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Qatar/Exxon will start Golden Pass Texas LNG construction May 13

(Reuters; May 9) - ExxonMobil and Qatar Petroleum told the Federal Energy Regulatory Commission on May 9 they will start construction of their $10 billion-plus Golden Pass liquefied natural gas export terminal in Texas on May 13. Exxon and Qatar Petroleum made a final investment decision to build the project in February and expect the terminal to enter service in 2024. The project involves adding gas liquefaction and LNG loading capabilities to the 9-year-old unused Golden Pass LNG import terminal.

Golden Pass is designed to produce about 16 million tonnes per year of LNG. Qatar Petroleum owns 70 percent of the project, while Exxon owns 30 percent. Enable Midstream Partners has said it expects to complete the Gulf Run pipeline to move feed gas to Golden Pass in late 2022. Golden Pass has selected Texas-based McDermott International and Zachry Group along with Japan's Chiyoda to build the project.

The United States is expected to become the world's third-biggest LNG exporter in 2019 behind Australia and Qatar. The U.S. Energy Information Administration projects LNG exports will rise to an average of 5.3 billion cubic feet per day in 2019 and 7.4 bcf in 2020 from just 3 bcf in 2018. At 7.4 bcf per day, that would represent about 56 million tonnes of LNG per year. U.S. export capacity will grow even higher with several projects finishing construction in 2020 and at least two or three more set to come online by 2024.

FERC scheduled to vote on Freeport Texas LNG expansion

(S&P Global Platts; May 10) - The Federal Energy Regulatory Commission plans to act on an application to expand the Freeport LNG export terminal under construction in Texas, potentially marking its fourth authorization of an LNG project this year. But questions linger whether a bipartisan deal among commissioners over consideration of greenhouse gas emissions can continue to provide a framework for more LNG projects.

The commission is set to vote May 16 on the application for a fourth liquefaction train at Freeport, according to the meeting agenda. The expansion cleared an environmental assessment by FERC staff in November 2018. Freeport's first train could be ready to ship its first cargo in July with the second and third trains to go online in 2020. Freeport already has a tentative deal to supply Japan's Sumitomo from the fourth liquefaction train starting in 2023, pending regulatory approval and a final investment decision.

In April, FERC approved a pair of certificates for Tellurian's proposed Driftwood LNG terminal in Louisiana and the Sempra-led Port Arthur LNG facility in Texas. Those 3-1 approvals hinged on the inclusion of an estimate of direct greenhouse gas emissions associated with the terminals and compared the emissions to a national emissions inventory. It was part of a compromise designed to win over Commissioner Cheryl LaFleur, a Democrat who acts as a swing vote on a commission currently split between Republicans and Democrats. But LaFleur said in April that the compromise would not work as a long-term solution for assessing climate impacts of LNG terminals.

Cheniere plans Corpus Christi Texas LNG expansion decision in 2020

(S&P Global Platts; May 9) - Cheniere Energy on May 9 held to its 2020 target to decide on expansion at its Texas export terminal even if U.S.-China trade tensions remain hot, hopeful that buyers from other countries will fill any gaps. The biggest LNG exporter in the U.S. has long viewed Chinese demand as the main driver of its future growth potential, especially its Corpus Christi Stage 3 project to add 9.5 million tonnes per year to the 13.5-million-tonne-per-year plant, which went online six months ago.

But that calculation is being tested by tariffs imposed by Beijing on imports of U.S. LNG in retaliation for tariffs imposed by Washington on imports of Chinese goods. "We have a robust level of engagement and we are comfortable Stage 3 is a 2020 event with or without China," Cheniere Chief Commercial Officer Anatol Feygin said during a conference call with analysts to discuss first-quarter financial results.

Without China, Cheniere would have to sign up more utilities in South Korea and Japan and end-users and traders in Europe, at a time when some market participants worry about overbuilding and competition for contracts. Besides the Texas expansion, Cheniere is building a pipeline to move more gas from the Midcontinent to downstream markets, including the U.S. Gulf Coast, and it is working to sign up buyers for a sixth train at its LNG terminal in Sabine Pass, Louisiana, already one of the world’s largest.

U.S.-China trade fight ‘going in the wrong direction’ for LNG industry

(S&P Global Platts; May 10) - The U.S. LNG sector faces new market uncertainties after President Donald Trump followed through on threats to raise tariffs to 25 percent on $200 billion in Chinese goods and Beijing promised retaliation. Amid negotiations in Washington on a trade deal May 10, Trump continued to espouse benefits of tariffs and said paperwork was underway to extend 25 percent tariffs to more Chinese goods.

The escalations threatened to deepen the chill on long-term deals between Chinese state-owned enterprises and U.S. LNG developers working to get projects off the ground. LNG interests were anxiously awaiting the lists of products to be targeted for retaliation after China promised countermeasures but did not immediately release details. It previously had been expected that China would raise to 25 percent the existing 10 percent duty on imported U.S. LNG.

The heightened tensions come during a pivotal moment in America's evolution as a major supplier of LNG to global markets. Most of the dozen or so projects under active development for start-up in the early to mid-2020s were hoping to make final investment decisions this year or next. During the trade standoff, there has been an effective freeze on Chinese investment in U.S. projects and signing of long-term contracts. The general sentiment in the industry is "disappointment that this is going in the wrong direction," said Charles Riedl of the Center for Liquefied Natural Gas in Washington, D.C.

No U.S. LNG deliveries to China in March and April

(Reuters; May 10) - No liquefied natural gas carriers that left the United States in March and April went to China, Refinitiv Eikon shipping data shows, as the trade war between the two nations escalates. So far this year, only two vessels have gone from the United States to China — one in January and one in February — versus 14 during the first four months of 2018 before the trade war started. The data, however, shows a few LNG carriers from the U.S. are still in the Pacific Ocean and some could end up in China.

In 2018, 27 U.S. LNG cargoes went to China, down from 30 in 2017. Most of those, however, left U.S. ports before the trade war started with 18 cargoes going to China in the first half of the year and just nine during the second half. Executives at Cheniere Energy, which owns two of the three big operating U.S. LNG export terminals, said this week that the trade war is "unproductive and creates some added costs for our Chinese consumers," but is not expected to have an impact going forward.

The United States and China started imposing tariffs on each other's goods in July 2018. As the dispute heated up, China added LNG to its list of proposed tariffs in August and imposed a 10 percent tariff on LNG in September. The U.S. is the fastest-growing LNG exporter in the world, while China is the fastest-growing importer.

Total CEO moved fast to buy Anadarko's African assets

(Reuters; May 9) - It took Total's chief executive and a small group of advisers just days to line up the French energy major's biggest acquisition in almost two decades when it agreed to buy the African assets of Anadarko, including its interest in the Mozambique LNG project. Total CEO Patrick Pouyanne pounced after Occidental trumped Chevron's $33 billion bid for Anadarko in April with an offer that included raising cash by selling some of Anadarko's assets. Chevron walked away from the race May 9.

By keeping those in the know to a minimum, the French CEO was able to stay flexible in negotiations, take a swift decision and ensure there were no leaks until the deal worth $8.8 billion was announced May 6, a Total source said. Throwing out the rulebook that expects CEOs to be surrounded by bankers and other advisers in dealmaking is a trademark for the 55-year-old CEO and chairman, who took the helm of Total in 2014. Adding the Mozambique project will bolster Total's position as a leading LNG supplier.

Pouyanne has taken investors by surprise with his acquisitions, such as buying Maersk's oil and gas business in 2017 and Engie's upstream LNG operations in 2018. His strategy, which one analyst has called "opportunistic," has rapidly lifted Total's growth outlook. "Pouyanne quickly understood that it could be a match made in heaven because Occidental was mainly focused on (keeping) Anadarko's Permian assets. And Pouyanne has repeatedly said he was not interested in the Permian," a source said, referring to the Permian Basin where the U.S. shale oil industry is concentrated.

Total's purchase of Anadarko assets adds to its position in LNG trade

(Wall Street Journal; May 11) - Total's deal to buy Anadarko Petroleum's assets in Africa cements the French oil major's position as the world's second-largest provider of liquefied natural gas while pushing its business deeper into dangerous parts of the world. Total agreed to buy the assets for $8.8 billion in a transaction designed to help Occidental Petroleum finance its takeover of Anadarko. The big prize for Occidental is Anadarko's Permian Basin assets.

The purchase helps Total gain ground on Shell, the market leader in gas, and brings it closer to its stated goal of becoming a cleaner company with a portfolio that contains more gas than oil. Before the Anadarko deal, Total had about 10 percent of the global LNG market, second to Shell, which holds about 20 percent, analysts said. "Natural gas is at the heart of Total's strategy," Total CEO Patrick Pouyanne said gas last month.

Historically, Total has shown a higher tolerance than its peers for doing business in dangerous places. Still, taking over Anadarko's assets in Africa presents challenges for the company. In a series of raids in February, insurgents in Mozambique attacked an Anadarko convoy in an area near the company's gas development. Anadarko has been targeting an investment decision next month for its $20 billion Mozambique LNG project. Total said it would inherit 26.5 percent interest and operator status in the project.

Anadarko signs up more buyers for Mozambique LNG

(Reuters; May 13) - Anadarko Petroleum said May 13 that a unit it jointly owns which markets gas from Mozambique has signed a long-term deal to supply liquefied natural gas to Japan's JERA and Taiwan's CPC Corp. This is its first long-term deal to be announced since the U.S. independent energy company said late last week that it had agreed to be acquired by Occidental Petroleum in a $38 billion offer. The merger is expected to be completed in the second half of the year.

The sales and purchase agreement with JERA and CPC is for 1.6 million tonnes per year of LNG to be delivered for 17 years from the commercial start of operations of the Anadarko-led Mozambique project. JERA, a joint venture between Japanese utilities Tokyo Electric and Chubu Electric, is Japan's biggest thermal power generator and the world's biggest buyer of LNG. CPC Corp is the sole LNG purchaser for Taiwan.

Anadarko expects to announce a final investment decision for the $20 billion Mozambique LNG project on June 18, and said May 13 that it was on track to complete the project financing process and secure final approvals. The deal brings its total long-term agreements to 11.1 million tonnes, almost 90 percent of the plant's capacity. Anadarko holds a 26.5 percent interest in the project. Its partners are Japan's Mitsui, Mozambique state energy company ENH, Thailand's PTT, and two Indian energy firms.

Federal court dismisses challenge to FERC approval process

(S&P Global Platts; May 9) - A federal court on May 9 dismissed a widely supported challenge to the Federal Energy Regulatory Commission's decision to limit its environmental analysis of greenhouse gas emissions tied to natural gas infrastructure projects. The court did not address the merits of the case but found that the challenger had failed to demonstrate legal standing. Related legal debate over FERC's greenhouse gas considerations could still be tackled in other pending cases before the court.

In its ruling, the U.S. Court of Appeals for the District of Columbia Circuit dismissed a petition for review of a 2018 FERC order filed by New York environmental and historic conservation group Otsego 2000. The petition was backed by several states unhappy with FERC's position to limit the scope of its climate impact analysis for pipelines and LNG terminals under the National Environmental Policy Act. In finding the petitioner lacked legal standing, the court order said: "Otsego's affidavits do not identify any injury other than the organization's expenditure of time and money related to this litigation."

Otsego 2000 took its case to the Court of Appeals after FERC turned down the group's request that the commission reconsider its approval of Dominion Energy's gas pipeline expansion in New York. In its May 2018 order rejecting the request for rehearing, the FERC majority said the commission will limit its reviews of the potential environmental effects of gas infrastructure projects, including greenhouse gases, to impacts that can be linked directly to the projects except in limited circumstances. It said it would not consider impacts in gas production zones or market areas that are harder to track.

Washington governor comes out against Tacoma LNG plant

(The Olympian; Olympia, WA; May 8) – Washington Gov. Jay Inslee is changing course on his support of two fossil-fuel projects in the state. Following a bill signing May 8 banning hydraulic fracking for oil and gas in the state, Inslee spoke out against Puget Sound Energy's $310 million liquefied natural gas production and storage facility under construction in Tacoma and a proposed, Chinese-backed methanol production facility in Kalama, on the Columbia River on the Washington-Oregon border.

Inslee said emerging science on the rapid pace of climate change and the environmental effects of natural gas now mean the "state's efforts and future investments in energy infrastructure should focus on clean, renewable sources rather than fossil fuels. … I cannot in good conscience support continued construction of a liquefied natural gas plant in Tacoma or a methanol production facility in Kalama."

Puget Sound Energy pushed back on the comments from Inslee. "We're confident that science and fact continue to support this facility," said spokesman Andy Wappler. Inslee launched his presidential campaign March 1, presenting himself as the leading climate-focused candidate among Democrats. While he did not call for a halt to the projects, Inslee said he would work with state agencies to discuss options. The LNG project is in its air permit phase of construction. Opponents, including the Puyallup Tribe, continue to press Tacoma and state officials to address environmental and safety concerns.

Report criticizes air quality enforcement in Permian

(The Associated Press; May 9) – Oil and gas production in West Texas is booming, but it's coming at a cost to residents who are regularly exposed to unhealthy levels of air pollution, according to a report issued by an environmental group. The Environmental Integrity Project noted in a report released May 9 that the Permian Basin, which extends into New Mexico, is one of the most productive oil-and-gas regions in the world, due largely to the use over the past decade of horizontal drilling and hydraulic fracturing. In two years the basin will account for about 40 percent of all U.S. output, the group said.

But a consequence of that production is dangerous levels of sulfur dioxide in the air around Odessa and other Texas locations, according to the report, which said that pollution levels in much of Ector County, where Odessa is located, exceed standards set by the federal Environmental Protection Agency. Ilan Levin, associate director of The Environmental Integrity Project, said state regulators need to have stricter oversight of air pollution permits while penalizing polluters that violate the terms of those permits.

A spokesman for the state declined to comment. The report asserts that oil and gas facilities are releasing large amounts of unpermitted pollution during equipment breakdowns, maintenance, and other so-called "emission events." The unauthorized release of air pollution occurs mainly from flaring unsold natural gas, according to the report. Levin adds that flaring was meant to be a last resort that instead has "become a business model to get rid of gas that they don't know what to do with."

Forecast shows coal down to 25% of U.S. power supply this summer

(U.S. Energy Information Administration; May 9) – The Energy Information Administration in its May short-term outlook said it expects coal-fired generating plants will provide 25 percent of the nation's electricity this summer, down from 28 percent last summer. Natural gas will provide the largest share of total U.S. generation this summer at 40 percent, up from 39 percent last summer, according to the EIA forecast.

Coal's share of the electricity generation mix is highest in the Midwest Census region, where coal provided 49 percent of electricity last summer and where EIA expects it to provide 45 percent of electricity this summer. Natural gas is projected to account for about half of the electricity generation mix in the South and Northeast Census regions this summer. At the national level, the EIA forecasts 9 percent for non-hydro renewables, such as wind and solar, and 7 percent for hydro this summer.

Low spot prices present Indian LNG importer with opportunity

(Bloomberg; May 8) - A fall in prices of liquified natural gas in Asia offers India's state-owned Petronet LNG a chance to use its additional import capacity coming onstream next month to sell the fuel at a higher margin. Singapore LNG prices — a spot-market benchmark LNG for Asia — have declined close to 40 percent to $5.10 per million Btu from the start of the year, according to Bloomberg data. That's because of a supply glut and high inventory in North Asia.

Petronet's Dahej, Gujarat import plant with a capacity of 15 million tonnes per year is running at over 100 percent utilization, supplied by long-term contracts. But the terminal's expansion to 17.5 million tonnes is expected by June, allowing Petronet the option of using that spare capacity to buy and sell lower-priced LNG on the spot market.

Long-term LNG supply contracts generally are indexed to oil prices, with most gas contracts in Asia priced at 11 to 12 percent of a barrel of oil. At today's $70 global oil price, that works out to between $7.70 and $8.40 per million Btu for LNG. That gives Petronet LNG room to buy new supplies linked to spot prices and charge a higher margin, since it's the dominant gas importer in the country. But that opportunity will last only so long as oil prices are high and LNG oversupply holds down spot-market prices.

Conoco issues contract for offshore Australia gas project

(LNG Industry; May 9) - ConocoPhillips Australia has awarded the first engineering, procurement and construction contract for the Barossa offshore gas project. Technip Oceania has been awarded a contract to supply the subsea production system and installation support. The Barossa offshore gas and light condensate project is in the front-end engineering and design phase. Subject to commercial arrangements, Barossa will provide a new source of gas to the Conoco-operated, 13-year-old Darwin LNG plant when the current offshore gas supply from Bayu-Undan is exhausted.

Barossa's offshore development concept includes a floating production, storage and offloading facility and undersea gas pipeline in waters about 200 miles north of Darwin. ConocoPhillips Australia West President Chris Wilson said the contract award is another significant step in positioning Barossa as a leading candidate to extend the life of the Darwin LNG facility for another two decades. The Barossa discovery is estimated at 4.3 trillion cubic feet of gas.

Canadians drive to U.S. to take home cheaper gasoline

(Calgary Herald; May 8) – British Columbia drivers facing sky-high gasoline prices are not only filling their tanks stateside, but also filling containers to bring back with them, although one expert said the practice is potentially dangerous because gas is so flammable. Motorists tired of paying almost C$1.70 a liter are flocking to the U.S. to pay as little as C$1.13 a liter at Costco (US$3.20 a gallon vs. US$4.80). One Washington state gas station employee said May 8 about half the Canadians who come for a top-up also fill extra containers to take home.

There is nothing illegal about the practice because individuals are allowed to transport up to six jerrycans under an exemption in Transport Canada's transportation of dangerous goods regulations. But a fuel expert who wrote the B.C. Fuel Guidelines said the high flammability of gas makes it dangerous to transport, no matter how it's done. "Let's put it this way: I would never do it. Never. No way. Not gasoline," said Ray Hollenberg, owner of Northwest Response in Smithers, B.C.

During a trip this week to gas stations in Blaine, Washington, Postmedia witnessed several motorists with B.C. license plates filling up 20-liter orange jerrycans (about 5 gallons). Maninder Padda, a student from Surrey, had filled up the tank of his mother's car and one 20-liter jerrycan in his trunk for his father. A number of other B.C. drivers were observed filling up to six jerrycans of gas — one South Surrey resident estimated he saved up to $150 a month — but none wanted to speak with reporters.

China not loading any Iranian oil in May

(Reuters; May 9) – China Petrochemical Corp. (Sinopec Group) and China National Petroleum Corp. (CNPC), the country's top state-owned refiners, are skipping Iranian oil purchases for loading in May after Washington halted its sanction waivers in order to turn up the pressure on Tehran, three people with knowledge of the matter said. The United States has not renewed any exemptions from sanctions on Iran, taking a tough line. The waivers were granted last November to buyers of Iranian oil.

China is Iran's largest oil customer with imports of 475,000 barrels per day in the first quarter of this year, according to Chinese customs data. Two of the sources said Sinopec and CNPC have skipped bookings for cargoes loading in May as the companies were worried that taking oil from Iran could invoke U.S. sanctions and cut them out of the global financial system.

Of the five supertankers that loaded Iranian crude in April for China, two have unloaded, while two are waiting off eastern China to unload, according to Refinitiv data. A fifth tanker is heading to Shuidong in southern Guangdong province. "Companies are trying to find some solution," a source said. While Beijing has criticized U.S. sanctions on Iran and the end to the exemptions, companies are erring on the side of caution unless they receive a specific government mandate to keep ordering oil from Tehran.

China wants to expand joint operations in the Arctic

(The Barents Observer; Norway; May 11) - Protecting the Arctic environment is a common responsibility and China will contribute to the effort, said Wang Hong, chief of state oceanic administration at the country's Ministry of Natural Resources. He was speaking at the opening of Arctic Circle China Forum in Shanghai this week. With more than 500 participants from some 30 countries, the event is the largest ever in China exclusively with an Arctic focus.

Wang Hong talked of the need for urgent efforts to combat climate change and proposed to strengthen international science cooperation to get a better understanding of the warming Arctic. He proposed to expand joint expeditions into ice-covered waters in the Arctic Ocean. China has for years sailed its research icebreaker Xue Long (Snow Dragon) on northbound voyages, along Russia's Northern Sea Route, across the central Arctic Ocean and through Canada's Northwest Passage.

A second research icebreaker aimed for Antarctica and Arctic waters, named Xue Long II, will be commissioned later this summer and sail for the Polar Research Institute of China based in Shanghai. Wang said China respects the sovereignty of arctic nations but wants to expand partnership with countries along what Beijing defines as the Polar Silk Road of transport routes, infrastructure development, and trading of natural resources.