.35 trillion cubic feet of gas per year and that the two sides are discussing the possibility of increasing the annual volume by 175 billion to 350 billion cubic feet.

Deliveries of gas to China via the pipeline are due to begin at the end of December 2019, but the project is not expected to reach full capacity until 2025. Neither Gazprom nor China have released details on gas-pricing terms in the pipeline contract. The pipeline from Siberian gas fields to China stretches about 2,000 miles. The pipeline, along with gas field development costs, has been reported at $50 billion.

Russia, India agree to work together on oil and Arctic LNG

(Nikkei Asian Review; Oct. 5) – Following a summit between the two leaders, Indian Prime Minister Narendra Modi on Oct. 5 announced an agreement with Russian President Vladimir Putin to consider joint development of a liquefied natural gas project on the Arctic shelf. Russia has one LNG export project in operation in the Siberian Arctic, with ambitions for at least one more. Russia's Gazprom in May started LNG deliveries to GAIL India under a long-term deal.

The two governments also expressed support "for development of cooperation and exploring opportunities for joint development" of oil fields in Russia, including on the Arctic shelf, and projects in the Pechora and Okhotsk seas. Securing energy supplies is a critical issue for India, which will need more power to support economic growth. The joint statement said India and Russia also decided to further explore the possibilities of closer cooperation on hydroelectric and renewable energy.

ONGC Videsh, the overseas arm of India's Oil and Natural Gas Corp., entered Russia in 2001 when it bought a 20 percent stake in the Sakhalin-1 oil and gas field in the Russian Far East. Since then, it has acquired Russia-focused Imperial Energy as well as picked up stakes with other state-owned firms in the Vankor and Taas-Yuryakh Neftegazodobycha oil fields in Russia.

China squeezes profit margins at gas utilities

(Wall Street Journal; Oct. 5) - Industries deemed critical by Beijing often benefit from cheap capital, tax breaks and protection — implicit or explicit — from foreign competition. That is, until policy priorities change. China's city gas utilities, market darlings earlier this year, now find themselves in this position. ENN Energy Holdings' stock is down after last week's news that megacity Chongqing may curtail the fees companies can charge consumers to hook up to their natural gas networks.

Competitors China Resources Gas and Kunlun Energy also are down. Connection fees are less important than they appear, but what's worrying is the overall policy signal. China has plenty of customers for natural gas. What China doesn't have is enough gas to go around. Demand growth surged 15 percent last year. Domestic output growth was just 8 percent, leading to huge losses for state energy firms on pricey imported gas.

Beijing knows that rectifying this problem means raising prices for wholesale gas, which would spur investment by drillers and pipeline builders. But it doesn't want those higher prices passed on to households. The logical consequence is a squeeze on gas-utility margins. Beijing last month published a new blueprint for the gas sector that proposed a pricing structure where upstream and downstream prices move together. But in reality, regulators are likely to retain discretion to set prices for some time. Gas is destined to play a much bigger role in China's future. Gas utilities' profits, perhaps not so much.

Australia likely to sit out next wave of LNG megaprojects

(Australian Financial Review; Oct. 3) – Shell's go-ahead this week for the $C40 billion LNG Canada project is seen as marking the start of a new era of LNG megaprojects, but this time round Australia looks set to be a bit player in the action. The final investment decision on LNG Canada in northwest British Columbia is the first greenfield export project worldwide to get the go-ahead for construction in the past five years, with Yamal LNG in the Russian Arctic the most recent one in 2013.

Australia was the star during the last wave, with more than 61 million tonnes a year of LNG production capacity sanctioned for construction 2009-2012 — 15 percent of the global total — though that A$200 billion investment boom is now at its tail end. Wood Mackenzie is pointing to 2019 as potentially the busiest year ever for final approvals on new projects, with 50 million to 60 million tonnes a year getting the green light. Sanford C. Bernstein & Co. puts the figure at 90 million tonnes a year over 2018-2020.

Bernstein's estimates include four large trains in Qatar, Arctic LNG-2 in Russia, at least one project in Mozambique and several in the U.S. In Australia, LNG investments over the next few years are expected to focus on "backfill" to keep existing plants full, although Woodside Petroleum's $US11 billion plan to develop its Scarborough gas field involves adding a second LNG train at Pluto, which opened in 2012. "We're not really seeing any greenfield Australian projects. We don't see an appetite for that — some additional volumes maybe from debottlenecking," said an analyst at Wood Mackenzie. Meanwhile, expansion at Papua New Guinea LNG is expected in 2020 or 2021, he said.

Chief economist says Australia will take top LNG spot in 2019

(S&P Global Platts; Oct. 3) - Australia is on course to dethrone Qatar as the world's top LNG exporter in 2019 but the outcome is not a foregone conclusion, according to the Resources and Energy Quarterly report for September, published by the country's Office of the Chief Economist on Oct. 3. Australia's race to the top has been supported by a wave of LNG projects in recent years totaling about A$200 billion in investments.

"On current projections, Australia will edge past Qatar as the world's largest LNG exporter in 2019 when exports reach 76 million tonnes, and extend its lead slightly further in 2020," the report said. "However, given the narrow difference between the projected exports of the two nations, Australia overtaking Qatar is not a certainty." The office is part of the Department of Industry, Innovation and Science.

The chief economist forecasts Australia's LNG export volumes at 74.7 million tonnes in the current fiscal, climbing to 77.4 million tonnes in 2018-19. When completed next year the final two projects of the Australia LNG wave will bring the country's nameplate production capacity to 88 million tonnes. Qatar, however, does not intend to relinquish the No. 1 title for long. Qatar Petroleum, majority owner of the country's LNG production facilities, plans to boost capacity to 110 million tonnes a year by the mid-2020s.

Australia's consumer watchdog will publish LNG netback prices

(S&P Global Platts; Oct. 3) - The Australian Competition and Consumer Commission is now publishing an LNG netback price series, the watchdog said Oct. 2. The numbers, which are calculated by taking the delivered price of liquefied natural gas exports and subtracting liquefaction and shipping, is aimed to assist the country's East Coast gas users to identify trends in pricing and to estimate a reference price for their own supply.

"Since the linking of the East Coast and international gas markets, (domestic) gas users have not had access to readily available information about export parity prices and how they are calculated," commission chair Rod Sims said. Australia's East Coast was linked to the seaborne LNG market in 2015 when the first train at Shell's Queensland Curtis LNG project came online. There are now six LNG trains at Gladstone across three projects, with a combined nameplate capacity of 25.3 million tonnes per year. The growth in exports has created a supply squeeze and higher prices for domestic users.

The average LNG netback price at Australia's Wallumbilla Gas Supply Hub has been about A$10 per million btu (US$7.30) so far in 2018, compared to under A$7 over the same period in 2017 and is currently expected to average around A$11.75 in 2019, the watchdog said. "Conditions in the East Coast gas market remain very challenging for domestic gas buyers, particularly commercial and industrial gas users," Sims said. Tight supply has pushed several industry players to invest in LNG import projects in Eastern Australia, even as the country becomes one of the world's largest LNG exporters.

Australian LNG exporters agree to meet domestic needs first

(S&P Global Platts; Oct. 4) – The extension of an agreement between the Australian government and natural gas producers to offer uncontracted gas to the domestic market through 2020 will continue to curb supply of spot LNG cargoes from Eastern Australia into Asian markets. The deal signals continued uncertainty for three of the largest LNG projects in Australia that are trying to balance export commitments to Asian customers and domestic gas shortages.

The new agreement also means that the three projects in Queensland state — Australia Pacific LNG, Queensland Curtis LNG, and Gladstone LNG — will have limited ability to raise supply to Asia during winter or to replace U.S. LNG cargoes to China amid U.S.-China trade tensions. The Australian government signed the deal with representatives from the three LNG projects Sept. 30 to maintain a secure gas supply to the East Coast domestic market, home to 75 percent of the country's population.

"Under the agreement, LNG exporters have agreed to offer uncontracted gas to the domestic market on reasonable terms in the event of a shortfall," the statement said. "This uncontracted gas will not be offered to the international market unless equivalent volumes of gas have first been offered to the Australian domestic gas market on competitive market terms." The extension follows pressure on exporters to ensure the East Coast is sufficiently supplied or face enforced export curbs.

Shell, Total CEOs boast about their LNG businesses

(Bloomberg; Oct. 4) - Two oil-and-gas company bosses shared a stage with one of the most powerful men in the market, and all they wanted to do was brag about natural gas. Shell CEO Ben van Beurden hailed his company's C$40 billion liquefied natural gas venture in British Columbia, the world's biggest LNG project since 2013. Nice but not as competitive as his company's low-cost Russian gas, said Total CEO Patrick Pouyanne.

This jostling for position — live on stage in Moscow alongside Russian President Vladimir Putin — shows the increasing importance of the global LNG market. It also highlights the growing role of Russia, where Total is a partner in the country's newest, and largest, export project, Yamal LNG. Russia is striving to become one of the world's biggest LNG exporters, challenging Qatar, the United States, and Australia.

"Canada is competitive, but the Yamal Peninsula is more competitive," Pouyanne said at the Russian Energy Week conference sitting just a few feet from van Beurden. Shell this week announced that, together with its partners, it would build LNG Canada. Van Beurden also touted Shell's joint-venture at Russia's Sakhalin-2 as "the best LNG project in the world in terms of its performance and track record." Sakhalin-2 went online in 2009 at 9.6 million tonnes a year. LNG Canada will start at almost 14 million tonnes.

Total has a 20 percent stake in Russia's Yamal LNG plant that cost a combined $27 billion and also has agreed to invest in the proposed Arctic LNG-2 project. Shell is the largest LNG trader in the world followed by Total. Sakhalin-2, where Shell has a 27.5 percent stake, was Russia's only LNG plant until Yamal LNG. Once Yamal reaches full capacity, Total will overtake Shell in equity share of LNG production from Russia.

Economists say politicians take too much credit for LNG Canada

(The Star; Vancouver; Oct. 3) - Amid jubilation over the C$40 billion liquefied natural gas plant announced Oct. 2 for Kitimat, B.C., several economists are throwing cold water on the idea that a provincewide industry boom is on the way. B.C. Premier John Horgan and Canadian Prime Minister Justin Trudeau were all smiles as they praised the four companies behind the LNG Canada project. But several economists disputed whether the politicians actually deserve the effusive praise they are giving themselves.

Such claims should be taken with a big grain of salt, said a Houston economist. "That's just politics," said Kenneth Medlock, Rice University's Baker Fellow in Energy and Resource Economics. "Politicians like to take credit for things that are good and they like to shift blame for things that go bad. An investment like this only happens if there's commercial viability; that's the only way. Where government plays a role is it can smooth pathways through rights of way, local bylaws, and First Nations negotiations."

The sentiment was echoed by economist Werner Antweiler, director of the University of B.C.’s Sauder School of Business Prediction Markets, who said if there’s credit to be assigned, it’s shared. “The previous government started it, the current government kept going,” Antweiler said. “Although arguably governments have been bending over backwards to bring LNG to B.C. — making major concessions on taxation and the carbon tax to make it an attractive location — the simple fact is it’s just economics.”

LNG project will make it hard for B.C. to meet climate targets

(CBC News; Canada; Oct. 3) - The economic benefits of the LNG Canada gas project in British Columbia will be significant, but environmental advocates are concerned the climate change impacts could be just as large. "How are we going to meet our legislated greenhouse-gas targets when this substantial increase in emissions is happening?" David Suzuki Foundation director Ian Bruce asked Oct. 2. "We don't have a credible climate change strategy. … Moving forward at this stage is likely very irresponsible."

The provincial government said B.C. will meet its climate-change targets, even with the project going ahead, and there will be a new climate plan released soon. The province said the estimated carbon output of the first phase of the LNG Canada project will be 3.45 megatonnes per year. "That's more than double all the emissions from all the cars and trucks in Metro Vancouver," Bruce said. "B.C. is going to need the best, most aggressive, world-class climate plan to make up for this additional increase."

The province has committed to reducing greenhouse gases by 40 percent by 2030 and 80 percent by 2050. Karen Tam Wu, a managing director with the Pembina Institute environmental think-tank, said that means British Columbia will only be able to emit a total of 13 megatonnes of greenhouse gases by mid-century. Getting there might be possible, she said, if industry electrifies, the carbon tax is ramped up, and if buildings are rapidly retrofitted to reduce their carbon footprints.

Nova Scotia First Nation drops objection to LNG plant

(CBC News; Canada; Oct. 4) - A Nova Scotia Mi'kmaq band has dropped its objection to the proposed Goldboro liquefied natural gas plant in Guysborough County. The province's utility and review board scheduled a hearing for Oct. 15 after Sipekne'katik First Nation said earlier this year it had not been properly consulted as required under federal law. However, in a letter to the board dated Sept. 28, Sipekne'katik Chief Michael Sack said the band was formally withdrawing its objection.

"Sipekne'katik is satisfied that any aboriginal and treaty rights ... will not be diminished or impinged" by the project, Sack wrote. The letter did not elaborate why the band was withdrawing its objection and the chief did not return calls for comment. The band office is in Indian Brook, Nova Scotia, about 150 miles west of the proposed LNG site, but Sack has said all along the First Nation never surrendered its traditional territory.

The developer, Calgary-based Pieridae Energy, said last month that any delay could jeopardize the project. Pieridae has until Oct. 19 to respond to a tentative approval for a license to build the plant. Pieridae has said it's nearly ready for an investment decision.

Analyst says Nova Scotia LNG proposals lack the 'really big boys'

(The Canadian Press; Oct. 5) - Some see it as a signal of investor confidence in liquefied natural gas megaprojects. Others say it could edge out less competitive LNG proposals in Canada. Either way, approval of a massive LNG project in British Columbia has renewed interest in the fate of two projects slated for Canada's East Coast. Bear Head LNG, a subsidiary of Australia-based Liquefied Natural Gas Ltd., and Goldboro LNG, a Pieridae Energy project, have both proposed projects for Nova Scotia.

Both ventures said the decision by Shell and its partners to move forward with the C$40 billion LNG Canada project in Kitimat, B.C., bodes well for major resource projects in the country. But energy consultant Tom Adams said the British Columbia development makes the prospects of a Nova Scotia LNG facility in the near future less likely. There is a finite global market for LNG, he said, and the B.C. project weakens other projects.

"Every time there is a new entrant it puts competitive pressure on all the other proposals," the independent Toronto-based analyst said. Adams said the "really big boys" have invested in B.C. — Shell, Mitsubishi, Malaysia-owned Petronas, PetroChina, and Korea Gas — while the Nova Scotia proposals have yet to attract the same caliber of investors. "The majors have by and large stayed out of it, and I think that's another indication of the relative strengths and weaknesses of the development plans," he said. "It's another reason for my continued skepticism with respect to LNG in Nova Scotia."