Oil and Gas News Briefs
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Companies are lining up to invest in Qatar's LNG expansion

(Reuters; Jan. 23) - Qatar is preparing to issue a tender for energy firms seeking a stake in its gas expansion project, drawing interest from long-standing partners as well as newcomers Chevron, Norway's Equinor, and Italy's Eni, industry sources said. Plans to expand Qatar's liquefied natural gas capacity, already the world's largest, by more than a third in the next five years are considered one of the most lucrative investments in the rapidly growing global LNG market. Competition is expected to be fierce.

Qatar's state-run oil and gas company has in recent weeks held talks with several foreign energy firms that want to own a stake in the new LNG capacity, four sources close to the discussions said. Qatar Petroleum is preparing to issue a tender seeking partners to invest in construction of additional liquefaction capacity to expand the country's annual output to 110 million tonnes from the current 78 million tonnes.

The companies that hold stakes in Qatar's existing LNG facilities — ExxonMobil, Shell, France's Total, and ConocoPhillips — are widely expected to bid. Several newcomers are also set to join the race. Officials from Chevron have held talks in Doha in recent weeks and are considering bidding for a stake, the sources said. Equinor is considering submitting an offer as it seeks to expand its global LNG operations, which have lagged those of rivals. Italy's Eni plans to play a role in the project, CEO Claudio Descalzi has said. One Chinese state-owned company is also in the process, the sources said.

Gazprom will look at getting into the Arctic LNG business

(Reuters; Jan. 23) - Gazprom Neft, the oil arm of Russian gas giant Gazprom, is studying the possibility of its own liquefied natural gas exports from the Arctic as it tries to monetize its vast natural gas reserves. The discussions follow the successful launch of the Yamal LNG plant, controlled by gas producer Novatek, in December 2017. Russia wants to boost its global LNG market share in the next decade to about 20 percent, from about 5 percent now.

Russia has two large LNG plants in operation: Yamal LNG, with capacity of 16.5 million tonnes per year; and Sakhalin-2, at more than 10 million tonnes, on the eastern island of Sakhalin, with Shell, Mitsui, and Mitsubishi in the partnership with Gazprom.

Gazprom Neft announced a tender late last year for a study on how best to use its gas reserves in the Yamal region. The company is seeking an analysis of oil and gas markets and ways to process its gas including liquefaction into LNG. The project is in its initial stages, a Gazprom Neft spokesman said.

Russia says Mitsubishi interested in taking stake in Arctic LNG-2

(Reuters; Jan. 21) - Russia's Energy Ministry said Jan. 21 that Japan's Mitsubishi Corp. has joined the list of foreign companies expressing interest in taking a stake in the Arctic LNG-2 project, which is expected to reach a final investment decision later this year. Russian gas producer Novatek owns a 90 percent stake in the $25.5 billion project, with France's Total holding the other 10 percent. Novatek intends to keep a 60 percent stake in Arctic LNG-2, offering 30 percent to other investors.

Energy Ministry officials have met with representatives from Mitsubishi, the ministry said, without elaborating. Last month two sources said that Mitsui, Saudi Aramco and the Russian Direct Investment Fund also were in talks with Novatek over taking stakes in the 19.8-million-tonne-per-year project which, when added to the Novatek-operated Yamal LNG plant that started operations in December 2017, would boost Russia's Arctic LNG output to more than 36 million tonnes per year.

China hit LNG import record in December, but slowdown expected

(Reuters; Jan. 23) - China's imports of liquefied natural gas in December soared 25 percent from the same period a year earlier to a monthly record of 6.29 million tonnes, customs data showed Jan. 23. The previous record of 5.99 million tonnes was set in November. For all of 2018 China's LNG imports grew 41 percent from 2017 to a record 53.78 million tonnes, according to the General Administration of Customs. That saw China retain its position as the world's second-buyer buyer of the fuel after Japan.

The 2018 surge came after gas shortages last winter prompted Chinese companies to buy supplies ahead of this winter, with Beijing continuing to push millions of households to shift to gas from coal for heating. But analysts at IHS Markit and Wood Mackenzie are forecasting slower growth this year, at 15 to 20 percent, as the government moves to a more moderate stance in its coal-to-gas push.

"For domestic demand, the focus (this year) of air pollution campaign has changed to clean coal rather than coal-to-gas switching," said Lu Xiao, Beijing-based gas analyst with IHS. In addition, the growth in LNG demand has been curbed as industrial users including some steel mills and ceramics plants had to restrict production over winter to meet China's anti-pollution targets.

Japan’s LNG imports in 2018 lowest since 2011

(Reuters; Jan. 23) - Japan's 2018 oil imports fell to the lowest since at least 1979 while its liquefied natural gas purchases and coal imports also dropped, reflecting Japan’s declining population and slow economic growth. The figures also underscore improved energy efficiency and the emergence of alternative fuels for power generation and in transport, while a rise in nuclear power output last year further reduced fuel imports.

Japan's customs-cleared crude oil imports slid 5.8 percent in 2018 from a year earlier, the Ministry of Finance said Jan. 23. Japan, the world's fourth-biggest crude buyer, imported 3 million barrels per day last year, preliminary data showed. The figure marks the lowest since records were kept starting in 1979, a customs office official said.

Imports of LNG slid 0.9 percent to 82.854 million tonnes, the lowest since 2011. Japan is the world's biggest importer of LNG. Imports of thermal coal for power generation declined 0.6 percent in 2018 to 113.670 million tonnes, the data showed.

Elected chiefs defend LNG Canada gas pipeline benefits agreement

(The Canadian Press; Jan. 20) - It was a difficult decision to sign a benefits agreement for a natural gas pipeline through the Wet’suwet’en territory, but a necessary one, an elected band council member said. Joseph Skin is with the Skin Tyee band, about 180 people within the Wet’suwet’en First Nation in British Columbia. Many live in poverty on the reserve and the agreement offers an opportunity for a better future, he said.

Skin spent most of his life living in a home shared by three or four families. There was no running water in homes on the reserve until 10 or 15 years ago. “Decisions like this never came easy, I’m not going to say it was easy, because it was very difficult,” he said. “The people who are concerned about our decision, they should come to the reserve and live in these conditions and then have to weigh in on a decision like that.”

The benefits agreement means funding for things like education and elder care, said elected Chief Ray Morris of the Nee Tahi Buhn band. “We’re no different than any other human, we have the same needs as you do.” The pipeline has agreements with all 20 elected First Nations’ bands along the route to the Shell-led LNG Canada project under development in Kitimat. But five Wet’suwet’en hereditary chiefs said the pipeline has no authority without their consent. Elected councils are administrators of the reserves, but the hereditary chiefs are in charge of traditional territory including the pipeline route.

[Canadian musicians join fight against gas pipeline]

(The Globe and Mail; Canada; Jan. 21) - A group led by Canadian musicians has issued an open letter in support of hereditary chiefs fighting against a natural gas pipeline project in the British Columbia Interior, taking sides in the complex dispute between indigenous protesters and pipeline developer TransCanada. The open letter comes two weeks after police arrested 14 protesters on Jan. 7 at a police checkpoint along a remote B.C. logging road that leads to the Unist'ot'en blockade.

Nearly 300 people, including a who's who of Canadian indie music, issued their "Solidarity with Unist'ot'en Statement" on Jan. 21. In lending their support to the Indigenous protest against TransCanada's Coastal GasLink, they hope donations will increase to help battle the pipeline project. Nearly $225,000 has been raised over the past month to help the Unist'ot'en challenge Coastal GasLink in B.C. Supreme Court. The 416-mile pipeline would serve the Shell-led LNG Canada project in Kitimat, B.C.

Among those who signed the letter were singers Sarah Harmer and Tanya Tagaq; broadcaster Sook-Yin Lee; two members of Arcade Fire (Tim Kingsbury and Richard Reed Parry); and two members of Arkells (Max Kerman and Anthony Carone). "Your hereditary government is showing more leadership in climate action than Canadian elected officials. For that strength and commitment we are grateful," the statement concludes.

[LNG Canada project already has awarded $937 million in contracts]

(Business in Vancouver; Jan. 21) - Canadian businesses and contractors have been awarded $937 million in contracts on the C$40 billion Shell-led LNG Canada project to date. That includes $175 million for First Nations businesses and contractors. More contracts will be awarded as the project progresses, the developer said Jan. 21. First Nations have also benefited from about $620 million in contracts awarded on the Coastal GasLink pipeline that will feed the LNG plant in Kitimat, British Columbia.

Site preparation in Kitimat began in the fall of 2018. In October, 249 local workers from the Kitimat area, including First Nations' members, were employed by LNG Canada and its contractors. The number of jobs is expected to ramp up to about 4,500 at peak construction in 2020 and 2021. That's just for the LNG Canada project. An additional 2,000 to 2,500 are expected to be employed on the 416-mile gas line project.

[Saudi Aramco looks to spend billions on U.S. natural gas assets]

(Reuters; Jan. 22) - Saudi Aramco, the world's top oil producer, is looking to spend "billions of dollars" to acquire U.S. natural gas assets as it aims to become a global gas player, the company's CEO said Jan. 22. Amin Nasser told Reuters that his company wants to increase its U.S. investments. It already owns Motiva, the biggest U.S. oil refinery. "We have agreed to bring an additional $10 billion in the Motiva refining complex," said the CEO, attending the World Economic Forum in Davos, Switzerland.

"We do have appetite for additional investments in the United States. Aramco's international gas team has been given an open platform to look at gas acquisitions along the whole supply chain. They have been given significant financial firepower — in the billions of dollars," he said. Aramco's gas expansion strategy needs $150 billion of investment over the next decade as the company plans to increase output and get into the gas export business, Nasser said in November.

Aramco is pushing ahead with its conventional and unconventional gas exploration and production program to feed its fast-growing industries, freeing up more crude oil to export or turn into chemicals. Investing in the U.S. gas and petrochemical sector has become "very lucrative" due to the large availability of ethane in U.S. gas plays, Nasser said. "In gas we will be one of the main global players." Aramco is a major gas player but much of its production is used domestically.

Pakistan prime minister likely to request price break on Qatari LNG

(The Express Tribune; Pakistan; Jan. 22) – Pakistan Prime Minister Imran Khan is likely to request that Qatar reduce the price and accept deferred payment on $4 billion worth of liquefied natural gas during his two-day visit to the Middle East nation. The prime minister will ask Qatar to extend payments for a year, a government official said, adding that Pakistan State Oil Co. currently is paying its Qatari LNG import bills after 15 days.

The previous Pakistan government had inked the 15-year supply agreement with Qatar on a government-to-government basis without going to bid. The new ruling party has criticized those contracts as too costly, pointing out that subsequent contracts with other suppliers came in at lower prices. All of the contracts are linked to the price of oil at differing percentages and terms. The prime minister reportedly will request that Qatar match the lowest price offered by other suppliers with another price review after five years instead of the 10-year provision in effect now.

China sells LNG cargo it had been holding but no longer needs

(Reuters; Jan. 21) - China National Offshore Oil Corp. has resold a liquefied natural gas cargo that had been parked offshore South Korea, according to data from Refinitiv Eikon and three industry sources, highlighting the drop in winter gas demand in China. The move is a departure from the 2017/18 winter, when China was desperate to procure LNG to meet demand for the fuel amid a spike in gas consumption following a government-mandated switch from coal to gas for residential heating and industry.

In 2017 CNOOC spent $10 million to lease two LNG tankers, including one called the Neo Energy, to hold an emergency stash of the fuel for unloading at the company's receiving terminals at Tianjin in northern China and Ningbo on the East Coast. Now CNOOC has sold the Neo Energy cargo, which was loaded onto the ship on Nov. 15 in Indonesia, one of the sources said on Jan. 21.

CNOOC redirected the Neo Energy to Tokyo from the Okpo anchorage in South Korea, the Eikon data showed. Details of the buyer were not immediately clear. "The whole idea of leasing Neo Energy was to cope with spikes in winter demand but now it seems there is less such need," the source said. Temperatures have been higher than normal this winter and weather data from Refinitiv Eikon forecasts warmer-than-usual temperatures ahead, leaving China's gas suppliers with high inventories.

U.K. fracking operation shuts down after disappointing results

(New York Times; Jan. 21) - Last fall, Cuadrilla Resources began a hydraulic fracturing operation in northwest England that it hoped would create a new domestic source of natural gas for Britain — in much the same way that fracking has taken hold in the United States. Three months later, after regularly causing earthquakes, the fracking has stopped and the company has begun pulling some equipment from the site.

The company said it will continue to work in the pasture in Lancashire, trying to extract gas economically and safely from shale rocks. But so far its results have failed to win over skeptics. Some gas has bubbled up through the fracking liquids, demonstrating that the formation, the Bowland Shale, indeed contains some fuel. But Cuadrilla was forced to suspend fracking at least four times when its work led to earthquakes that exceeded a magnitude of 0.5, the upper limit set by British regulators.

This stop-and-go added to costs while doing little in Britain to improve the public image of fracking. Cuadrilla is also running behind its original schedule: In October the company indicated that it planned to drill and frack two wells in three months but has so far fracked just one. "It's not gone very well," said Peter Styles, an emeritus professor of geophysics at Keele University. "They've probably lost the public argument." With fracking halted, trucks have been taking pumps and other gear off the site, leading to local speculation that Cuadrilla might be giving up — which the company denies.

New York’s emissions limits may force closure of last two coal plants

(Bloomberg; Jan. 18) – New York’s plan to put the state’s last coal-fired power plants out of business hasn’t even been approved and electricity is already trading like they’re shut. The price of power for delivery in 2021 in New York City and other regions has surged more than 30 percent since last May. The only major difference between then and now is a pending state rule to limit power-plant emissions, designed to eliminate coal-burning power plants by the end of 2020.

Gov. Andrew Cuomo has set a target of getting half of New York’s electricity from renewable sources by 2030. Meanwhile, the power-plant emissions limit is already affecting power markets and shows the effort may come with a cost. “New York is a cautionary tale,” said Nicolas Loris, an economist at the Washington-based Heritage Foundation. “You’re going to have some negative implications from shuttering coal, from business passing those higher energy costs onto consumers or absorbing those costs.”

The New York Department of Environmental Conservation’s proposed rule creates a carbon-emissions standard that’s all but impossible for coal plants to meet. The only way for New York’s last two coal-fired facilities to comply would be to invest in costly upgrades, switch to gas, or shut down. “Electricity markets are already beginning to experience the price effects of the DEC’s proposed rulemakings and other policy-related efforts,’’ said Multiple Intervenors, a trade group representing about 60 big power users.

The Permian ‘is where it’s at,’ as output hits 3.6 million barrels a day

(Texas Monthly; Jan. 21) - In the fall of 2017, Sean Mitchell and John Daniel thought it would be fun to invite some of their investment banking clients to Midland, Texas, so they could see the fracking boom up close. As part of the gathering, Mitchell and Daniel, managing directors at Houston-based Simmons Energy, planned to host a barbecue. They expected about 50 people. But this was the Permian Basin, the hottest oil and gas play in the world, and nothing happens on a small scale — 250 people turned out.

It was such a hit that Mitchell and Daniel decided to do it again this past October. This time, 800 people came to the Permian Basin Petroleum Museum to sample the wares of 37 oil field service companies vying for a gold cup barbecue trophy. Smokers and elaborate trailers circled behind the building in the shadows of historic drilling rigs while guests mingled, listened to live country music, and indulged in beer and food. CNBC showed up with a film crew. Attendees came from as far away as Montreal.

In the span of one year, Mitchell’s small gathering had ballooned into “Woodstock for Frackers,” the people at the forefront of the hydraulic fracturing industry. “It’s become so important because shale in the Permian Basin is where it’s at,” said Josh Lowrey, the president and CEO of Houston’s Galtway Marketing. These are good times across the Permian Basin, the most prolific oil field in North America and second in the world behind Saudi Arabia’s massive Ghawar Field. Over the past two years, production from the Permian has soared from just over 2 million barrels a day to more than 3.6 million.

EIA predicts growth in U.S. oil output will slow down from 2018 boom

(Reuters; Jan. 22) - U.S. crude oil production will continue to grow through 2019 and 2020, but at a much slower pace than in 2018, according to the latest forecasts from the U.S. Energy Information Administration. U.S. crude and condensates production is estimated to have risen by almost 1.6 million barrels per day last year, according to the agency, the largest annual increase in history.

But the agency forecasts growth will slow to just over 1.1 million barrels per day in additional output in 2019 and less than a 0.8 million gain in 2020. Surging U.S. production, mostly from onshore shale plays, contributed to the oversupply that emerged in the oil market in 2018 and the subsequent fall in prices in the fourth quarter. Slower growth from the shale plays will play an important role in rebalancing the market during 2019 and 2020.

“The dramatic fall in prices in the fourth quarter was largely driven by shale production surprising to the upside as a result of the surge in activity earlier in the year,” oil field services firm Schlumberger told investors last week. The shale surge, combined with generous waivers from U.S. sanctions on Iran’s oil exports and the sharp fall in global equity markets, “created a near perfect storm to close out 2018,” Schlumberger said.

Texas LNG opponents granted intervenor status at FERC

(Houston Chronicle; Jan. 21) - Federal regulators have granted environmental activists legal status to challenge the Texas LNG project, one of three liquefied natural gas developments proposed at the Port of Brownsville. The Federal Energy Regulatory Commission on Jan. 18 granted Save RGV From LNG a motion to intervene in the permit application filed by Houston-based Texas LNG.

"SaveRGV and its members have environmental, aesthetic and economic interests that will be directly affected by the project," FERC said in its decision. Besides, SaveRGV's motion was unopposed, FERC noted. Texas LNG is a privately held company seeking FERC approval to build a liquefaction plant with initial capacity of 2 million tonnes of LNG per year for export.

Under federal law, individuals and organization granted motion to intervene status have the right to request rehearings of FERC orders and can file legal challenges to the orders in federal court. Save RGV From LNG is a coalition of shrimpers, fishermen, environmentalists, and community groups opposing three LNG projects proposed at the Port of Brownsville. FERC is expected to release its final environmental impact statement for Texas LNG in March. A permit decision is expected in June.

Vancouver Island LNG project says it will file application this year

(Prince George Citizen; BC; Jan. 18) - Vancouver-based Steelhead LNG said it is in the early stages of investigating a pipeline route from the Chetwynd area in central British Columbia to its planned Kwispaa LNG facility on Vancouver Island. The proposed LNG project would be co-managed by Steelhead LNG and Huu-ay-aht First Nations. The venture in October 2018 submitted a project description to start the review process at the British Columbia Environmental Assessment Office.

The 600-mile, 48-inch-diameter pipeline through the Coast Mountains and then crossing from the mainland to Vancouver Island would have capacity to move 2 billion cubic feet of gas per day in its first phase, expandable to 4 bcf at full build-out. In its anticipated timeline, Steelhead LNG plans to select a preferred route and fully engage in the environmental assessment process in the first quarter of this year, before submitting formal environmental assessment applications for the pipeline and LNG terminal. The C$18 billion project in its initial phase would produce 12 million tonnes per year.

Lithuania’s LNG import terminal may serve as regional hub

(Reuters; Jan. 21) - Lithuania’s Klaipeda liquefied natural gas import terminal will more than double its LNG volumes once new gas pipelines to Poland and Finland open after 2021, turning the Baltic port into a regional supply hub, its operator said. The floating import facility, named Independence, was set up in the Klaipeda port in 2014 to break Russia’s monopoly over gas supplies to Lithuania, Latvia, and Estonia — Baltic countries formerly ruled from Moscow.

It has chiefly imported Norwegian LNG for mostly domestic consumption using between a fifth and a third of its annual capacity of 2.7 million tonnes of LNG, but the operation started to diversify its supply in late 2017 with the import of its first U.S. cargo. “We certainly see an interest from international trading houses to use this infrastructure — the terminal and the upcoming pipelines — to access gas markets in central and eastern Europe,” Klaipedos Nafta CEO Mindaugas Jusius told Reuters on Jan. 18.