

Oil and Gas News Briefs

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[Russia sends Urals crude through Arctic waters to China](#)

(Bloomberg; Oct. 30) - Russia is sending its main crude oil through arctic waters for the first time as melting sea ice increasingly opens up the controversial Northern Sea Route to commercial shipping. Two oil tankers, between them carrying about 1.5 million barrels of Urals crude from the port of Primorsk in Western Russia, sailed through the Arctic to China in recent weeks, according to ship-tracking data compiled by Bloomberg.

The cargoes represent a fraction of what is a fast-expanding trade route. Shipments of commodities and other goods across the top of Russia doubled to 20 million tons last year, with oil and gas dominating. Companies using the Arctic benefit from lower fuel bills and quicker deliveries to customers. The trade-off is a threat to the environment.

“With climate change there’s a possibility you could see more shipments through there as the ice melts,” said Christopher Haines, an oil analyst at Energy Aspects in London. But there is strong opposition to Arctic shipping with organizations including the U.N.’s intergovernmental body for climate change saying it could lead to higher emissions and threats to marine ecosystems. The International Maritime Organization, which oversees shipping, is considering regulating the use of heavy fuel oil by ships in the Arctic.

There are several dangers to transporting oil through the route, said Malte Humpert, founder of The Arctic Institute. The emissions from burning heavy fuel oil, commonly used in oil tankers, will accelerate ice melt, he said. “The most dangerous cargo you could ship through the Arctic could be crude oil,” Humpert said of the risk of spills.

[New Russian gas pipeline to Europe close to completion](#)

(CNBC; Oct. 31) - Construction of a disputed natural gas pipeline in Europe will be completed within months, analysts said Oct. 31, despite fierce opposition from the U.S. and division in the European Union. After months of delays, Denmark’s energy agency said Oct. 30 it had decided to allow Nord Stream 2 — an undersea line that will allow Russia to bypass Ukraine when sending gas to Europe — to lay pipe in Danish waters.

The decision comes as a blow to U.S. efforts to prevent completion of the Russian-led project, warning it will increase European dependence on Russian energy. Nord Stream 2 is under construction from Russia to Germany through the Baltic Sea. The new pipeline will run alongside the existing Nord Stream line and will double the amount of gas being funneled through the Baltics to almost 4 trillion cubic feet per year.

Estimated to enter service in early 2020, the line is projected to cost 9.5 billion euros (\$10.5 billion).

Earlier this year, U.S. authorities threatened sanctions against companies that take part in the pipeline, although there has been no sign the White House will follow through. The U.S. believes Nord Stream 2 threatens the energy and national security of Europe because it increases Russia's control over the region's energy supply. It is not just the U.S. that has expressed opposition to Nord Stream 2. Poland, Latvia, and Lithuania — all of which share a border with Russia — are opposed to the project as is France.

Russia's Sakhalin-2 LNG expansion on hold, sources report

(Reuters; Nov. 1) - Plans for expansion of Russia's 10-year-old Sakhalin-2 liquefied natural gas plant have been put on hold, according to sources involved in the project, a potential setback to Russia's ambition to lift its global LNG market share. The main reasons for the hold-up are the lack of committed gas resources and international sanctions on Russian businesses, the sources said. Ongoing plans by Russian gas giant Gazprom to boost its pipeline gas supplies to China have also had an impact.

Equity holders in the Sakhalin-2 consortium include Gazprom, which controls the Far East project with a majority share, as well as Shell, Japan's Mitsui, and Mitsubishi. Russia plans to raise its global LNG market share from less than 10 percent now to 20 percent by 2035, mainly thanks to cranking up output by non-state producer Novatek and its partners in the Arctic. Gazprom, Russia's sole exporter of gas through pipelines, has been slower in its LNG plans, focusing on pumping the fuel via pipes instead.

Sakhalin-2, close to Japan, was Russia's first LNG export plant. Its owners have plans to add a third liquefaction train to boost output by 5 million tonnes a year and have looked at several options for the expansion: buying gas from the neighboring Sakhalin-1 project led by ExxonMobil, developing new fields, or a combination. But Sakhalin-1, where state oil company Rosneft is also a shareholder, is aiming for its own LNG plant. Talk of using Sakhalin-1 gas for Sakhalin-2 LNG expansion have dragged on for years.

Next month, Gazprom plans to start landmark gas supplies to China via the Power of Siberia pipeline, with deliveries ramping up over five years to more than 3.5 billion cubic feet per day. Still more options for pipeline gas to China have been under discussion.

Japan will commemorate 50th anniversary of first Alaska LNG cargo

(Press release; Nov. 1) – The first liquefied natural gas cargo arrived in Japan 50 years ago Nov. 4, coming from Alaska. Tokyo Electric Power and Tokyo Gas, with Mitsubishi Corp. acting as their agent, started receiving LNG in 1969 from the LNG terminal in

Nikiski, which was owned by Phillips Petroleum and Marathon Oil. To celebrate the 50th anniversary, Tokyo Electric, Tokyo Gas, Mitsubishi, and ConocoPhillips will host a ceremony in Japan on Nov. 6.

“Together, Japan and ConocoPhillips pioneered the Asia Pacific LNG market, helping drive economic progress throughout the region. ... We look forward to our continued partnership with Japan, which we see as being a strong, long-term market,” Bill Bullock, ConocoPhillips president for Asia Pacific and the Middle East, said in a statement.

In March 1967, Tokyo Electric and Tokyo Gas signed a sales-and-purchase agreement with Phillips Petroleum and Marathon Oil. In November 1969, the first cargo was delivered aboard the LNG carrier Polar Alaska to the Negishi LNG terminal in Yokohama City. The Nikiski liquefaction and export terminal ceased operations in 2015 and, after a couple of corporate deals, is now owned by Marathon.

[U.K. government imposes indefinite ban on fracking](#)

(Fortune; Nov. 7) - Britain’s dream of turning its huge potential reserves of shale gas into a source of cheap energy is over — at least for now. In a surprise U-turn, the British government has withdrawn its support for the fracking of shale gas and has imposed an indefinite moratorium on the practice after a series of small earthquakes rolled through an area of northern England where test fracking was conducted, alarming residents.

The decision could kill off efforts to develop an energy source that once held out great hope of meeting British gas needs for decades to come and will leave the U.K. increasingly dependent on imports. Britain is sitting atop some of Europe’s most promising shale exploration zones, but public opposition to fracking is growing because of the increased seismic activity and other environmental concerns. England is much more densely populated than the U.S. and the exploration work is taking place close to towns, meaning locals are more aware of the activity and are more likely to feel tremors.

Ministers imposed the moratorium after a report this week by the U.K. Oil and Gas Authority determined it is not currently possible to accurately predict the probability or magnitude of earthquakes linked to fracking. “We will not consent to any further shale gas exploration until and unless the science becomes more accurate ... to have greater confidence about the impact on seismic activity,” Business and Energy Secretary Andrea Leadsom said Nov. 2. The British Geological Survey estimated in 2013 that a large area of northern England could contain over 1,300 trillion cubic feet of shale gas.

Nuclear, coal power will cut into South Korea's LNG demand

(Reuters; Oct. 30) - South Korea's imports of liquefied natural gas are set to fall over the next five years after reaching record volumes in 2018, squeezed by the start-up of new, long-planned nuclear and coal-fired power plants. The decline comes despite Korea's efforts to move to cleaner forms of energy and reduce the use of coal, and is likely to cut spot purchases of LNG from suppliers such as Qatar, Australia, and the U.S.

South Korea, the world's third-biggest LNG importer, has increased its purchases of the fuel since 2015, reaching a record 44 million tonnes last year. However, already this year nuclear power generation has rebounded as some plants have come back online, while a new plant began operations in August, and another will start up at year-end. Further out, three more large nuclear reactors are due to come online by 2024, while seven large coal-fired power plants are set to start operations by 2022.

South Korea's 2019 LNG imports are expected to fall around 9 percent year-on-year and remain low for some years, said energy consultancy Wood Mackenzie. "As we move through the early 2020s, LNG will come under pressure in the power sector as new coal-fired power capacity starts up and imports fall toward 36 million tonnes per annum," said Lucy Cullen, senior analyst at Wood Mackenzie. In the first nine months of the year, South Korea's LNG imports fell 8.3 percent year-on-year.

PetroChina lost \$3 billion on gas imports in first 9 months of the year

(Reuters; Oct. 30) - PetroChina, Asia's largest oil and gas producer, reported a sharp fall in third-quarter profit on Oct. 30, dragged down by weaker global energy prices and slowing growth in its domestic gas market. PetroChina said its gas import business recorded a 21.76 billion yuan net loss (US\$3.09 billion) during the January-September period, deepening from a 19.96 billion loss (US\$2.83 billion) recorded for the same period in 2018 due to a weaker Chinese currency and higher import costs.

In a briefing to analysts, PetroChina officials said its gas losses mostly occurred in the third quarter, adding the firm will step up efforts to boost domestic gas production to avoid costlier imports. The company also reported it plans to raise domestic gas sales prices (in the fourth quarter) to levels higher than a year earlier.

In addition to money-losing liquefied natural gas imports, PetroChina reported its oil is not fetching as high a price. "Amid an increasingly complex and rigid global economic and trade environment ... international oil prices have fallen over last year," the company said. The company's Hong Kong-listed shares have fallen by 18 percent so far this year. PetroChina is also China's second-largest oil refiner.

Large stockpiles, typhoon damage cut into China's LNG imports

(Bloomberg; Oct. 31) - China's imports of liquefied natural gas are poised to drop for the first time in more than three years as buyers grapple with an outage at a key receiving terminal and hefty stockpiles. The world's top buyer of natural gas imported 3.8 million tonnes of LNG from Oct. 1-30, according to berth data compiled by Bloomberg, compared with 4.6 million tonnes for the full month last year. If confirmed by customs data later this month, it would be China's first year-over-year drop since July 2016.

The slide can be partially attributed to an outage at the Rudong LNG import terminal, which has been shut since late September after it was damaged during a typhoon. No LNG tankers arrived at Rudong last month, according to the berth data, compared with about 10 vessels in October 2018. A milder summer also left buyers in China with larger-than-normal gas stockpiles leading into the winter demand season, which slowed purchases for October-arrival cargoes.

Global LNG sellers have hung their hopes on China as demand in stalwart markets such as Japan and South Korea is expected to be steady or decline. Chinese companies imported 53.8 million tonnes of LNG in 2018, a nearly three-fold increase since 2015. The country has imported 47.2 million tons this year through Oct. 30, up 14 percent from 2018, according to berth data.

LNG comes out of storage at sea and holds down prices

(Reuters; Nov. 1) - Asian spot prices for liquefied natural gas slumped this week as floating storage cargoes started unloading into an already oversupplied market. The average LNG price for December delivery into northeast Asia was estimated at \$5.90 per million Btu, down \$0.40 from last week. LNG carriers with cargoes on board waiting for a higher price have started unloading, with most of the volumes expected to be unloaded this month. This could further pressure prices, traders said.

The majority of the floating cargoes is scheduled to reach various terminals in early November, while at least nine vessels are either not moving or do not have a confirmed destination yet. At least two deals were done this week below or close to \$6, an LNG trader said. Japan's Tohoku Electric bought a late December cargo at just below \$6.

Japanese power utility books losses on reselling unneeded LNG

(Reuters; Nov. 1) - Shares in Kyushu Electric fell the most since April on Nov. 1 after the company said it booked losses from the resale of liquefied natural gas cargoes that forced it to slash its full-year earnings forecast. The losses highlight an issue for

Japanese utilities, which have committed to large volumes of LNG on contracts linked to oil prices while spot market prices are much lower due to oversupply from new projects.

Kyushu is a victim of its own success in getting its nuclear plants back online after all of Japan's reactors were shut down after the 2011 Fukushima meltdown. Utilities had rushed to sign LNG contracts after the disaster but Kyushu has succeeded in restarting all of its operable plants under post-Fukushima regulations, reducing its need for gas.

The company that supplies power to Japan's southwestern island of the same name has cut its annual profit forecast by 45 percent from an earlier estimate to 30 billion yen (\$280 million) and reduced a dividend for the year. Spot-market LNG prices in Asia are significantly below the average price Japanese buyers pay for supplies coming in under long-term contracts linked to oil prices. Japan's average import price for LNG in September was \$9.56 per million Btu compared with a high of \$5.80 on the spot market.

[Supply glut pushing U.S. natural gas prices toward 25-year low](#)

(Reuters; Oct. 30) - In the shale field that helped launch the U.S. natural gas boom a decade ago, Chesapeake Energy this month set aside its last drilling rig. The problem for the once No. 2 U.S. gas producer was not a lack of gas, but too much of it. A long, steady increase in U.S. gas production — much of it a byproduct of the shale oil boom — has prices heading toward a 25-year low, with output outpacing U.S. consumption.

U.S. gas output is up 10 percent over last year. Producers have sought to turn much of the surplus to liquefied natural gas for export. But even with rising sales in Asia and Europe, global LNG prices have tumbled this year as new export plants opened. The U.S. supply glut is visible as 16 percent of active drilling rigs were seeking gas this month, the lowest in over 30 years, according to data from oil field firm Baker Hughes.

Today's oversupply was not expected a few years ago. U.S. steel and chemical makers fiercely lobbied against exports, arguing it would squeeze domestic buyers and lead to price spikes. Weak prices show how misplaced those concerns were, said Tom Choi, a gas expert at consultancy Berkley Research Group. U.S. gas could remain under \$3 per million Btu "for at least the next decade," he said. That may be too optimistic. IHS Markit projects prices next year will average below \$2, the lowest since 1995.

Chesapeake spent billions of dollars over two decades to acquire drilling rights on 13 million acres, ran television commercials to promote the use of gas and for a time was second largest U.S. producer after ExxonMobil. It has fallen to No. 6 and is having to sell assets to reduce \$9.7 billion in debt, which will further reduce its gas output.

Sempra busy with three LNG projects; Mitsui helps with two

(S&P Global Platts; Oct. 29) - Sempra Energy's preliminary deal with Mitsui & Co. for the Japanese trading house to take liquefied natural gas from Sempra-led LNG projects in Louisiana and Mexico marked another instance of an export partner supporting Sempra's push to become one of the top LNG producers in North America. The agreement, however, is unlikely to speed up the timeline for either project, as Sempra has a full line-up of LNG ventures under consideration.

Mitsui and Sempra on Oct. 28 announced a non-binding memorandum of understanding that calls for the Japanese trading and investment giant to buy up to one-third of the capacity from a two-train expansion at Cameron LNG in Louisiana. The first of three liquefaction trains at Cameron started up in August. Sempra expects to start up the second and third trains by mid-2020, bringing total capacity to 12 million tonnes a year. The Phase 2 expansion could bring production capacity close to 20 million tonnes.

Mitsui also agreed to purchase about 1 million tonnes per year and take an equity stake in Sempra's Energia Costa Azul export terminal in Baja California. Sempra is planning a final investment decision on the project in 2020. Also in line is a final investment decision on the Port Arthur LNG project in Texas, which Sempra hopes to make around mid-2020, said Justin Bird, president of Sempra's LNG unit. Sempra already has a preliminary deal with Saudi Arabian Oil Co. for the state-run oil company to take a 25 percent stake in Port Arthur LNG, with a targeted capacity of 11 million tonnes per year.

Exxon/Qatar push back start-up at Texas LNG project to 2025

(Natural Gas Intelligence; Oct. 31) - Golden Pass LNG, a liquefied natural gas export project on the Texas coast sponsored by ExxonMobil and state-owned Qatar Petroleum (QP), now expects to enter service in 2025, later than previously projected. Golden Pass told the Federal Energy Regulatory Commission this week that it expects to place its three trains in service on a staggered schedule starting in 2025, with Train 1 to come online in September 2025, Train 2 by March 31, 2026 and Train 3 by Nov. 30, 2026.

That's later than the 2024 start-up estimated for the project when ExxonMobil and QP reached a positive financial investment decision for the venture in February. Golden Pass attorney Kevin Sweeney told FERC the developers will need more time to finish the project due to permitting delays. FERC issued an order authorizing construction for Golden Pass in late 2016, setting a Dec. 21, 2021, deadline to place the project into service. Sweeney asked FERC to extend the in-service deadline to Nov. 30, 2026.

Work at the site is under way. At completion, the terminal's production capacity will total 15.6 million tonnes year. The Golden Pass project is designed to add export capabilities to an unused LNG import terminal about 10 miles south of Port Arthur in Jefferson County, Texas. It's across the water from the nation's largest LNG export

project, Cheniere Energy's Sabine Pass, Louisiana, export terminal. Sempra Energy's proposed Port Arthur LNG project would be built next door to Golden Pass.

Cheniere expects Corpus Christi third train start-up in first half 2021

(Reuters; Nov. 1) - Cheniere Energy said Nov. 1 it expects to reach substantial completion of the third liquefaction train at its Corpus Christi liquefied natural gas export plant in Texas earlier than previously expected in the first half of 2021. Previously the company said it expected to complete the train in the second half of 2021. This would continue a pattern for Cheniere and Bechtel, the engineering firm building the trains, of completing the liquefaction units ahead of schedule and on budget.

Cheniere said in its third-quarter earnings release that it expects to complete the sixth train at its Sabine Pass LNG terminal in Louisiana in the first half of 2023. Cheniere has five liquefaction trains online at Sabine and two at Corpus Christi. Each train is capable of producing 4.5 million tonnes of LNG. Cheniere has estimated the cost of the first five trains at Sabine, including financing, at between \$17.5 billion and \$18.5 billion. The first three trains at Corpus are pegged at between \$15 billion and \$16 billion after financing.

In addition, the company is working to develop seven midscale, modular LNG trains at Corpus Christi, called Stage 3, with a total capacity to liquefy about 1.25 billion cubic feet per day of gas, producing about 9 million tonnes of LNG per year. Cheniere has said it hopes to make a decision to build Corpus Stage 3 in 2020, which would enable the plant to enter service in 2023. Sabine was the first big LNG export facility to enter service in the Lower 48 states, when Sabine shipped its first cargo in February 2016.

Investment decision delayed for offshore Louisiana LNG project

(Reuters; Oct. 30) - Delfin has again delayed plans to make a final investment decision on its proposed floating liquefied natural gas (FLNG) export terminal in the Gulf of Mexico off Louisiana, this time to 2020 from 2019. "While the (U.S.-China) trade dispute delays a firm agreement with Chinese offtakers, we are certainly continuing our discussions and negotiations with Chinese offtakers as well as shipyards and financiers," Delfin Chief Operating Officer Wouter Pastoor said in an email Oct. 29.

Delfin said it has entered into new agreements for front-end design and engineering work with Samsung Heavy Industries and Black & Veatch, and is on track to complete an engineering, procurement and construction contract mid-2020. With a new FID target of 2020, the company said it could start producing gas mid-2024. The venture proposes up to four LNG production units with a total annual capacity of 13 million tonnes. Delfin is one of about a dozen U.S. LNG export projects seeking customers and investors.

In June, Delfin LNG asked federal regulators for a 3½-year extension until March 2023 to put its floating LNG production and storage facility into operation. Federal regulators approved the project in September 2017, giving the developer two years to get under way. If the Dallas-based company backing Delfin succeeds in putting together a commercial project, it would be its first venture as an LNG operator.

Chinese wind power producer plans LNG import terminal

(Reuters; Nov. 1) - China's Suntien Green Energy, a wind-power producer and pipeline gas distributor, plans to build a \$1 billion liquefied natural gas receiving terminal in north China by the end of 2022, after its investment plans won state approval, a company official said. The little-known firm, backed by the Hebei provincial government, joins a handful of companies outside China's dominant state energy giants aiming to own and operate an import facility for LNG, of which China is the world's second-largest buyer.

In a Hong Kong exchange filing on Oct. 31, Suntien said the central government had approved its plan to build a gas terminal in the city of Tangshan with an eventual handling capacity of 12 million tonnes a year — averaging more than 1.5 billion cubic feet of gas per day. A Hong Kong-based investor relations official told Reuters the company would initially invest 8.07 billion yuan (\$1.15 billion) in the first-stage of the terminal to handle 5 million tonnes of LNG a year by the end of 2022.

Suntien, which has a market capitalization of HK\$8.47 billion (\$1.1 billion), said it plans to finance the project through its own capital and loans. The company began life in 2010 as a wind-power generator but wants to beef up its gas business to contribute half its profit in five years, versus 30 percent in 2018, said the official, who declined to be named. Suntien operates 2,575 miles of pipelines in Hebei, China's top steel-making province, and last year supplied the province with nearly 20 percent of its total gas needs, securing gas mostly from the country's top gas producer, PetroChina.

China will miss 2019 target for new solar power installations

(Bloomberg; Nov. 1) - Hope for a boom in the global solar industry this year is fading as the top market is expected to miss its installation target. China is likely to fail at meeting the new capacity estimates it touted earlier this year, which were as high as 45 gigawatts, according to analysts at Daiwa Capital Markets and Bloomberg New Energy Finance as well as the state-run Energy Research Institute. Daiwa forecasts 2019 installations may even fall below 30 gigawatts, almost a third less than last year.

Installations in the first nine months of 16 gigawatts are down more than 50 percent from a year ago, according to data from China's National Energy Administration. The slump comes after rules that determine which projects would receive subsidies were

delayed until July, leading developers to delay new projects. Meanwhile, average solar panel prices are down 13 percent this year, Bloomberg data show. The drop in panel prices “indicates a still sluggish domestic market with no vast demand,” said Dennis Ip, head of regional power, utilities, renewables and environment research at Daiwa.

Chinese regulators spent much of this year in consultation with the industry on encouraging market-driven developments, particularly by reducing subsidies. While the government said in May it aims to develop its first batch of unsubsidized solar projects, totaling 14.8 gigawatts, it wasn’t until July that the National Energy Administration decided to subsidize almost 23 gigawatts of capacity.

[Wind power encounters growing opposition in Germany](#)

(Bloomberg opinion column; Oct. 30) - Despite their surging popularity in Germany, the Greens did badly in the Oct. 26 election in the state of Thuringia, and the nationalists from the Alternative for Germany Party (AfD) did very well. A big reason is that the Greens support wind energy and the AfD opposes wind turbines. The giant windmills have grown so unpopular that their construction in Germany has all but come to a halt.

There are nearly 30,000 wind turbines in Germany, more than anywhere else in Europe. Only China and the U.S. have more. Germany gets 23.5 percent of its energy from wind this year — the country’s biggest source of renewable energy. But in the first half of 2019, only 35 wind turbines were added, an 82 percent drop compared with the first six months of 2018. Last year was bad, too: 743 turbines were added versus 1,792 in 2017.

It’s getting harder to get permission to build the towers. Bavaria decided in 2014 that the distance between a turbine and the nearest housing must be 10 times the height of the mast, which, given the density of dwellings, makes it hard to find a spot anywhere. Wind energy development is practically stalled in the state. Brandenburg, the state surrounding Berlin, passed a law this year requiring operators pay 10,000 euros (\$11,100) per turbine each year to communities within 3 kilometers of the windmills.

Opponents often go to court to stall new developments or even have existing towers dismantled. Wind-industry lobby BWE said 325 towers with a total capacity of more than 1 gigawatt (2 percent of the country’s installed capacity) are tied up in litigation.

[Historical Canadian company Encana will change name, move to U.S.](#)

(Bloomberg; Oct. 31) - Canada’s beleaguered energy sector suffered another morale blow as Encana — one of its marquee companies that was born out of the 19th-century railway boom — announced plans to move its headquarters to the U.S. and drop the

link to Canada from its name. The Calgary-based company said Oct. 31 it will establish a corporate domicile in the U.S. early next year and rebrand under the name Ovintiv. Its shares fell as much as 9.3 percent in Toronto, the biggest intraday drop in a year.

The move is likely to intensify the gloom already hanging over the Canadian energy industry, which has suffered from a lack of pipeline space that has choked off prospects for production growth, prompting foreign companies to ditch more than US\$30 billion of assets in the past three years. Encana joins pipeline owner TransCanada in changing its name. TransCanada became TC Energy earlier this year. Encana said no job cuts are planned and there will not be any decrease in Canadian investment.

Industry observers see it as another symbolic blow to the Canadian oil patch that's been broadsided by low prices, stringent regulations, pipeline constraints and opposition from climate activists over the past decade. For Encana, the move is a logical shift since Doug Suttles, a Texan, took over as chief executive in 2013. Suttles soon set about selling Canadian assets and building a major position in the U.S. with the purchase of a Permian driller in Texas and shale assets in Oklahoma, North Dakota, and Utah.

[Enbridge wins court ruling for oil pipeline tunnel between Great Lakes](#)

(Reuters; Oct. 31) - Canadian pipeline operator Enbridge on Oct. 31 won backing from a Michigan state court to allow its 66-year-old pipeline to continue to run under a major waterway, pushing back state authorities' efforts to have the pipeline decommissioned. Enbridge's Line 5 runs under the Straits of Mackinac, where Lakes Huron and Michigan meet, and carries 540,000 barrels a day of light crude and propane. It's a critical part of the network that delivers the bulk of Canadian crude to the U.S. and eastern Canada.

The judge said the law that approved a deal between Enbridge and former Michigan Gov. Rick Snyder was valid. The agreement authorized construction of a tunnel under the Straits of Mackinac to house the pipelines, rather than have to decommission and move the pipelines as opponents wanted. "We continue to believe the tunnel is the best solution for Michigan and that Line 5 can continue to be safely operate during the period while the tunnel is being constructed. And we are committed to build it," Enbridge said.

A portion of the line that runs under water has long been a bone of contention between Enbridge and Michigan officials, who argue a leak from the twin pipelines would cause catastrophic environmental damage to the Great Lakes. The state sued Enbridge in June and asked the court to find that the company's continued operation of the pipelines under an easement granted in 1953 violates the public trust doctrine. Michigan Attorney General Dana Nessel said the state would appeal the court's decision.