

# Oil and Gas News Briefs

## Compiled by Larry Persily

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#### **Pipeline company sues to stop gas flaring in Texas**

(Houston Chronicle; Dec. 4) - The controversial practice of burning off natural gas produced as a byproduct of oil production is under fire in a lawsuit filed by a pipeline company alleging that Texas regulators allowed one of its potential customers to flare gas instead of moving it to market and selling it. In a Nov. 20 lawsuit filed in state court, pipeline operator Williams sued Texas regulators over an Aug. 6 decision allowing Exco Resources to burn gas from 138 Eagle Ford shale wells in South Texas.

Williams argues that its gathering lines are already connected to Exco's wells and would have allowed the company to pipe the gas to market instead of burning it in a practice known as flaring. "Flaring has long been recognized as wasteful and environmentally harmful," Williams said in its suit. Gas comes up with oil, but with gas prices so low many companies are burning it off rather than paying the costs to transport it to market.

Exco has been using temporary permission from the state to burn off billions of cubic feet of gas from its Eagle Ford wells since December 2017. In a filing with regulators, Exco said that using Williams' pipelines would be too costly and that the network does not have enough capacity to move all of the gas produced by the wells. "Without a flaring exception, Exco will have to shut in the 138 wells which could cause damage to the wells and the reservoir resulting in a waste of hydrocarbons," the company said.

Flaring remains a tough issue in Texas, where the Norwegian research firm Rystad Energy estimates that operators burned 752 million cubic feet of gas per day during the third quarter, a double-digit increase from the 650 million burned daily during the second quarter. In its lawsuit Williams said the state has not denied any of the over 27,000 flaring permit requests received in the past seven years. Environmentalists say state regulators are weak on enforcement doing nothing to limit greenhouse gas emissions.

#### **China still adding new coal-fired power plants and coal mines**

(Reuters; Dec. 1) - China is building more coal-fired power plants and approving dozens of new mines, despite assurances from the world's biggest greenhouse-gas emitter that it is serious about fighting climate change. China's 2021-2030 policy plans are under close scrutiny as the U.N. climate change conference gets under way in Madrid, especially after a new U.N. report said the world needs to cut carbon dioxide by 7.6 percent a year over the decade in order to limit temperature rises.

But with China's economic growth at its slowest in nearly 30 years, industry data as well as speeches from leaders and industry officials suggest a willingness to lean on coal for power, especially in old mining regions. "We continue to work hard to advance the fight against climate change, but on the other hand, we are indeed facing multiple challenges such as developing the economy, improving the people's livelihoods, (and) eliminating poverty," said Zhao Yingmin, China's vice environment minister.

China has built 42.9 gigawatts of new coal-fired power capacity since the start of 2018 with another 121 gigawatts under construction. That compares with a total of 73 gigawatts of coal-fired power added in 2016 and 2017. Regulators also approved 40 new coal mines with nearly 200 million tonnes of annual capacity in the first three quarters of 2019 compared with 25 million tonnes in all of 2018.

Major state-owned utilities want to shed as much of a third of their older and less-efficient coal-fired capacity in an effort to reduce debt, according to a government document seen by Reuters. But even if they go ahead, the cuts will be offset by newer capacity added elsewhere. A major concern remains the economic fortunes of coal regions like Shanxi, which relies on the fuel for half its jobs and 80 percent of its energy.

## [Russian pipeline into China delivers more than just natural gas](#)

(Wall Street Journal; Dec. 1) - An 1,800-mile pipeline is set to begin delivering Russian gas to China on Dec. 2. The \$55 billion channel is a feat of energy infrastructure — and much more. Russia's most significant energy project since the collapse of the Soviet Union, the pipeline is a physical bond strengthening a new era of cooperation between two world powers that have separately challenged the U.S. After years of rivalry and mutual suspicion, China and Russia are expanding their economic and strategic partnership influencing global politics, trade and energy markets.

At the same time, Beijing is fighting a trade war with Washington, and Russia's relations with the West grow colder. "China and Russia joining forces sends a message that there are alternatives to the U.S.-led global order," said Erica Downs, a Columbia University fellow and former CIA energy analyst. Russia, which has the world's largest proven gas reserves, needs cash as its economy buckles under Western sanctions. China, with the world's No. 2 economy, needs fuel and wants to wean itself off coal.

Russian gas also gives China leverage in the trade war with the U.S. by making China less reliant on generally pricier U.S. LNG. Shipments of U.S. gas were growing rapidly until China ordered a 10 percent import tariff last year. After it raised it to 25 percent in May, U.S. deliveries stopped. "Had the trade war not been there, the U.S. would have been a very promising gas supply growth source for China," Hou Qijun, president of PetroChina, China's top oil and gas producer, said in August. PetroChina is increasing its investment in Russian gas projects, he said. The International Energy Agency has predicted the pipeline could fulfill nearly 10 percent of China's gas demand by 2024.

## **Russian gas pipeline could pose threat for LNG sales to China**

(ICIS; Dec. 4) - While natural gas flows from Russia to China through the newly opened Power of Siberia pipeline will take some time to ramp up to significant levels, the prospect of slowing gas demand growth and increased pipeline supply is likely to pose a threat to China's ability to import ever-greater volumes of LNG. And rising domestic gas production will only squeeze LNG's future share in the Chinese gas supply even further.

Preliminary November LNG imports into China reached 6.47 million tonnes, a rise of just 0.22 million tonnes (3 percent) compared to a year earlier. The gas market is finely balanced in China and while Russian gas will be limited over the coming months, it could still influence LNG demand. Over the first 10 months of 2019, China's domestic gas output rose by 10 percent year on year, reaching 5 trillion cubic feet. Nationwide consumption over the same period hit almost 8.7 tcf, up 9 percent from 2018.

China's weaker economy, coupled with deceleration in the roll-out of key environmental policies, have hit gas demand growth. This comes at a time when the global LNG market is heavily oversupplied, with spot prices at record lows for the time of year. In addition, there is "uncertainty about China's future gas demand and which source — pipeline or LNG — will be cheaper and more flexible for Chinese buyers and end users," said Michal Meidan, China Energy Program director at the Oxford Energy Institute.

## **Russian pipeline gas more likely to displace coal than LNG**

(Reuters columnist; Dec. 2) - A new pipeline from Russia that will eventually be capable of delivering more than a quarter of China's current level of natural gas imports sounds like the last thing embattled liquefied natural gas producers need. The Power of Siberia line was scheduled to start delivering gas from Russia to China's northeast on Dec. 2, bringing the cleaner-burning fuel to a region that has been heavily reliant on coal.

This may look concerning for LNG exporters that are already battling low prices caused by a global supply surplus and slowing growth in China, the fastest-growing major market for the fuel and the No. 2 importer behind Japan. But the new pipeline is unlikely to have much of an impact on China's LNG demand, as it will effectively serve a market not currently reached by LNG imports.

The pipeline goes to northeastern Heilongjiang province and then continues to Jilin and Liaoning, China's top grain hub. While some of these provinces do have industries, they have mainly been powered by coal up until now. What this means is that the fuel from the Power of Siberia pipeline is likely mainly to displace coal, especially in industry and residential heating during winter. This will fit in with Beijing's vision of improving winter air quality across the northern provinces in by replacing coal-fired boilers with gas. LNG exporters should be more worried by the slowing rate of demand growth in their main markets in China's coastal provinces, especially the industrialized southeast.

## **China prepares coal-burning northeast for Russian pipeline gas**

(Reuters; Nov. 29) - Across China's coal-burning northeastern provinces, gas pipelines are being laid, contracts signed and coal-fired boilers ripped out ahead of the arrival next week of the country's first piped gas from Russia. The Power of Siberia line, due to open Dec. 2, will pipe gas nearly 2,000 miles from Siberia to China's fading industrial region, which has lagged behind the push to gas in the country's south and east.

The pipeline has the potential to transform northeast China's energy landscape and even slow the country's surging imports of liquefied natural gas. The line will emerge in Heilongjiang, which borders Russia, and feed gas into Jilin and Liaoning, China's top grain hub, where its rust-belt industries have long been overshadowed. The region's industry and 68 million city dwellers consume just 500 billion cubic feet of gas a year.

But with local power prices capped by authorities to support manufacturing, and cheaper imported coal available via a nearby port, China National Petroleum Corp. faces a tough task to sell gas in the region. "It will take a long time to nurture a market in the northeast where gas-fired power generation barely exists and the industrial sector is weak," said Li Yao, chief executive of consultancy SIA Energy.

## **Power of Siberia pipeline an engineering achievement**

(Rigzone; Nov. 29) – Dec. 2 will mark the start of Russian-piped gas exports to Chinese cities including Beijing, Harbin and Shanghai. The Power of Siberia gas pipeline is an 1,800-mile part of the \$400 billion supply contract signed in 2014 by Russia's Gazprom to send an average of 3.6 billion cubic feet per day of gas for 30 years to China National Petroleum Corp. The line is designed to transmit gas from Irkutsk and Yakutia in southern Siberia to cities on the Russian side of the Amur River and onward into China.

The pipeline crosses the Irkutsk, Amur, and Sakha regions covered by uninhabited swampy land, seismically active mountains, permafrost, and rocky areas as well as extreme temperatures that can fall to minus 80 degrees Fahrenheit. The remoteness and length of the pipeline's route, combined with the sheer quantities of material to be transported, make this an engineering and logistical triumph. Pipe was manufactured in the steelworks of Chelyabinsk, Leningrad, and Nizhniy Novgorod regions of European Russia for rail transportation more than 3,000 miles to the Irkutsk region, then hauled by river barges and trucks on ice roads to various construction sites along the route.

## **Yamal LNG outperforms rated liquefaction capacity**

(Kallanish Energy; Dec. 4) - Russia's largest independent gas producer, Novatek, said its Yamal LNG project has exceeded its nameplate capacity this year, producing over

16.5 million tonnes of liquefied natural gas — a full year’s worth of its capacity in just 11 months. The liquefaction plant is one of the most competitive in the world, leveraging huge onshore gas resources in Russia’s Yamal Peninsula. The joint venture is led by Novatek (50.1 percent ownership and operator), in partnership with Total (20 percent), China National Petroleum Corp. (20 percent), and China’s Silk Road Fund (9.9 percent).

“Yamal LNG has reached 25 million tonnes of LNG shipped since the start-up of Train 1 in December 2017 and has cumulatively dispatched more than 340 cargos,” Novatek said. In addition to the three operating liquefaction trains with individual capacities of 5.5 million tonnes per annum, Yamal LNG is also building a smaller production unit, at 900,000 tonnes capacity, which will bring the plant to 17.4 million tonnes per year.

The company shipped its first LNG cargo last week to Bangladesh under a long-term offtake agreement with Total. The LNG was delivered through the longer westbound route, around Europe and via the Suez Canal, avoiding the winter ice of an eastward voyage through the Northern Sea Route.

### **Last of 15 ice-class LNG carriers built for Yamal arrives in port**

(The Barents Observer; Norway; Dec. 2) - The Yakov Gakkel in late November sailed into the Kara Sea, headed for the Yamal LNG terminal, about two weeks after the ship left the Daewoo Shipbuilding and Marine Engineering yard in South Korea. The LNG carrier was outside the port on Dec. 2, according to the Northern Sea Route Administration. With its arrival the Yamal fleet of 15 ice-class carriers is now complete.

Like its 14 sister ships, the 981-foot-long, 97,000-deadweight-tonne vessel can carry up to 73,000 tonnes of LNG, or about 3.5 billion cubic feet of natural gas, and can break through ice more than six-feet thick. The ships were designed by Aker Arctic, a Finnish company. The Yakov Gakkel is owned and operated by Teekay, the world’s third-largest independent owner and operator of LNG carriers.

The sailing of the carrier comes as Yamal LNG reaches a new high in production. According to gas producer Novatek, which operates Yamal, the liquefaction plant in the first 11 months of this year produced 16.5 million tonnes of LNG. Since the plant opened in December 2017, it has produced 25 million tonnes and sent out 340 cargoes.

### **First modules for Arctic LNG-2 under construction in China**

(LNG World; Dec. 3) - Russia’s Novatek is pressing ahead with construction of its second Arctic liquefied natural gas export project, while in the meantime also planning to develop an LNG downstream business in Germany and Poland, according to the

company's finance chief Mark Gyetvay. Arctic LNG-2 is Novatek's second large-scale LNG export project following the launch of Yamal LNG two years ago.

Arctic LNG-2 is on the Gydan Peninsula, across the strait from the Yamal plant. It will include construction of three liquefaction trains, each with capacity to make 6.6 million tonnes per year of LNG. The modules will sit atop gravity-based structure (GBS) platforms. "We started pouring concrete for the first GBS at the end of July this year. Each unit will have 14 modules on the GBS platform," Gyetvay said, with the modules for the first platform under construction in China.

The plan is to eventually move that module work from foreign yards to the Murmansk construction yard in Russia, Gyetvay said Dec. 3 on the sidelines of the Budapest LNG Summit. "But the Murmansk construction yard is not ready yet, so we'll have a transition period between external yards building and fabricating, and that will eventually be done on the territory of the Russian Federation," he said. Novatek and its French, Japanese, and Chinese partners made a final investment decision on Arctic LNG-2 in September. The launch of LNG Train 1 is planned for 2023, with Trains 2 and 3 in 2024 and 2026.

### **Sinopec expansion will create China's largest LNG import terminal**

(China Daily; Dec. 3) - Oil and gas giant China Petrochemical Corp., or Sinopec, has completed the regasification capacity expansion work for the second phase of its liquefied natural gas receiving terminal in Tianjin, moving a step closer to completion of the country's largest-to-be LNG terminal. Following the expansion, the LNG terminal's regasification capacity will have increased to almost 1.6 billion cubic feet per day, or a fully loaded conventional LNG carrier about every two days.

Following the regasification expansion work, the terminal will continue with construction of additional LNG storage tanks and docks. Once completely finished, its annual receiving and supply capacity will be 10.8 million tonnes, making it the country's largest LNG terminal, according to Sinopec. Currently, Shenzhen in Guangdong province is the country's largest LNG terminal with a designed capacity of 4 million tonnes a year, operated by China National Offshore Oil Corp., also known as CNOOC.

"The expansion of Tianjin LNG terminal's regasification capacity will no doubt help secure gas supplies in the surrounding region that has a large appetite for the clean energy, and is also of importance on a national level," said Lin Boqiang, head of the China Institute for Studies in Energy Policy at Xiamen University. In 2018, China imported 54 million tonnes of LNG, accounting for about 60 percent of the country's total gas imports, data from the General Administration of Customs showed.

## [Pakistan wants Qatar to lower the price of LNG](#)

(Dawn; Pakistan; Dec. 2) - Pakistan is expected to request that Qatar reduce the price of its liquefied natural gas sales to Pakistan under a long-term take-or-pay contract as the country's energy demand tumbles amid an economic slowdown. Sources said the proposal for fresh talks with Qatar came up for discussion at a meeting of the Economic Coordination Committee of the Pakistani Cabinet on Nov 28.

The proposal to take up the challenge with Qatar was floated by Abdul Hafeez Shaikh, adviser to the prime minister on finance, according to sources in the petroleum ministry. Nadeem Babar, special adviser to the prime minister on petroleum, informed the ECC that an earlier attempt at a reduction in the LNG price was not acceptable to Qatar.

Pakistan's 15-year contract with Qatar requires it to pay 13.37 percent of the average cost of a barrel of Brent crude per million Btu of LNG. At recent Brent prices of \$60 to \$65 per barrel, the price of LNG sold to Pakistan would be about \$8.50 per million Btu, significantly higher than spot-market prices and higher than some other long-term contracts around the world. Babar said Qatari authorities had explained that a price reduction was out of the question, given its 26 similar agreements with other countries. However, they were ready to consider any other idea to minimize Pakistan's loss.

## [Audubon Society objects to proposed LNG project site in Louisiana](#)

(Houston Chronicle; Dec. 3) - Environmentalists are raising concerns that building a liquefied natural gas export terminal along the mouth of the Calcasieu Ship Channel in southwest Louisiana could harm a shy and elusive marsh bird that is expected to be added to the endangered species list. In a filing with the Federal Energy Regulatory Commission on Dec. 3, the Audubon Society of Louisiana wrote that the proposed Commonwealth LNG export terminal could destroy habitat for the eastern black rail, a rare marsh bird that fits in the palm of the average person's hand.

Described as "shy and elusive" by the U.S. Fish & Wildlife Service, the rail is one of 41 species of animals that have been nominated for addition to the agency's endangered species list next year. Exact population figures remain unclear but it is estimated that 1,300 are left along the coastal prairies of Texas and less than 1,000 breeding pairs along the Atlantic Coast. The environmental group said the rail prefers habitat heavy with gulf cordgrass, which is visible on the proposed LNG project site.

"This is the only habitat in the region in which black rails can reliably be found. We strongly urge the commission to consider alternative site locations that would not impact this habitat and the black rails," wrote Audubon Louisiana Executive Director Karen Profita. Commonwealth LNG filed an application with FERC in August to build an export terminal on the Gulf of Mexico. Commonwealth LNG's application remains under

review by FERC, which is not expected to make a permit decision until the first quarter of 2021.

### **Exxon drops plan to build LNG import terminal in Australia**

(Sydney Morning Herald; Dec. 1) - ExxonMobil has scrapped plans to build a liquefied natural gas import terminal on Australia's eastern coast, deepening fears for large energy users about rising costs and a looming supply shortfall facing the country's southern states. The terminal was one of five being considered by energy producers as the problem of a tightening gas market takes on increasing urgency. Manufacturers have begun openly blaming gas costs of over \$11 per million Btu — more than three times above historic prices — as they close factories in Victoria and New South Wales.

ExxonMobil said it had undertaken an "extensive study" to determine the potential for LNG imports, which could offset rapidly declining production from its oil and gas fields in the Bass Strait. The company said it had talked with potential customers to gauge their interest in committing to longer-term supply to help underpin the significant investment in the terminal, but customers were unwilling to strike lengthy commitments. "There was insufficient interest from potential customers," an Exxon spokesman said Dec. 2.

Potential customers have been deterred from locking themselves into long-term import contracts in part due to federal powers to restrict gas exports, which could lower prices for domestic users. A 2-year-old federal law could force gas exporters to divert supplies to the domestic market if there was a shortage forecast for the following year. It has not yet been triggered. Domestic prices for natural gas started rising after several LNG export terminals went into operation, sending out much of the country's gas production.

### **Merger of South Korean shipyards could control half of LNG orders**

(Wall Street Journal; Dec. 2) - A South Korean plan to create a shipbuilding behemoth controlling roughly 20 percent of the global market is raising competition concerns in Singapore, one of many parties that have to approve the process. Seoul announced the merger of debt-ridden Hyundai Heavy Industries Co. and Daewoo Shipbuilding & Marine Engineering Co. in January, but the tie-up needs regulatory approvals from Japan, Singapore, China, Kazakhstan, and the European Union to be sealed.

Regulators in several of those countries are looking at potential issues that could affect their own shipbuilders at a time when orders for new ships are at their lowest in nearly a decade. Singaporean regulators said they are concerned about the dominant role the Korean yards have in producing liquefied natural gas carriers, which carry high margins for shipbuilders and are in high demand as energy markets move toward natural gas.

“The parties are currently two of the largest suppliers for the global supply of LNG carriers, and possibly large container ships and large oil tankers,” the Competition and Consumer Commission of Singapore said in a statement over the weekend. “There are concerns that the proposed transaction will remove competition between two main suppliers of these commercial vessels, to the detriment of customers in Singapore,” the statement said. Hyundai and Daewoo together hold about 52 percent of the global order book for LNG carriers, according to marine data provider VesselsValue.

## **B.C., Alberta premiers agree they both like LNG exports**

(Vancouver Sun; Dec. 2) - The premiers of British Columbia and Alberta appeared to find common ground in their otherwise tense relationship Dec. 2, uniting behind the idea of exporting more liquefied natural gas to Asia and earning pollution credits for weaning other countries off coal. B.C. Premier John Horgan said at the Council of the Federation meeting in Toronto that he believes B.C. and Canada should get credit for selling LNG to customers in Asia and India because it will replace dirty, coal-fueled power plants.

“We believe low-emission natural gas is a preferable fuel source to high-emission thermal coal,” Horgan said. “And Canada’s role, and certainly Western Canada’s role in that, can be to displace these noxious sources with a cleaner product.” B.C.’s first major LNG facility, the Shell-led LNG Canada project, is under development near Kitimat. At C\$40 billion, it’s the largest private-sector project in Canada’s history.

Alberta Premier Jason Kenney chimed in with his support. It marked a rare moment of agreement between the provinces, which have been engaged in a long fight over B.C.’s opposition to expansion of the Trans Mountain pipeline that will triple the flow of oil from Alberta to an export terminal near Vancouver. “Every extra unit of exported Canadian liquefied natural gas will reduce global greenhouse-gas emissions,” Kenney said.

## **Work finally begins on Trans Mountain oil pipeline expansion**

(The Globe and Mail; Canada; Dec. 2) - Trans Mountain Corp. is starting construction on the first section of pipeline along its expansion route — a significant step for the long-delayed project that has become an important symbol for Alberta’s energy sector and environmentalists. The federal government purchased the oil line and expansion project last year for C\$4.5 billion, bypassing opposition that had stymied the owner, Kinder Morgan. Crews are now preparing to put pipe in the ground west of Edmonton.

“This is actual construction, so it’s significant,” said Alberta Energy Minister Sonya Savage, who is expected to attend the Dec. 3 show-and-tell of the first pipeline segments. There are still challenges ahead, including renewed legal challenges,

Savage said, adding that the federal government must now ensure that construction isn't blocked by protests and civil disobedience. The cost of the project was previously pegged at C\$7.4 billion, though Trans Mountain has said the final number will be higher.

The expansion will triple the capacity of the Trans Mountain pipeline — to 890,000 barrels per day — which carries oil and refined products from the Edmonton area to an export terminal near Vancouver and refineries in Washington. Trans Mountain is a significant priority for the Alberta government and its energy sector. The lack of pipeline capacity out of Alberta has constrained prices and widened the discount, known as the differential, between Alberta crude and the West Texas Intermediate benchmark.