# Oil and Gas News Briefs
# Compiled by Larry Persily
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## Japanese utilities over-contracted for LNG as nuclear plants restart

(S&P Global Platts; July 31) - Demand growth in the global LNG market will not only hinge on new infrastructure and growing economies but will also require an influx of additional buyers in search of clean, affordable energy. Nowhere is this more true than in Asia, where steps have already been made to open markets, add new buyers and promote price transparency. However, demand prospects in the established Northeast Asian market are different from the emerging economies in South and Southeast Asia.

Buyers such as Pakistan, Bangladesh, India, and Thailand will help prop up demand across Asia as they look to grow total power generation, industrial end-use, and transportation demand while building out infrastructure to support LNG. And emerging buyers — such as Sri Lanka, Vietnam, and the Philippines, which are looking for a reliable source of supply to help support their growing economies and in some cases replace diminishing domestic supplies — will help fuel the next wave of LNG importers.

But Japan — with a steady return of the country's nuclear fleet post-Fukushima over the next three years — could see a gradual decline in its LNG imports. Nine nuclear power plants are now back online with 14 more expected in the next few years, leading a shift in demand away from more expensive LNG. S&P Global Platts estimates the issue of over-contracting for LNG will emerge this year among Japanese utilities. The situation could peak in 2020 with the over-contracted volumes reaching 19.5 million tonnes.

## Tokyo Gas might buy cheaper spot-market LNG to put into storage

(Reuters; July 29) - Tokyo Gas is looking for ways to take advantage of cheaper spot-market liquefied natural gas prices, including raising inventories for use in the peak winter season, an executive said July 29. "We are considering various ways of taking advantage of lower spot LNG prices," Hirofumi Sato, Tokyo Gas general manager of financial management department, told an earnings news conference, pointing to a possibility of buying LNG from the spot market to store in its tanks if space is available.

Another option is to negotiate for lower prices when the company's term contracts come up for price review, Sato said. "But it would always be difficult to do so, as such a change has to come in combination with our acceptance for higher prices in case of surging spot prices," he said. Tokyo Gas is a major buyer of LNG and is increasingly seeking more flexible long-term contracts for cargo destination and volume, he said.

LNG spot-market prices in Asia are at a multi-year low, under $5 per million Btu, several dollars below prices paid under term contracts linked to oil. Buyers obligated under multi-year term contracts are finding it hard to load up on cheaper spot cargoes, though the advantage for spot prices could collapse if the gas market tightens and oil prices head lower.

## China buys LNG cargo at $3.90 per million Btu, lowest since 2009

(Bloomberg; July 31) - Natural gas in Asia is heading toward the lowest price in a decade, possibly extending pain for oil majors suffering from the fuel's weakness. The latest bad news came this week, as China National Offshore Oil Corp. bought a cargo of liquefied natural gas for September delivery to China at about $3.90 per million Btu, according to traders with knowledge of the deal. The region's benchmark price, the LNG Japan/Korea Marker, touched $4 in April 2016, but hasn't fallen below that since 2009.

The LNG market has been flooded by the start-up of projects in Australia and the U.S., while mild weather across North Asia cuts consumption. Slumping prices mean global majors including Total and Eni, which saw weak gas hurting profits last quarter, may not yet be in the clear. The slump may also add pressure on sellers fielding requests from buyers to renegotiate long-term LNG supply deals linked to oil prices, which now can be over twice as costly as spot-market LNG. The Japan/Korea Marker was at $4.11 per million Btu on July 30, compared to $9.88 a year ago, according to S&P Global Platts.

## Half of China's LNG imports this year have come from Australia

(S&P Global Platts; July 29) - China imported 4.53 million tonnes of liquefied natural gas in June, up 14.9 percent from a year ago, as the world's second-largest LNG importer continues to see the effects of policies aimed at moving households and industries from coal to gas. Over January-June, China imported 28.37 million tonnes of LNG, up 19.3 percent year on year, the latest data from the General Administration of Customs showed. That growth rate, however, is less than last year.

Half of this year's imports are from Australia. China imported 2.39 million tonnes of LNG from Australia in June, up 31.9 percent year on year, customs data showed. Australia was the top overall supplier of LNG to China in the first six months of 2019, sending 13.62 million tonnes to China. In those same six months, China imported 4.2 million tonnes from Qatar, down 8.7 percent year on year, while LNG imports from Malaysia stood at 3.23 million tonnes, up 28.4 percent year on year, the customs data showed.

While LNG provided about 60 percent of China's imported gas in the first six months of this year, pipeline gas provided about 40 percent. The country imported 2.99 million tonnes of gas via pipelines in June (about 145 billion cubic feet of gas). Over January-June, China imported 18.55 million tonnes of gas via pipelines (890 billion cubic feet), up slightly year on year, according to the customs data.

## Demand is up but prices are way down for U.S. natural gas producers

(Wall Street Journal; July 30) – It's getting harder for U.S. natural gas producers. The price of the commodity has fallen more than one-quarter this year, losing 7 percent in the past 10 days and ending July 29 at $2.12 per million Btu. That's despite this month's heat wave in the eastern U.S. generating record gas consumption at power plants for air conditioning. That surplus-driven low price may seem surprising given all the new sources of demand for the relatively clean-burning fuel.

In 2018 global gas consumption grew by an estimated 4.6 percent, according to the International Energy Agency. The switch from coal to gas accounted for over one-fifth of the rise in gas demand. And U.S. gas demand, which reached nearly 30 trillion cubic feet in 2018, up from 22 trillion in 2005, is projected to grow by 7 percent a year in 2019 and 2020, according to EIA projections. That should slow considerably, but the agency doesn't see prices rising consistently above $4 before 2035, given the ample supply.

The problem for producers is supply, not demand, and it is only going to worsen in the short run. Producers in West Texas, drilling primarily for oil, are getting gas as a byproduct in their drilling. The gas is plentiful and cheaper than free — bringing it to market costs more than the market price. That leaves U.S. producers eager to find new markets. The U.S. has become the world's third-largest exporter of liquefied natural gas, and there are also growing pipeline gas exports to Mexico.

## First LNG spot trade made on new Platts eWindow platform

(S&P Global Platts; July 31) - State-owned PetroChina and global LNG trader Vitol have agreed to conclude the first LNG spot deal on Platts Asia LNG Editorial Window, or eWindow, on July 31 after the online data-entry platform was launched last week. Vitol agreed to sell a standard-size cargo to PetroChina at $4.05 per million Btu for delivery in early September, with the destination port in Asia yet to be nominated.

Platts and Intercontinental Exchange earlier this month agreed to a partnership to bring the Platts eWindow to LNG markets, in order to support several of Platts LNG price assessments, including Platts Japan/Korea Marker, the benchmark price for LNG delivered into Northeast Asia. Over the first four days in operation since its launch on July 26, a total of 40 bids and offers have been submitted through the platform. The decision to launch the LNG eWindow comes at a crucial time for LNG, when significant additions of flexible supply and demand are challenging traditional business models.

## Chinese firm wins permit to haul LNG by truck over 29-mile bridge

(Reuters; July 29) – China's privately owned gas distributor and import terminal operator ENN Group said July 29 it has won a permit for truck transport of liquefied natural gas over a large bridge in eastern China to reach more customers.  ENN is the owner of China's first major independent LNG terminal.  The $848 million facility located on Zhoushan Island in eastern China's Zhejiang province is underutilized as a pipeline linking it to customers has not been built even though imports started 10 months ago.

ENN will be allowed to deliver LNG carried in trailers over the 29-mile Zhoushan Cross-sea Bridge that connects Zhoushan Island to the city of Zhenhai on the mainland, said a company official.  The import terminal has a receiving capacity of 3 million tonnes of LNG per year with facilities for loading 14 trucks at a time.  A source said ENN could send 200 trailers, about 4,000 tonnes, every day across the bridge.  Without access to the bridge, the company currently ships about 50 to 60 trailers a day on ferries.

The terminal is the first in the world built to load the majority of its LNG into trucks instead of reheating it to a gas for pipeline distribution, according to a late-2018 Bloomberg report.  While looking to expand its deliveries by tanker truck, ENN's planned sub-sea pipeline that will link the terminal to the mainland is pending regulatory and safety clearances, and weather conditions could delay the launch, a source said.

## Australian producer eyes truck, marine transport markets for LNG

(S&P Global Platts; July 30) - Woodside is seeking to develop a market for liquefied natural gas as a heavy-truck and marine transport fuel in the state of Western Australia amid growing supply in the region that now has four gas liquefaction plants with a combined capacity of more than 60 million tonnes per year, the company said July 30.  Demand for LNG from ships at Pilbara ports alone, where Woodside's LNG operations are based, could amount to up to 4 million tonnes per year, the company said.

"It's a blindingly obvious market for Western Australia to try to capture with the potential for a whole new industry," Woodside chief operations officer Meg O'Neil said.  Woodside in April opened its Pluto LNG truck-filling facility, which can load up to 200,000 tonnes per year and displace up to 300 million liters of diesel.  Woodside's initial focus is on supplying trucked LNG to mining operations and communities in the Pilbara, Kimberley and elsewhere in Western Australia for power generation.  Trucked LNG will also be used to supply coastal marine vessels, a spokeswoman for Woodside said July 30.

"In the longer term, the availability of LNG from the truck-loading facility could support the transition toward cleaner fuel for trucks and trains in the region's heavy transport sector," the spokeswoman said.  Woodside is also looking to supply LNG to oceangoing ships, particularly iron ore carriers on the trade route from the Pilbara to Asia.  She said about 3 billion liters per year of diesel is imported into the Pilbara, mainly for the mining industry, while ships exporting iron ore burn 5 billion liters per year of heavy fuel oil.

## Oman wants to boost LNG output 10% by 2021

(S&P Global Platts; July 29) - Oman, the biggest oil producer in the Middle East outside OPEC, plans to boost its liquefied natural gas production by about 10 percent by 2021 through debottlenecking, an Oman LNG official told S&P Global Platts. "The debottlenecking project starts this year and will be in full swing by 2021," said Mohammed al-Naseeb, chief marketing officer at Oman LNG. Production capacity is 10.5 million tonnes per year and will reach 11.5 million tonnes after expansion, he said.

The Omani government is the biggest shareholder in Oman LNG at 51 percent, followed by Shell with a 30 percent stake, Total with 5.54 percent and Korea LNG at 5 percent. Other shareholders include Mitsubishi, Mitsui, and Partex, which is owned by Portuguese interests. About 40 percent of Oman LNG's output goes to Japan and the single biggest buyer is Korea Gas, which imports 4.06 million tonnes per year.

Oman expects to find more gas in the area where the giant Mabrouk field is estimated to hold more than 4 trillion cubic feet of gas. Oman, which produces around 3 billion cubic feet of gas per day, is increasing exploration and undertaking multibillion-dollar projects to monetize gas from the Mabrouk field discovered in 2018. The sultanate is also developing its giant Khazzan gas field with the help of BP, which is expected to boost production from the current 1 billion cubic feet per day to 1.5 bcf per day by 2021.

## Offshore producers consider floating LNG facility in Israeli waters

(Reuters; July 30) - The partners in the Leviathan field off Israel’s Mediterranean coast are considering building a floating liquefied natural gas facility to enable LNG exports, Delek Drilling said July 30. The partners, which include Delek and Noble Energy, signed agreements with Golar LNG and Exmar to look at plans for a floating liquefaction facility. The aim is to reach a long-term agreement with one of the two companies to finance, build, and operate the facility if a final decision is made to go ahead with the project.

The facility would have capacity to produce about 2.5 million tonnes of LNG per year. According to the plan under consideration, gas would be piped from the Leviathan production platform to the floating LNG facility offshore Israel, where the gas would be liquefied and transferred to LNG carriers for delivery to customers.

Leviathan, with 22 trillion cubic feet of reserves, is one of the world’s largest gas discoveries of the past decade. Production for the Israeli market is expected to start before the end of the year, though the partners — Israel's Delek and Houston-based Noble — have been looking at export potential too.

## Egypt, Israel reportedly discussing joint venture for LNG project

(The Globe; Israel; July 28) - Egypt and Israel are considering building a natural gas liquefaction plant on the shores of the Red Sea in Sinai for LNG exports to Asia, sources said. The initiative is similar to the one previously promoted by Eilat-Ashkelon Pipeline Co. (EAPC), which wanted the facility to be in Israeli territory near Eilat, but that idea was shelved due to strong opposition. This time the plan is to construct the facility on the Egyptian side of the border, to more easily overcome opposition to the project.

In Egypt the ability to delay such projects for environmental reasons is much more limited than in Israel. Building the facility on the Red Sea is designed to open the option of exporting Israeli and Egyptian gas to the Asian market including India, China, Japan, and South Korea. The cost of building a medium-sized onshore liquefaction facility is projected in the $10 billion to $15 billion range. Significant gas resources have been found offshore Israel with expectations of more gas in the Eastern Mediterranean.

The advantage of building on the Red Sea is that it shortens the shipping route and bypasses costly passage through the Suez Canal. The idea of building the facility was raised during the visit to Egypt last week by Israel's Minister of National Infrastructure, Energy, and Water Resources. Egypt has two existing LNG plants that have been restricted for several years due to a lack of domestic gas supply, but Egyptian gas output is growing and gas from Israeli offshore fields also could be available.

## Big Oil sees future in plastics for plentiful U.S. natural gas

(Wall Street Journal; July 28) - Big Oil needs big plastic. As the petroleum market gets less lucrative and demand projections wane, Big Oil's investments have shifted. Not long ago it was in the direction of natural gas, oil's cleaner-burning hydrocarbon cousin. But so much gas is being produced out of U.S. shale formations that the focus now has shifted to adding value to it. Investing in petrochemicals is as close as one can get to a no-brainer given the excess of lower-cost feedstock gas in North America.

A booming market in building new petrochemical plants is afoot. It's a huge shift from the situation a little over a decade ago, when making any such investments in the U.S. seemed foolish. Since 2010, 334 new chemicals projects in the U.S. alone have been announced, according to the American Chemistry Council. On the current trajectory, global demand for primary chemicals is set to increase by around 30 percent by 2030 and almost 60 percent by 2050, the International Energy Agency said.

Integrated oil companies now see a strong case for investing in a business that was once a sideshow. There are risks, of course, especially if an economic downturn takes hold. Environmental concerns are there, too. Governments from China to India to Canada and California are trying to crack down on waste from packaging — plastics. But the flaring of gas from U.S. oil fields is an environmental headache, too. Energy producers that face a problem of too much gas are making figurative lemonade out of lemons and the literal plastic bottles in which it is served.

## Activist likely to appeal his case against B.C. gas pipeline

(The Canadian Press; July 29) - B.C. environmental activist Mike Sawyer said it's "highly probable" he will appeal a National Energy Board ruling that a pipeline designed to deliver natural gas to the C$40 billion LNG Canada project falls under provincial, not federal, jurisdiction. The NEB ruled July 26 against Sawyer's application which contended that the C$6.2 billion Coastal GasLink project falls under federal jurisdiction because it will connect with the Nova Gas Transmission pipeline system of northeastern B.C. and northwestern Alberta and therefore crosses a provincial boundary.

The NEB found that the 416-mile pipeline is not under its jurisdiction because it does not form a part of the Nova system and is not "vital or integral" to it or any other federally regulated pipeline. The board said Coastal GasLink is properly authorized and regulated by the British Columbia Oil and Gas Commission. The line is to bring gas to the LNG export terminal under construction in Kitimat, B.C. Sawyer said he is in discussions with his lawyer about whether to appeal the decision to the Federal Court of Appeal.

## Regulators recommend approval of $20 billion oil sands mine

(Financial Post; Canada; July 29) – Federal and provincial regulators have recommended the Canadian government approve Teck Resources' massive new oil sands mine that could help reverse a trend of declining investment in Alberta's heavy-oil region, though many analysts have been skeptical whether any new mining projects can ever be built in the play given emissions limits and stringent regulatory reviews.

The Canadian Environmental Assessment Agency and Alberta Energy Regulator announced July 25 they were recommending Canada's Environment and Climate Change Minister Catherine McKenna approve Frontier, a massive oil sands mining project with the capacity to produce 85,000 barrels of oil per day by 2026 with future phases taking total output to 260,000 barrels per day by 2037. The estimated C$20.6 billion mine would be the first greenfield mining project to break ground in Canada since the oil price collapse of 2014 and subsequent long decline in investment in the sector.

While the two regulatory agencies determined the project was in the public interest, they withheld approvals for parts of the project on Big Creek, a waterway in the area, and made their approval contingent on 62 different conditions.  A statement from McKenna's office said that if the minister decides the oil sands mine will result in significant adverse environmental impacts, she would refer a decision on the project to the federal Cabinet.