Oil and Gas News Briefs
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Canada removes tariffs on Chinese steel components for LNG project

(Terrace Standard; British Columbia; Aug. 17) - The Terrace and District Chamber of Commerce (TDCC) is celebrating the Canadian government's announcement that it will remove duties on fabricated steel contained in modules built in China for LNG projects. "These modules are key components used in the construction of LNG facilities, and relief is being provided because modules of the size and complexity required for these projects are not available in Canada," the Ministry of Finance said Aug. 9.

The C$40 billion Shell-led LNG Canada project is under development in Kitimat, British Columbia, with the first cargo expected in 2024. The project had requested relief from Canada's 2017 decision to impose anti-dumping duties of up to 45.8 percent on fabricated steel components from China, which the developers said would drive up the cost of large components manufactured overseas for the liquefied natural gas terminal.

"Relief from duties will be significant for LNG Canada to deliver a globally competitive project, and the economic impact will continue to be significant, providing employment business opportunities for the area," said Loralie Thomson, TDCC president. "As Canada's transition to a cleaner future gains momentum, our government will continue to support projects that have the potential to meet our energy needs while helping more people get ahead," Finance Minister Bill Morneau said in a prepared statement.

Papua New Guinea officials meet with Total to renegotiate gas deal

(Reuters; Aug. 15) - Papua New Guinea has sent a team to Singapore to renegotiate its Papua LNG agreement with French oil major Total, the nation's petroleum minister said in a statement Aug. 15, warning the talks could end "disastrously" for the gas project. The strong language from Minister Kerenga Kua marked an about-turn from a statement 10 days earlier, when he announced the new government would stand by the gas deal agreed by the previous government with Total in April with some minor changes.

"The negotiations could work out well or even disastrously," Kua said. Papua LNG, a joint venture between Total, ExxonMobil and Australia's Oil Search, is part of a $13 billion plan that would double the country's exports of liquefied natural gas. The Papua LNG gas agreement, key to the project going ahead, came under review when Prime Minister James Marape came to power in May promising to reap more benefits for the impoverished nation from its huge oil, gas and mineral resources.

“Success in the discussions could lead to an early progress of the project. By the same token, failure could have very serious ramifications,” Kua said. “This is a risk we take as we try to move in the direction of taking PNG back and making it wealthy.” Total declined to comment on the talks, but CEO Patrick Pouyanne said July 25 he expected the government to respect the gas agreement. The government has said it wants to sort out the Total-led Papua LNG before resuming talks on a second gas deal governing the Exxon-led P’nyang field, which will also feed the expansion of gas exports.

Total says it is committed to Mozambique LNG project

(Bloomberg; Aug. 16) - Total is committed to developing the Mozambique natural gas project that it will take over from Anadarko Petroleum as part of its expansion in Africa, the company said. The project, to cost as much as $23 billion to develop, will be Africa’s biggest single investment, and Mozambique is counting on it to transform the economy. The southeastern country of 30 million people is one of the world’s poorest.

“I would like to reaffirm the importance of Mozambique LNG for Total, where we will become the operator,” Patrick Pouyanné, Chief Executive Officer of the Paris-based oil major said Aug. 16. “This is a unique asset which perfectly fits our strategy and our skills.” Total is set to buy all of Anadarko’s assets in Africa including oil and gas projects in Ghana and Algeria. In Uganda, Total is in talks with the government on a deal to purchase part of Tullow Oil’s stake in the Lake Albert oil project.

Total is buying Anadarko’s Africa assets from Occidental Petroleum, which won a bidding war with Chevron for Occidental. As part of the deal, Oxy decided to sell the Africa assets to help raise cash. Anadarko and its Japanese, Indian, and Thai partners in June announced plans to proceed with the Mozambique LNG project with initial capacity of about 13 million tonnes a year. The project will produce gas from an offshore field and pipe it to an onshore liquefaction plant. Start-up of exports is planned for 2024.

Coal export trade not dead yet

(Reuters; Aug. 14) - The prevailing market view on coal is that the industry is now facing terminal decline, as renewables and natural gas displace the polluting fuel. The problem is the facts don’t quite fit the narrative. The coal industry can be split into two sectors: coal mined and burned domestically, and the export market, where coal is mined and sold to countries that need to import energy. Of these two, the seaborne market grabs the most attention, as it’s more visible to investors, traders and even environmentalists.

Recent headlines on the seaborne market are largely gloomy. On the demand side of the equation, Europe is shutting coal-fired power and Asia is starting to look like it may not be the last refuge for coal growth that it was long assumed to be. It's therefore a bit of a surprise to look at the volume of coal being shipped around the globe and see that it is growing so far this year. In the first seven months of the year, a total of 870.8 million tonnes of coal, including thermal and coking grades, moved in the seaborne market.

That's 2.1 percent higher than the 852.6 million tonnes in the same period last year and challenges the narrative of a dying industry. Asia was the main center of demand growth with imports of 557.6 million tonnes in the first seven months, up 4.5 percent from the same period last year. This was mainly driven by China and India. Europe and Latin America also showing 6 to 8 percent gains. As the growth in the market this year shows, coal remains sticky in the global energy system and any death may be lingering.

Proposed LNG project in Texas would relocate state highway

(Port Arthur News; Texas; Aug. 14) - Although no final investment decision has been made on Sempra Energy's proposed Port Arthur LNG project on the Texas coast, the company has taken significant steps in the development — such as planning to relocate 3.6 miles of Highway 87 between the Intracoastal Waterway and Keith Lake away from the ship channel, where the liquefaction and marine terminal would be built.

The new stretch of highway would be built to state standards and cost the company some $140 million. The project would donate the highway back to the state at its completion. The Federal Energy Regulatory Commission in April authorized Port Arthur LNG to proceed, though Sempra is now looking at possibly expanding the plant's capacity. The company already has a couple of signed offtake agreements for the gas as it continues working to sign up more customers.

Sempra's first Gulf Coast project, Cameron LNG, in Hackberry, Louisiana, started production in May. In addition to Port Arthur, the company is looking at adding liquefaction and export capacity to its 11-year-old LNG import terminal in Baja California, Mexico.

Small LNG export plant could tighten gas supplies for Vancouver area

(S&P Global Platts; Aug. 14) - When the Woodfibre LNG terminal comes online in a few years, it is more likely to tighten gas markets at the Sumas, British Columbia, hub than provide a relief outlet for Western Canadian producers, according to S&P Global Platts Analytics. Unlike the much larger Shell-led LNG Canada project under construction in

Kitimat, B.C., which will provide a direct link between Western Canadian gas production and export markets, Woodfibre will likely lead to tighter supplies in the Vancouver area.

Woodfibre LNG, owned by the Singapore-based Pacific Oil & Gas, plans to get the majority of its gas supply from the Fortis BC system that serves the metro-Vancouver area. The export terminal, planned for 2.1 million tonnes per year capacity, is one-sixth the size of the first phase of the LNG Canada project, which will get its feed gas from a new 416-mile pipeline to be built from the gas fields in northeastern B.C.

Woodfibre's owner has said it plans to make a final investment decision later this year, with a 2023 start-up of production at the site of a former pulp mill about 30 miles north of Vancouver. The project is estimated at C$1.4 billion to C$1.8 billion.

India's move to gas hurt by higher cost and lack of pipelines

(S&P Global Platts; Aug. 15) - India is stepping up efforts to raise the share of gas in its energy basket, but consumption is unlikely to move ahead as fast as the government wants as infrastructure and pricing hurdles erode its competitiveness with cheaper fuels such as coal. Analysts told S&P Global Platts that the push to boost gas in the energy mix from nearly 6 percent currently to 15 percent by 2030 is ambitious, as domestic gas production constraints will keep India dependent on imports in the near to medium term.

"Infrastructure hurdles and price sensitivity will keep the rate of gas consumption growth slower than what the government is expecting," said Chinmayee Atre, LNG analyst at S&P Global Platts. India's share of gas in its overall energy mix is much lower than the global average of more than 20 percent. "We have seen significant changes in the upstream policy to boost domestic gas output. But that said, coal remains an abundant and inexpensive fuel," said Poorna Rajendran, consultant at Facts Global Energy.

Platts Analytics expects the share of gas in the total energy mix to rise from about 5.76 percent in 2019 to just under 8 percent by 2030. India relies on domestic gas production and expensive LNG imports to meet its gas demand. New Delhi is speeding up plans to build pipelines and expand the distribution network. But analysts said the economic unviability of gas compared with coal as an alternative fuel is one of the main factors that would impede the growth in gas consumption.

BP shares master contract templates to standardize LNG trade

(Reuters; Aug. 15) - BP has published master sales and purchase contract templates for its liquefied natural gas trading business, saying it is the first of its peers to do so. BP, which has a global LNG portfolio comprised of volumes it has produced or bought, said on its website it expects that publishing the master sales and purchase agreement templates will “contribute to the broader discussion around standardization and liquidity for LNG transactions.”

The LNG industry has been pushing to streamline and standardize the contracts that govern its market to cut down on red tape and lengthy negotiations to speed up the commodity’s transition to an oil-like trading model. BP already has a standardized template — known as its general terms and conditions — for the sale and purchase of crude oil and refined oil products that is widely used by other companies.

Such a master agreement is a complex framework between two counterparties spelling out the general terms for their LNG deals. Unlike in oil markets, where standardized general terms and conditions like BP’s provide a framework for traders to use, in LNG markets companies typically draft separate contracts for every deal. With LNG spot volumes expected to grow as new liquefaction projects come online, standardized contracts could lower entry barriers and attract more companies to the market.

Woodside wants to convince partners to proceed with 2 gas projects

(Reuters; Aug. 14) - Woodside Petroleum flagged a challenging near-term outlook on Aug. 15 as it grapples to win over its partners to back $34 billion worth of new oil and gas projects amid a souring global environment. Australia’s biggest independent oil and gas producer reported a worse than expected 23 percent drop in first-half profit, hurt by extended maintenance at its Pluto LNG plant, which took longer than planned.

Woodside aims to reach final investment decisions over the next year at an oil project in Senegal and the Scarborough and Browse gas projects offshore Australia but is racing to get approvals from its partners in the projects. CEO Peter Coleman said the company risks losing leases, potential customers and the best construction contractors if it can’t lock down the projects. It is targeting final investment decisions in late 2019 for Senegal and 2020 for Scarborough and Browse.

On the $20.5 billion Browse project, the partners have been bogged down with the owners of the North West Shelf LNG plant on terms for processing Browse gas. On the $11 billion Scarborough project, Woodside is stuck in talks with its 25 percent partner BHP Group on how much to charge for processing Scarborough gas through Woodside’s Pluto LNG plant. “It’s time for a number of our partners in the joint ventures to move beyond self-interest and start to look at the big picture,” Coleman said.

Report criticizes B.C. oil and gas regulator as too lenient

(CBC News; Aug. 14) - A new report from a British Columbia think tank said B.C.'s Oil and Gas Commission has failed to adequately monitor industry activity in northeastern

B.C., and called on the provincial government to create a new agency to regulate natural resource companies before an expected LNG boom takes off. The author of the Aug. 14 report, Ben Parfitt, said the commission serves the interests of the industry and a government that promotes fossil fuel development ahead of the public interest.

The report, released by the Canadian Centre for Policy Alternatives, said that before the commission's genesis, companies had to apply to numerous provincial ministries for authorizations before drilling for gas could begin. These included the Forests Ministry, which issued permits to log forests for roads, pipeline corridors, well pads and more; the Ministry of Lands, which approved the use of public lands; the Heritage Conservation Branch, which issued archaeological permits; and the Environment Ministry, which handed out water permits governing industrial activities in sensitive habitats.

Parfitt said after the commission was established in 1998, the review and approval of industry applications accelerated. As well, fines handed out by the commission were often "dramatically" below the maximum penalties allowed, the report said. There will be a significant increase in oil and gas activity once liquefied natural gas plants are built on the coast, which will lead to an increase in drilling and hydraulic fracturing, Parfitt said.

Texas may need more power plants to meet demand

(Bloomberg; Aug. 14) - It may be time to start building power plants in Texas again. The state's generators made a killing this week as unrelenting heat sent electricity prices skyrocketing to unprecedented levels, briefly blowing past a $9,000-megawatt-hour ceiling. That put producers more than three-quarters of the way toward profits that the state's power market monitor said could touch off a power plant build-out.

"We need these kinds of days" to demonstrate that the state is ripe for new plants, said Scott Burger, an energy research fellow at the Massachusetts Institute of Technology. An expansion would make for a dramatic turnaround in the Lone Star State and stand in stark contrast to the glut of generation capacity nationwide. The U.S. has become so awash in cheap natural gas and renewable power resources in recent years that electricity prices have, in some places, plunged below zero.

The supply excess has forced coal-fired power plants to retire, leaving a void that wind farms were expected to more than cover in Texas. The state, however, is facing record electricity demand, especially in the west where power-hungry drillers are exploring for shale oil and gas. And winds weren't strong enough to rescue the region this week as Dallas baked at 103 degrees. "I like renewables and having our grid have a lot of wind in the mix," said Campbell Faulkner, chief data analyst for commodities broker OTC Global Holdings. But to keep the system running, Texas needs other power generation.

This year's oil and gas bankruptcies already close to 2018 total

(Reuters; Aug. 14) - Bankruptcy filings by U.S. energy producers so far this year have already nearly matched the total for the whole of 2018, law firm Haynes & Boone reported Aug. 14, as volatile oil and gas prices drive companies to seek protection from creditors. A total of 26 firms with debts totaling $10.96 billion have filed for court restructuring through mid-August, according to the law firm's report.

Last year 28 companies filed for bankruptcy, listing $13.2 billion in debt, while 24 firms sought protection in 2017 with $8.5 billion in debt. Through most of 2019, U.S. light, sweet crude oil has been stuck in the $50-range on the New York Mercantile Exchange, finishing on Aug. 14 at $55.23. West Texas Intermediate averaged $65.06 a barrel last year. Natural gas prices also have fallen so low in some places that some companies have shut in wells and others have paid pipeline operators to take their gas.

Many of 2019's filings are pre-planned Chapter 11 restructurings, where creditors agree in advance on a financial restructuring plan, said Buddy Clark, a Haynes & Boone partner. "I don't think you will see a lot of Chapter 7 (liquidations)," he said. "When you see Chapter 7s is when there are no assets left. Typically there are always assets left." In the oil field services industry, there have been 10 bankruptcy filings so far this year.

Saudi doubles oil exports to China to cover for loss of Iranian crude

(CNBC; Aug. 15) - Saudi Arabia's oil shipments to China have doubled in the span of a year, while its exports to the U.S. have fallen by nearly two-thirds. TankerTrackers.com, which tracks oil tankers and shipments based on satellite imagery and ships' automatic identification systems, said Saudi Arabia exported 1,802,788 barrels per day to China in July, compared to 921,811 in August 2018. By contrast, its exports to the U.S. in July were 262,053 barrels a day, down 62 percent from 687,946 in August of last year.

U.S. sanctions on Iranian oil have helped the shift. Major Asian importers like China have been forced to shift business away from Iran and start buying more Saudi barrels to cover the shortfall. And the U.S. is now more self-reliant than ever, thanks to its shale oil revolution, so it needs less Saudi oil. That leaves Saudi Arabia sending more crude "into the most opaque" market, China, making it hard to track market conditions, said Matt Smith, director of commodity research at commodities analytics firm ClipperData.

TankerTrackers.com co-founder Samir Madani has described China as a sort of "black hole" for the world's oil exports, having the ability to "easily absorb oil barrels from the market, especially when prices dip." Many analysts see a clear strategy from Beijing to take advantage of the situation, while locking in Asian market share is a key long-term goal for the Saudis.

Bonds for LNG-fueled power plant in Jamaica will pay 8.5%

(The Gleaner; Jamaica; Aug. 16) - New Fortress Energy aims to raise $185 million from a bond issue to fund construction of a combined heat and power plant being built to supply electricity to power utility Jamaica Public Service Co. and steam to alumina producer Jamalco. The bond issue broker said the 15-year, secured debt will pay 8.5 percent with a higher rate paid on 17-year unsecured bonds.

The bond issue is targeted at institutional investors from around the region and would represent one of the largest issuances in the Caribbean. New Fortress said in market filings that it will build and own the 150-megawatt power plant at Jamalco. The plant is set for testing and receiving its first gas by the fourth quarter of 2019. The U.S. company is the sole supplier of gas to Jamaica, where it owns two import terminals.