Oil and Gas News Briefs
Compiled by Larry Persily
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Guyana needs to learn quickly how to manage oil wealth

(Bloomberg; Aug. 13) - Guyana, a tiny nation on the north coast of South America, is about to become the world's newest petrostate — and potentially the richest. In 2015, ExxonMobil made what one of its executives described as a "fairy tale" discovery in the vast Stabroek exploration block off the Guyanese coast. Since then it's found so much oil that by the mid-2020s Guyana, with a population of about 778,000, will probably produce more crude per citizen than any other country.

However, Guyana is unprepared for what's coming. Its petroleum laws were written in the 1980s. The Department of Energy has an annual budget of $2 million. Five years after Exxon's discovery, the country still hasn't finished crafting relevant new laws or even established a regulatory body to oversee exploration and production. Last year the government set up a sovereign wealth fund to soak up as much as $5 billion in oil revenue per year by 2025, but there are no plans for how to spend it.

Even as the windfall approaches, more and more questions are being raised about how the country sold exploration rights off its coast — not just to Exxon, but also to other outfits that followed in the supermajor's wake. The State Assets Recovery Agency, an anticorruption unit looking into the leases, hasn't named any targets. It's too early for that, said its director, Clive Thomas. "We're building up a case," he said.

Oil can be intoxicating, especially in a nation where the average income is $385 a month. "It's really a matter of how wealthy you're going to be, rather than whether you're going to be wealthy at all," said Minister of Natural Resources Raphael Trotman. Exxon expects the first oil in 2020 with output quickly ramping up to 120,000 barrels a day and rising to 750,000 by 2025. The government estimates the Exxon deal will bring in $300 million in 2020, about a third of Guyana's tax revenue, and surge to $5 billion by 2025.

Plans for U.S. energy exports to China unraveling amid trade tensions

(Houston Chronicle; Aug. 12) - Two years ago, President Donald Trump and China's Xi Jinping heralded a new era in energy trade between the two nations. Officials unveiled plans for the Chinese to invest more than $100 billion in U.S. projects, including a gas and chemical projects in West Virginia. But the investments never materialized. What appeared to be the beginnings of a booming new market for U.S. oil and gas is rapidly unraveling amid increasing tense tensions between the world's largest economies.

China has long loomed large for U.S. energy companies. With a population of 1.4 billion people and climbing, China is the world's fastest-growing energy market. This should be good news for U.S. oil and gas producers eager to find new markets for their booming production in Texas and the Appalachian region. But as China's global ambitions put it in greater conflict with the U.S., tariffs and diplomatic tensions are complicating efforts to expand energy exports to East Asia, particularly for U.S. liquefied natural gas.

"The U.S. has a lot to offer in new supply and China has one of the largest markets. They're an ideal fit in terms of trading partners," said Alex Munton, an analyst with the research firm Wood Mackenzie. "But with these (trade) tariffs in place, it's very difficult to see Chinese companies sign up for long-term, contracted (LNG) supply." And the stakes could go higher. Analysts say China could target U.S. crude in its next round of retaliatory tariffs. That would mark a rapid reversal from only a few years ago, when state-owned Chinese companies were investing heavily in U.S. oil and gas projects.

EPA proposes to limit state approval of oil and gas pipelines

(Reuters; Aug. 9) - The Trump administration has unveiled a proposal to curb state powers to block oil and gas pipelines and other energy projects, drawing praise from the oil industry but criticism from states and Democratic lawmakers who said it would jeopardize water quality. The U.S. Environmental Protection Agency move comes four months after President Donald Trump ordered the EPA to change a section of the U.S. Clean Water Act that states like New York have used to delay pipelines and terminals.

The EPA's Aug. 9 proposal is centered on changes to Section 401 of the Clean Water Act, which allows states and tribes to block energy projects on environmental grounds, the agency said. In its 163-page proposal, the EPA said a state or authorized tribe must act on a Section 401 certification request "within a reasonable period of time, which shall not exceed one year" and "must be limited to considerations of water quality."

Trump and his EPA chief have accused some states of imposing lengthy permit delays and denying permits for reasons that go beyond water protection — such as climate-change impacts. The administration has specifically criticized New York for its decision to block a gas pipeline from Pennsylvania. New York Gov. Andrew Cuomo called the EPA proposal "hostile." It is "a gross overreach of federal authority that undermines New York's ability to protect our water quality and our environment," he said in a statement.

In 2017, Washington Gov. Jay Inslee, a Democrat and 2020 candidate for president, used the Section 401 provision to block a permit for a coal export facility that would have expanded the ability of companies to send Western coal to Asian markets.

Draft EPA proposal would halt federal regulation of methane leaks

(Bloomberg; Aug. 14) - The Trump administration is readying a plan to end direct federal regulation of methane leaks from oil and gas facilities, even as some energy companies insist they don't want the relief. A draft proposal from the Environmental Protection Agency would prevent the federal government from restricting emissions of that potent greenhouse gas from oil wells and infrastructure despite fears that time is running out to avert catastrophic consequences of climate change.

The White House is finishing its review of the EPA plan, which was described by people familiar with the matter who asked not to be named ahead of a formal announcement that is expected within weeks. The proposal threatens to undermine the oil industry's sales pitch that natural gas is a climate-friendly source of electricity — a cleaner-burning alternative to coal that can help power an energy-hungry world for decades to come.

Dozens of oil companies have made voluntary pledges to keep methane in check, and some have warned the administration that federal regulation is essential for gas to maintain that reputation. "Stakeholder confidence in gas is hanging by the thread, and the EPA is pulling out the scissors with this methane rollback," said Ben Ratner, a senior director with the Environmental Defense Fund's energy innovation arm. The oil and gas industry is the leading industrial source of methane, which can escape from pipelines, sneak out of compressor stations and be vented from oil wells as a byproduct.

Canada prepares to talk with First Nations about investment in oil line

(The Canadian Press; Aug. 9) - A former Enbridge executive has been appointed to head a committee that will advise the Canadian government as it consults with indigenous communities that want a financial stake in the multibillion-dollar Trans Mountain oil pipeline expansion. Finance Minister Bill Morneau said Linda Coady will lead a group of experts that will help the government during the engagement process.

Coady was chief sustainability officer for Calgary-based Enbridge. Several indigenous communities have expressed interest in participating in the pipeline through equity and revenue sharing. The government will host discussions with First Nations this month in the nation's capital and in British Columbia and Alberta to determine possible options for participation. "The Trans Mountain expansion project presents a real economic opportunity — for Canadians and for indigenous communities," Morneau said Aug. 9.

The proposal to almost triple the capacity of the pipeline between Edmonton and an export terminal on the B.C. coast was approved by Cabinet in 2016, but resistance by the British Columbia government, environmentalists and some indigenous groups grew. The federal government purchased the line last year from Texas-based Kinder Morgan for $4.5 billion when the company threatened to walk away because of the uncertainty.

The Cabinet recently decided to approve the expansion a second time, after a court-ordered review. Last month six First Nations filed another lawsuit against the project.

Opponents urge insurers not to underwrite oil sands pipeline

(Reuters; Aug. 8) - A coalition of 32 environmental and indigenous groups on Aug. 8 urged insurers to stop underwriting the Trans Mountain pipeline to pressure the Canadian government to cancel its plan to expand the line that carries crude from Alberta's oil sands to British Columbia's Pacific coast. The coalition sent a letter to 27 companies registered to insure the pipeline, asking them to drop their coverage before Aug. 31, the deadline for Canada to renew its liability insurance. Self-insurance by the government for the expansion would cost taxpayers US$1.1 billion, the groups said.

The opponents said they hope to show "the Canadian government that the expansion is uninsurable." The Canadian government bought the pipeline from Kinder Morgan to help solve crude transportation bottlenecks for landlocked Alberta crude. Environmental activists say the project will undermine Canada's commitment to reduce greenhouse gas emissions. The activist groups include Stand Earth, the Union of BC Indian Chiefs, German NGO Urgewald, the Rainforest Action Network, and Greenpeace International.

Pressure is growing on financial companies to pull back from insuring and investing in polluting industries like coal and oil as part of an effort to combat climate change. Last month, Chubb became the first U.S. insurer to say it would no longer sell policies to or invest in companies that make more than 30 percent of their revenue from coal mining. This follows the lead of some of Europe's biggest insurers and financial institutions that have placed restrictions on coal underwriting.

Federal government helps with LNG Canada project

(Nikkei Asian Review; Aug. 11) - The C$40 billion (US$30 billion) LNG project in British Columbia led by Shell has received a significant financial boost from Canada's federal government and is on track to start exporting liquefied natural gas to Asia as early as 2024. Ottawa will provide C$275 million in funding to help the LNG Canada export project, whose partners include Malaysian state-owned oil company Petronas, Japan's Mitsubishi, PetroChina, and Korea Gas.

The Canadian government's move to support LNG exports comes as the country tries to reduce its dependence on sales to the U.S. Canada is the world's fourth-biggest gas producer and exports half its output to its southern neighbor by pipeline. The financial help, announced in June, is expected to be used to buy highly efficient gas turbines, which will power the gas liquefaction units, and to repair an aging highway bridge.

LNG Canada finalized its investment plan in October and work is under way at the site in Kitimat, British Columbia. Canadian gas exports to the U.S. sank 6 percent by volume in 2018 from a year earlier, and they are likely to decline faster in the future, pushing Canada to look for new export markets in Asia and elsewhere with growing demand.

Canadian producers band together to find LNG project partners

(The Canadian Press; Aug. 11) - Greg Kist, a former president of the canceled Pacific NorthWest LNG project near Prince Rupert, British Columbia, is back in the business as president and CEO of Rockies LNG Partners, a consortium of nine Canadian gas producers that invited him back to try with a different gas export project. The hope is that his years of experience will help them to move their gas from the oversupplied and underpriced markets of North America to the promised land in Asia.

“I think the next six months are critical for us,” Kist said in an interview in the Calgary offices of Birchcliff Energy, one of the consortium members. The producers want to attract partners to build and operate an LNG export terminal somewhere on the Pacific coast. They hope the project, at 12 million tonnes per year, could open by 2026. Canada’s largest gas customer, the U.S., is experiencing a shale gas boom that has led to domestic production reaching record highs, cutting into demand for Canadian gas.

Though several LNG projects have been proposed for the British Columbia, only one has committed to construction, the Shell-led LNG Canada venture in Kitimat. That’s not good enough for the members of Rockies LNG Partners. “If you look back over the history of LNG projects worldwide and certainly in Canada, they’re pretty much controlled by major international entities,” Kist said. “Those entities tend to look after their own opportunities, not necessarily the opportunities for the producer groups.”

LNG carrier headed to Freeport, Texas, for first cargo

(S&P Global Platts; Aug. 12) - An unladen liquefied natural gas carrier appeared headed toward the Freeport, Texas, terminal as the LNG facility there prepared to produce and export its first cargo, data provided by S&P Global Platts' trade flow software, cFlow, showed Aug. 12. The Mitsui- and Kansai Electric Power-owned LNG Jurojin listed an estimated arrival of Aug. 15.

Freeport LNG spokeswoman Heather Browne declined to comment on the tanker's plans. Feed gas began flowing again to the facility over the weekend after a brief lull due to repairs to a flare vent line and a gas leak during the start-up and cool-down process for Train 1. Freeport LNG has experienced multiple construction- and weather-related delays, most notably following heavy rain in Hurricane Harvey in August 2017.

Once in operation, Freeport will be the sixth U.S. terminal to begin liquefying and exporting LNG since 2016. The primary long-term buyers of offtake from Freeport LNG Train 1 are Osaka Gas and Chubu Electric, which each control 2.2 million tonnes per year of capacity. Additional long-term contracts were signed with BP for 4.4 million tonnes per year of offtake capacity for Train 2, France's Total, and South Korea's SK E&S, which are splitting 4.4 million tonnes per year of offtake capacity at Train 3.

LNG developer delays decision on Texas project 3 months

(S&P Global Platts; Aug. 13) - NextDecade has delayed by as many as three months when it expects to make a final investment decision on its proposed Rio Grande LNG export project in Brownsville, Texas, a revised timeline in an investor presentation posted on the developer's website said Aug. 13. The Gulf Coast terminal is among a handful of U.S. liquefaction projects that are being closely watched by the market to determine what the global supply picture will look like during the early to mid-2020s.

NextDecade notched its first offtake contract when it announced in April a 20-year agreement with Shell to take 2 million tonnes per year of LNG. The developer said it expected to start the project with three liquefaction trains, at a total annual capacity of about 13.5 million tonnes, with an investment decision in September. Its latest timeline shows a decision by December. NextDecade is in ongoing talks with multiple potential buyers to secure sufficient contracts to reach FID, the website presentation said.

It expects to receive Federal Energy Regulatory Commission approval later this quarter and is targeting a 2023 start-up. NextDecade in May awarded construction contracts worth nearly $9.6 billion to Bechtel for engineering, procurement, and construction of the first phase of Rio Grande LNG, contingent on FERC approval and the developer’s final investment decision. The terminal is one of three proposed for the Port of Brownsville, with environmentalists, shrimpers, and come communities opposed to the development.

China National Corp. wants to double gas output in Sichuan province

(Reuters; Aug. 9) - China National Petroleum Corp. (CNPC) aims to more than double natural gas output at its Southwest gas field in Sichuan province to 1.765 trillion cubic feet a year by 2025, the company said in a statement. The field produced 800 billion cubic feet of gas in 2018. CNPC plans to deploy more advanced technology to improve the efficiency of old gas wells and to build more ultra-deep wells, it said.

China’s state energy giants are set to raise spending on domestic drilling this year to the highest levels since 2016 in an effort to increase gas reserves and boost local supplies. Sichuan province has proven gas reserves of 130 tcf, the company said. Overall, the country produced 5.7 tcf of gas in 2018, up 7.5 percent from the previous year, official data showed. Domestic production covered about 58 percent of the country’s demand with pipeline gas and liquefied natural gas imports filling the gap.

Australia’s LNG capacity more than four times what it was in 2011

(Houston Chronicle; Aug. 13) - Within the next 12 months Australia is likely to surpass Qatar as the world's top exporter of liquefied natural gas, the U.S. Energy Information Administration said. Australian LNG production capacity reached 11.4 billion cubic feet a day this year, more than four times what it was in 2011 and surpassing Qatar.

Australia "exported more LNG than Qatar in November 2018 and April 2019," the EIA said in a report Aug. 12. "Within the next year, as Australia's newly commissioned projects ramp up and operate at full capacity, EIA expects Australia to consistently export more LNG than Qatar." With export facilities coming online at a fast clip along the Gulf Coast, the U.S. is seeking to challenge Australia and Qatar's dominance in the LNG market. But for now the U.S. is a distant third, exporting less than 6 bcf per day.

LNG carriers idling at sea may be a sign of floating storage

(Bloomberg; Aug. 13) - Liquefied natural gas carriers are taking longer-than-usual journeys to deliver cargoes and spending more time idling at sea in a sign some traders are starting to use vessels for storage. There may be other reasons for keeping the cargoes on the water, including logistical or weather issues, such as a monsoon in India. But with spot-market prices near their lowest since April 2016, sellers may be betting that prices will rise as the Northern Hemisphere heating season approaches.

“It is saying one thing for sure: people are not too worried about shipping length,” said Jean-Christian Heintz, head of LNG brokering at SCB Brokers in Nyon, Switzerland. “Whether they are waiting for a logistical or trading or pricing issue … there is no hurry in going back and loading the next cargo.” LNG carrier owners GasLog and Flex LNG are seeing increased inquiries from traders to use ships as floating storage. That will likely intensify as traders hold fuel before the heating season officially starts in October.

The use of floating storage this long before the heating season is unusual because of the costs of keeping gas in its liquid form. It is partly due to the shale boom that transformed the U.S. into the third-largest exporter, increased spot trading, linked prices increasingly to gas hubs rather than oil and spurred a global drive for flexible contracts.

But floating storage is a risky business because anticipated heating demand may be softer, as happened last winter, and vessel charter rates may shoot up to new records.

Korea could lose LNG carrier shipbuilding work to Japan and China

(Korea Times; Aug. 14) - Hyundai Heavy Industries and other South Korean shipbuilders are facing an increasingly uncertain outlook as Japan and China are poised to award more liquefied natural gas ship orders to their domestic shipyards, according to industry officials Aug. 14. Mitsui O.S.K. Lines (MOL), one of Japan's top three shippers, said it signed a memorandum of understanding with China's No. 1 shipper, China Ocean Shipping Co., last week for future LNG and ethane carrier projects.

With the MOU, the shipping giants are expected to strengthen their ties by MOL transferring its LNG shipbuilding technologies to Chinese dockyards. The two shippers are already participating in the Australia Pacific LNG project and Yamal LNG in Russia. In doing so, they jointly own and operate 17 LNG carriers, and 14 of them were built or are under construction by China's Hudong-Zhonghua Shipbuilding.

"After the two sides strengthen ties, they will likely funnel their LNG vessel orders into Chinese and Japanese shipbuilders, so they can catch up with Korean shipbuilders," an official at a Korean shipbuilder said. Korean shipbuilders have maintained dominance in the global LNG carrier market over the past few years. According to market tracker Clarksons Research, the three Korean shipbuilders scored 66 out of 76 global LNG carrier orders last year, accounting for 86 percent of the total.

New Caledonia looks to join the LNG world

(Bloomberg; Aug. 9) - New Caledonia, a French territory in the South Pacific, is joining the global liquefied natural gas trade with a plan to use the cleaner-burning fossil fuel for power generation. The island group with a population of 280,000 is seeking suppliers for its planned Centrale Pays Project, a floating LNG import terminal and 200-megawatt gas power plant. Nouvelle-Caledonie Energie (NCE), the project developer, is pitching for a 15-year regasified fuel contract, according to documents seen by Bloomberg.

Small LNG buyers such as New Caledonia are popping up around the world, building demand for the fastest-growing and cleanest fossil fuel. While the island's needs of about 200,000 tonnes of LNG a year are a fraction of what a nation like France imports annually, it adds to the interest for the fuel outside of developed markets in Japan and Europe. NCE is a venture between the government, the island's electricity producer, its grid operator, and nickel producer SLN owned by French mining company Eramet.

The new power station will replace a 45-year-old facility built inside SLN's plant in the city of Noumea, providing most of its output to SLN and some to the public. The LNG import terminal and power plant are expected to start up in the second half of 2023. Offers are due by Aug. 29, and short-listed applicants can expect to receive a request for proposal documents in the second quarter of 2020.

India wants to test LNG as fuel for fishing boats

(Reuters; Aug. 13) - India is set to test using liquefied natural gas to power fishing boats ahead of stricter international rules on marine fuel emissions next year in a move that could help an underused LNG import terminal in the south of the country. The country's Kerala Development and Innovation Strategic Council, which is a think tank and advisory body set up by the government of the southern state of Kerala, issued an expression of interest this week for a pilot project to use LNG to fuel a fishing boat.

It is looking to retrofit an existing marine diesel engine system in a fishing boat in the city of Kochi to enable it to operate on either LNG or diesel in what is known as a dual-fuel system. Fishing boats are typically fueled by diesel, but a new regulation by the International Maritime Organization that limits the sulfur content of fuel used in ships by 2020 could push governments to explore more use of cleaner fuels. LNG is not widely used in the fishing industry due to limited bunkering infrastructure and high costs.

But with the Kochi LNG terminal underused due to lack of infrastructure connecting the terminal to major gas demand areas within the region, the government could be exploring ways to increase the terminal's use, Poorna Rajendran, a consultant at FGE said. The pilot project will involve the installation of an LNG fuel storage tank and other associated equipment and pipelines by modifying the boat hull.

Australia state government will fast track LNG import terminal

(Reuters; Aug. 13) - Australia's New South Wales state government said Aug. 14 it will fast track its review of a liquefied natural gas import terminal at the port of Newcastle as the state urgently looks to beef up gas supply. The A$430 million Newcastle GasDock LNG project, planned by South Korean firm EPIK, was declared "critical state significant infrastructure," which means the project will not have to go to the state's independent planning commission for approval, saving several months in the review process.

New South Wales, Australia's most populous state, needs to boost gas supply by 2023 for industrial use and gas-fired power due to declining supply from fields offshore southern Australia and the planned closure of a big coal-fired power plant. "This LNG terminal would significantly address this risk," said the state's acting premier, John

Barilaro. The Newcastle GasDock project will still face a detailed environmental review before a final decision by the state's planning minister, the government said.

"We are aiming to have all regulatory and planning approvals obtained within the first quarter of 2020, which would enable the project to begin importing LNG in the first half of 2021," EPIK Executive Director James Markham-Hill said by email. Newcastle GasDock would import up to 6 million tonnes of LNG per year, almost 300 billion cubic feet of natural gas. Even as the country overtakes Qatar as the world's largest LNG exporter, it is coping with high prices and gas-shortage fears at home.

Exxon reportedly considering sale of North Sea assets

(Reuters; Aug. 13) - ExxonMobil is considering a sale of its assets in the British North Sea after more than 50 years in the oil and gas basin as it focuses on U.S. shale production and new projects. The world's largest publicly traded energy company has held talks with a number of North Sea operators in recent weeks to gauge interest in some or all of its assets, which could fetch up to $2 billion, according to three industry sources with knowledge of the matter. Exxon declined to comment.

Leaving the British North Sea would mark a major retreat from Europe for Exxon, which has already put its Norwegian offshore assets on the block. It would follow similar moves by U.S. rivals Chevron and ConocoPhillips, which earlier this year sold the bulk of their North Sea operations. Most of Exxon's operations are managed through a 50-50 joint venture with Shell, known as Esso Exploration and Production UK, and include interests in nearly 40 oil and gas fields. Shell declined to comment.

Exxon produces about 80,000 barrels of oil and 441 million cubic feet of gas a day in the British North Sea, according to its website. Buyers could include large private equity-backed North Sea producers such as Chrysaor or Neptune that have acquired portfolios from veteran producers in recent years. Assigning a value to North Sea assets is complicated because many fields and infrastructure are nearing the end of their lives and will require expensive dismantling or decommissioning.