Oil and Gas News Briefs
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Russian gas pipeline to China 'a new era' of cooperation

(South China Morning Post; Nov. 26) - Natural gas is set to begin flowing from Siberia into northeastern China early in December, opening up a new supply route between Russia and its energy-hungry neighbor. The project, a joint agreement between state energy giants China National Petroleum Corp. and Russia's Gazprom, is part of efforts to bolster economic and diplomatic ties between the two countries, relations that have strengthened over the past five years since the project was launched.

In Moscow on Nov. 25, Chinese Vice Foreign Minister Le Yucheng called the project a "major achievement," marking both the 70th anniversary of diplomatic ties between the two countries and the "entry into a new era of China-Russia comprehensive strategic cooperative partnership." Energy collaboration has emerged as a key area in that partnership, matching Russia's status as a global energy producer with China's position as the world's biggest importer and consumer of energy.

The additional gas from Russia will be an important strategic source for China, especially as Beijing steers away from the air-polluting coal widely used in northern industries toward cleaner alternatives and looks to incorporate more gas into its energy mix, according to Lin Boqiang, dean of the China Institute for Studies in Energy Policy at Xiamen University. "Russia will be considered a very important partner for energy moving forward," Lin said. "They have the resources and China has the market, so if these two countries can work together then they are complementary in terms of energy."

Qatar's LNG expansion adds to competition for U.S. developers

(Reuters; Nov. 27) - Proposed projects to export U.S. liquefied natural gas face an uphill battle against Qatar, which announced plans to further ramp up production to reassert its position as the world's leading LNG exporter. The U.S. is on track to overtake Qatar and Australia as the top LNG exporter by 2024, but now will only hold that title for a few years as Qatar announced this week it will boost production by 64 percent by 2027.

Qatar's plans add another headwind for dozens of long-in-development LNG projects already contending with the difficulty of finding customers due to the U.S.-China trade war and a global oversupply. Low prices worldwide have also made it difficult for LNG developers to find customers that are needed to convince banks to finance the multibillion-dollar projects. LNG prices are about half of what they were a year ago.

Qatar already has the capacity to export about 77 million tonnes per year of LNG and plans to boost that to 126 million tonnes over the next eight years. In 2018, the nation accounted for about 25 percent of all global LNG exports. "The big get bigger and the rest of us quiver in our shoes," said Gordon Shearer, a senior adviser at Poten & Partners in New York. "Qatar is sending a very clear message: They are going to be the low-cost supplier of LNG." U.S. and Canadian developers face higher production costs than Qatar, along with challenges getting gas from shale formations to export hubs.

Too much gas and lowest prices in 21 years hurt U.S. producers

(Houston Chronicle columnist; Nov. 27) - When it comes to the Houston energy sector, crude oil is king. But it's called the oil AND gas industry for a reason. After all, the shale boom started with natural gas more than a decade ago. Since then a flood of gas has launched a burgeoning liquefied natural gas export industry, provided the feedstock that triggered the U.S. petrochemical boom, and almost put coal out of business.

But the gas sector is suffering, even more than oil producers stuck in the purgatory of $50- to $60-a-barrel oil. Natural gas prices have plunged about 35 percent in the past 12 months. The U.S. gas benchmark's average price in October of $2.33 per million Btu was the lowest October average in 21 years. In West Texas' booming Permian Basin, many companies drilling for oil are burning away their gas in a process called flaring as they consider it little more than an annoying byproduct of crude production.

The U.S. has essentially doubled its gas production since 2005, just before the first wave of the shale revolution. Oil output has surged even more, more than doubling since 2011, when the shale revolution shifted from gas to oil. Simply put, the U.S. has a gas glut that has extended to Asia and Europe, knocking down prices, putting LNG exports in jeopardy heading into 2020, and hurting producers' bottom lines. The S&P 500's index for oil and gas producers is down nearly 40 percent over the past year.

Russian budget does not include funding for Arctic LNG projects

(The Barents Observer; Norway; Nov. 27) - The Russian Finance Ministry has not included Novatek's proposed liquefied natural gas projects in its 2020 budget bill. The gas producer has been pushing hard for the allocation of about 124 billion rubles (US$1.93 billion) to assist in building the Arctic LNG-2 export terminal on the Gydan Peninsula, as well as transshipment terminals in Murmansk and Kamchatka to offload LNG from expensive ice-class carriers to conventional tankers to cut shipping costs.

But the company now appears to be snubbed by government. None of Novatek's projects are granted funding in the 2020 state budget, the Russian newspaper

Kommersant reported. The developments prompted Novatek leader Leonid Mikhelson to step up his lobbying in the Kremlin. He has contacted President Vladimir Putin and warned that the lack of state funding could ultimately lead to delays in Arctic LNG-2, the country's biggest LNG project at 19.8 million tonnes a year, the newspaper reported.

Arctic LNG-2 is considered a crucially important project for Putin, who wants to boost Russia's share of the global market. The project is planned for a 2024 start-up. Novatek appears to have support from Putin, as well as Rosatom, the owner of nuclear-powered icebreakers, but the Finance Ministry is reluctant. The decision not to include the projects in the budget comes as LNG prices drop to their lowest level in several years.

China looks to expand small-scale LNG deliveries

(S&P Global Platts; Nov. 27) - China, the world's second largest LNG importer, is exploring LNG break-bulk opportunities at facilities in neighboring countries like South Korea and Japan as the country's demand for small-scale LNG continues to grow. The process involves breaking shipload LNG cargoes into 40-foot containers for delivery to China's coastal and riverbank ports. Each container holds about 1 million cubic feet of gas as LNG. Potential supply partners include Korea Gas and Japan's Shizuoka Gas.

The move comes amid China's plans to expand small-scale LNG import infrastructure. China has tested options for small-scale LNG imports direct from overseas suppliers, but they have been expensive. The difference in cost per unit between a conventional 65,000-tonne LNG cargo and a 20-tonne container is significant. China Energy Reserve and Chemicals Group received roughly 100,000 tonnes of LNG in containers from the U.S., Canada and Australia over May 2017-2018, according to local news agencies.

FortisBC also has a two-year agreement with China's Top Speed Energy Corp. to send 53,000 tonnes a year of LNG, or 60 containers a week, from its small-scale liquefaction facility Tilbury LNG, near Vancouver, according to a company release in July. Looking to cut expenses and delivery time, buyers in China have started importing reloaded LNG from Japan's Shimizu terminal and South Korea's Gwangyang terminal, signing several deals in 2019. China received its first containerized LNG from KOGAS on Nov. 15, a company release said. PetroChina International (East China) Co. started receiving imported LNG via containers in early November from Japan's Shizuoka Gas.

Former IEA boss tells Canada not to give up on LNG

(Calgary Herald columnist; Nov. 28) - Canada has only one liquefied natural gas export project under construction despite more than two dozen developments pitched over the past decade. But the former executive director of the International Energy Agency believes Canada has an opportunity to launch more projects, providing LNG to the world and helping displace coal and other higher-emitting sources of greenhouse gases.

During a visit to Calgary, Maria van der Hoeven dismissed concerns the country has missed out while the U.S. has expanded in the sector and is poised to become the world's largest LNG exporter by 2024. "Don't play (the) victim … because you have got something to offer," the former Dutch politician said Nov. 26. "You have a very good reputation and I think in quite a few countries in Asia it will be important, not only where the gas comes from, and what the price is, but how it is being produced as well."

It's been a struggle to get the LNG sector off the ground in Canada, though the country has several factors in its favor with huge gas reserves in British Columbia and Alberta and closer proximity to growing Asian markets than U.S. Gulf Coast plants. Yet only the Shell-led C$40 billion LNG Canada project is under construction. A number of proposals fell off the table after oil prices dropped and cash-flow fell five years ago. "A specific issue for Canada … are the regulatory hurdles to pipelines, which make it more difficult for Canada to share its energy wealth with the rest of the world," van der Hoeven said.

South Korea to close some coal plants this winter to reduce pollution

(S&P Global Platts; Nov. 28) - South Korea will close up to 15 coal-fired power plants out of a total of 60 for three months starting Dec. 1 to help reduce air pollution, which could give a potential boost to LNG demand, the energy ministry said Nov. 28. "A total of 8 to 15 coal-fired power plants will be shut from Dec. 1 to Feb. 29 so as to help reduce fine-dust emissions," the Ministry of Trade, Industry, and Energy said in a statement. "It is the first time that South Korea suspends operation of coal-fired power plants in the winter season when the country's power demand grows," it said.

"The scope of the shutdown … will be determined on the basis of electricity demand over the peak winter season," a ministry official said. The ministry refused to provide a list of the power plants to be shut, but an official said "aged, more polluting plants will be the first to be taken offline." The country's remaining coal power plants will operate at no more than 80 percent capacity during the three-month period, the ministry said.

The government's decision to shut the coal-fired power plants reflected the proposal by the state-run National Council on Climate and Air Quality to shut 9 to 14 coal-fired power plants over December-February. The measure to reduce coal-fired power plants is in line with President Moon Jae-in's drive to reduce coal consumption so as to reduce greenhouse gas and fine-dust emissions. The ministry official said the country will be ready to raise the operating ratio of gas-fired power plants to avoid any electricity supply disruptions, which would boost the country's LNG demand.

U.S. LNG aboard Russian tanker heads to Spain

(Reuters; Nov. 28) – A Russian carrier was loaded with a liquefied natural gas cargo at the Sabine Pass terminal in Louisiana and is heading to the Spanish terminal of Huelva, Refinitiv Eikon data showed on Nov. 28. It showed that the Marshal Vasilevskiy tanker is set to arrive at Huelva on Dec. 9. Industry sources have said that global energy trader Gunvor is leasing the Marshal Vasilevskiy from Kremlin-controlled Gazprom. U.S. LNG is seen as a threat to Gazprom's dominant position in the pipeline gas market in Europe, where it accounts for more than 35 percent of supplies. Gazprom does not supply gas to Spain via pipeline, though it has shipped LNG to the country.

Algeria ups its shale gas estimate, invites foreign partners

(S&P Global Platts; Nov. 29) - Algeria's state-owned Sonatrach is carrying out two pilot projects to assess the commercial viability of its vast shale gas resources, and the results to date have been "very encouraging," the company's new CEO Kamel Eddine Chikhi said. Speaking Nov. 27 at the summit of the Gas Exporting Countries Forum in Malabo, Equatorial Guinea, Chikhi also invited companies to join Sonatrach in its efforts to make new discoveries in frontier plays, including its unexplored offshore.

According to a recent upgrade to its shale gas estimates by regulator Alnaft, Algeria has 9,800 trillion cubic feet of gas-in-place, up from an earlier estimate of 6,000 tcf. Algeria's efforts to date to develop its vast shale gas resources have been hampered by local protests and the fall in oil and gas prices, but Sonatrach wants to seize the initiative again. Part of its plan is to bring in foreign companies to create joint ventures to explore not just its shale but also its underexplored areas and offshore.

To date only three wells have been drilled off Algeria's Mediterranean coast. "We want partners in frontier areas. This may be high-risk, but high-return," Chikhi said. Sonatrach has held talks in recent weeks with Chevron and ExxonMobil, while Italy's Eni has an agreement with Sonatrach for offshore work. Algeria's LNG export capacity is more than 1 trillion cubic feet of gas per year, while pipelines are able to transport more than 1.75 tcf per year. Both its LNG terminals and pipelines are underutilized at present.

Tokyo Gas plans to expand in overseas LNG sales

(Reuters; Nov. 27) - Japanese gas distributor Tokyo Gas is targeting a 67 percent rise in its operating profit by 2030 through overseas expansion in areas like liquefied natural gas sales and renewable energy projects. Tokyo Gas and other utilities are facing falling demand at home due to a fast-aging society with a declining birthrate, while the liberalization of the nation's energy markets has increased competition among utilities.

Launching its new 10-year management vision on Nov. 27, Japan's biggest urban gas seller said it is targeting operating profit of 200 billion yen ($1.84 billion) in 2030, up from 120 billion yen forecast for the business year ending March 2020. Tokyo Gas, a major LNG buyer, is planning to invest aggressively overseas, raising its stake in LNG production and developing LNG and gas infrastructure in Southeast Asia. It also plans to boost renewable energy assets by more than 10 times from the current level.

The company plans to raise its annual LNG transaction volume to 20 million tonnes by 2030 from 17 million tonnes currently, mainly by increasing its trading activities to 5 million tonnes from nearly zero, Uchida said, to offset declining local demand.

Students protest proposed LNG import terminal in Ireland

(Irish Examiner; Nov. 30) - Plans to build a €500 million (US$550 million) liquefied natural gas import terminal on Shannon Estuary in County Kerry, Ireland, drew the ire of hundreds of students who joined a climate strike in Dublin on Nov. 29. Molly Mercier Redmond, a second-year student from North Wicklow Educate Together, told protesters outside the parliament that the LNG project must be stopped. Molly said the terminal would import fracked gas from Pennsylvania, despite a ban on fracking in Ireland.

"Why should we exploit somewhere else when we banned it in our own country," Molly asked the crowd. She warned that thousands of tourism-related jobs in Clare and Kerry would be affected by the project, which would only create about 100 jobs. Molly said the government must realize that its inaction on climate change is not going unnoticed. "We see the lip-service and the photo-ops, but we are here again giving up our time and our education to call you out on your inaction," she said.

Reuben Murray, a sixth-year student at Mountrath Community School, said they are living in a time of change and he hopes it is change for the better. "Instead of making a difference our government has made excuses," he said. Green Party leader Eamon Ryan, who joined the protest, said he was thrilled that the students were back out again. He believes young people have led a change in the public consciousness.

China comes out against proposed European border tax on carbon

(Reuters; Nov. 26) - European proposals to launch a "carbon border tax" will damage global efforts to tackle climate change, China said Nov. 27, urging a pushback against climate "protectionism" a week before fresh global climate talks in Madrid. In October the European Union's new climate commissioner, Frans Timmermans, said research would begin on the new tax to protect European firms from unfair competition by raising the cost of products from countries that take inadequate action against climate change.

But a border tax on carbon, together with a decision by President Donald Trump to withdraw from the 2015 Paris agreement, would seriously harm international efforts to tackle global warming, China said in a report, making its first formal comments on the proposals. “We need to prevent unilateralism and protectionism from hurting global growth expectations and the will of countries to combat climate change together,” Zhao Yingmin, China’s vice environment minister, told a briefing.

Europe’s border tax, part of a proposed “green deal” aimed at making the EU “climate-neutral” by 2050, is likely to face scrutiny in the latest round of climate negotiations. The idea has been welcomed by European steel association but opposed by other industry groups concerned about retaliatory trade measures. The tax would probably raise the price of Chinese goods in Europe and Beijing believes it would violate the Paris accord, which says richer countries should bear greater responsibility for cutting emissions.

Texas producers doubt forecasts of oil production growth

(Bloomberg; Nov. 27) - Texas wildcatters — after years eye-rolling at shale skeptics — are now saying global analysts are underestimating just how severe the industry’s slowdown has become. What’s ticking the folks off these days is how the International Energy Agency in Paris and the Energy Information Administration in Washington still predict robust U.S. production growth next year, despite the dire reality on the ground.

The IEA expects a jump of U.S. oil production of 900,000 barrels a day, while the EIA forecasts 1 million, which would mean replicating this year’s growth. But the numbers don’t jibe with the vibe in Texas, home to about half of U.S. crude output. Producers are being starved of funding, stocks have tanked and there’s no appetite for public offerings, making the downturn potentially more enduring than previous price-related busts.

“All I know is … they’re usually wrong,” Frank Lodzinski, an industry veteran of almost five decades and CEO at shale explorer Earthstone Energy, said of the forecasts. “I can’t remember another time when oil was $55 and the industry was in such shambles.” Oil analysts and investors are “a depleted and demoralized crowd, shell-shocked by the heavy losses,” Mizuho analyst Paul Sankey said in a note to clients. IHS Markit predicts U.S. oil growth will flatten as early as 2021 due to a “dramatic shift” in companies’ behavior, said Raoul LeBlanc, vice president for North American unconventionals.

Canadian producers will see additional pipeline capacity in December

(Calgary Herald; Nov. 29) - In the coming weeks, an additional 100,000 barrels per day of new pipeline capacity will be available to embattled domestic oil producers as the

Enbridge Line 3 replacement project is placed into service. The Calgary-based pipeline giant has been filling the $5.3 billion Canadian portion of its Line 3 replacement project over the course of November and will place the line into service on Dec. 1.

That additional capacity out of Western Canada will help alleviate strains on a chock-full export system. Line 3 runs from Alberta to northern Wisconsin, where it connects with other pipelines. The project, like other pipelines, has faced delays and entrenched opposition. Meanwhile, TC Energy — the company previously known as TransCanada — has informed oil producers that through optimization and drag reductions it will add 50,000 barrels per day of pipeline capacity out of Canada by the end of the year.

The projects are welcome news for Canadian producers that have been starved for additional pipeline capacity in recent years as total oil output has outstripped pipeline space and led to large discounts for Canadian oil. Oil producers in Canada have turned to the railways to get their crude out of the country as pipeline space has been limited. Data from the Canada Energy Regulator shows that in September, the last month for which data is available, oil companies exported 319,594 barrels per day on railway cars.

German power company finds profit in LNG trading

(Bloomberg; Nov. 29) – Germany's RWE emerged as one of the winners in the global liquefied natural gas market this year as Europe is soaking up surplus cargoes from all over the world. Germany's biggest power producer increased buying and selling of LNG 20 percent this year. Profit at its supply and trading unit almost tripled in the first nine months of the year, buoyed by a strong contribution from the gas and LNG business.

LNG is the fastest growing market of all fossil fuels. As a cleaner alternative to coal, the world's biggest energy consumers and traders are giving gas more attention. LNG producers from the U.S. to Australia have increased supplies so much that a surplus has sent prices for this time of year to their lowest level in at least a decade. "We see LNG as an interesting growth option for RWE," Javier Moret, global head of LNG at the company's trading unit, said in an interview in London.

The price crash and a narrowing Asian premium that used to encourage shipments between the regional markets means traders have been able to direct more LNG cargoes to Europe. And with its liquid markets and import terminals, the region has so far been able to absorb the glut. RWE delivered its first cargo into the U.K. earlier this month. RWE traded 12 million tonnes of LNG and delivered the fuel to more than 40 counterparties this year in the Atlantic, Middle East and Pacific markets.