

Oil and Gas News Briefs

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Russia wants to increase its energy presence in Africa

(S&P Global Platts; Oct. 23) - Russia is looking to increase its energy cooperation with African countries as it strives to play a more influential role in global energy markets. President Vladimir Putin will host the Russia-Africa Summit in Sochi this week as his country looks to expand its footprint in Africa. With its population and economies growing steadily, the African continent is emerging as a major energy-demand hub. This is why Russia's energy-producing sectors will be at the heart of the push toward Africa.

Russia's efforts could translate into new deals in oil and gas exploration and production, liquefied natural gas sales, and oil trading, as well as nuclear power, according to analysts. Indigo Ellis, head of Africa at risk consultancy Verisk Maplecroft, said African governments would welcome Russia's renewed interest as they are "slowly waking up to the realities of China's murky lending, and are long aware of the West's conditional and ever scarcer loans."

Russia's pivot to the Middle East in the political and business sphere has yielded more power to Putin and he is now looking to forge closer ties with Africa. "Russia offers 'no strings attached' investment for African countries that seem to be a win-win for both parties," Ellis said. "Russia will curry favor across Africa through more energy deals. ... Moscow will try to make as much hay as possible about its growing investments in the region at the Russia-Africa Summit. It wants to present itself as influential in Africa."

China takes steps to increase domestic gas production

(U.S. Energy Information Administration; Oct. 23) - Rapid growth in China's natural gas consumption has outpaced growth in its domestic natural gas production in recent years. China's natural gas imports, both by pipeline and as liquefied natural gas, accounted for nearly half (45 percent) of China's gas supply in 2018, an increase from a 15 percent share in 2010, according to the U.S. Energy Information Administration. To boost domestic production of gas, the Chinese government has introduced incentives.

Gas production has recently grown in China largely because of increased development in low-permeability formations of tight gas, shale gas, and, to a lesser extent, coal-bed methane. In September 2018, the Chinese State Council set a target of 19.4 billion cubic feet per day for domestic natural gas production in 2020, a 30 percent boost from 2018 when China's domestic gas production averaged 15 bcf a day.

In June the government introduced a subsidy program to promote gas production from tight formations and extended existing subsidies for production from shale and coal-bed methane. The government also is allowing foreign companies to operate independently in the country's oil and gas upstream sector. PetroChina and Sinopec have committed to produce more than 2.1 bcf a day combined of shale gas by 2020, which, if realized, would collectively double the country's 2018 shale gas production volume.

Bump in LNG prices in Asia not expected to last

(Bloomberg; Oct. 21) - The rally in Asian liquefied natural gas prices may soon run out of steam as the bulk of winter purchasing is complete, leaving the market awash with too much supply. Benchmark LNG Japan/Korea Marker futures have jumped about 50 percent since mid-September to the highest in eight months as a boom in vessel charter rates and unplanned, temporary supply outages coincided with a flurry of buying from the biggest consumers including Korea Gas in preparation for winter.

But the uptick probably won't last because buyers are mostly done stocking up for the heating season, according to traders surveyed by Bloomberg, and as output from new LNG projects in Australia, Russia, and the U.S. continues to climb. China won't be much of a help either, with the closure of its Rudong LNG import terminal until at least November, cutting the amount of cargoes that can be delivered into the nation.

Forecasts for warmer-than-normal weather over the next three months in Japan and South Korea may also limit gas consumption and reduce the need for spot purchases. "Demand in Asia is still weak," said Fauziah Marzuki, an analyst at Bloomberg New Energy Finance. Front-month LNG futures were at \$6.925 per million Btu on Oct. 17 after bottoming at a 2016-low of \$4.275 in late July. Goldman Sachs Group said last week the global LNG market will remain oversupplied for the next 12 months and reiterated its outlook for winter Japan/Korea Marker prices at \$6.10 per million Btu.

Cheniere asks FERC for more time to build Sabine Pass Train 6

(S&P Global Platts; Oct. 21) - After reaching a final investment decision in June on a sixth liquefaction train at its Sabine Pass, Louisiana, terminal, Cheniere Energy now expects the facility's additional capacity to enter service in 2023, when global markets anticipate a possible slowdown in new LNG supply. In a filing with the Federal Energy Regulatory Commission on Oct. 17, Cheniere requested an extension to a 2015 authorization from the agency to construct and operate Sabine Pass Trains 5 and 6.

That authorization required that both trains start service by April 2020. The request extension, if granted, would give Cheniere until the end of December 2023 to place Train 6 into service. Train 5 started operations earlier this year. Cheniere already has

offtake agreements in place with Malaysia's Petronas and commodity trader Vitol for the sixth train at Sabine Pass, the largest LNG operation in the United States. The first five liquefaction units have a combined annual capacity of 22.5 million tonnes of LNG.

In a June investor presentation, Cheniere said it would continue to seek additional firm offtake contracts in support of Train 6. The Petronas and Vitol long-term offtake volumes currently assigned to Sabine Pass Train 6 are equal to about 40 percent of the unit's production capacity. When Cheniere reached a final investment decision on the third train at its Corpus Christi LNG plant in Texas, it did so with 66 percent of the capacity covered by long-term contracts tied specifically to the unit.

Nova Scotia LNG hopeful wants 3-year extension to permits

(The Chronicle Herald; Halifax, Nova Scotia; Oct. 20) - The sister companies planning to build a liquefied natural gas plant and pipeline in Bear Head, Richmond County, Nova Scotia, have applied for extensions to their construction permit deadlines. Bear Head LNG and Bear Paw Pipeline applied Oct. 4 to the Nova Scotia Utility and Review Board for an extension. The permits will expire Dec. 31. Developers have been working over 12 years on plans for the C\$5 billion LNG plant, at 8 million tonnes annual capacity.

“(Bear Head) has been delayed in initiating construction due to the difficulty in securing the necessary gas feedstock for the LNG facility,” John Baguley, chief operating officer with Bear Head LNG, wrote to the board. “Bear Head has been negatively affected by changes in global energy market conditions since the permit approval ... (including) a substantial imbalance in the current LNG supply-demand situation, deferral of long-term purchase commitments by the market and instability in energy pricing including LNG.”

Baguley said the time necessary to obtain binding LNG sales agreements required for the project is taking longer than anticipated. He said developers have had to increase their marketing efforts. The companies aren't seeking to change terms of the permits; only to extend the deadline to Dec. 31, 2022. Comments on the application are due in November. The permit was originally issued in June 2006 and amended in March 2015.

Oil Search expects second LNG deal in Papua New Guinea this year

(S&P Global Platts; Oct. 22) - Australia-listed Oil Search is targeting to sign a second deal with the Papua New Guinea government before the end of the year to expand the country's liquefied natural gas production capacity, the company said Oct. 22. The timeframe for the agreement between joint-venture partners and the government has been delayed as the first of the deals, which was signed by the previous government in April, was later reviewed and confirmed by the new leadership earlier in the year.

Initially, the second deal had been expected to closely follow the first. The deals will enable expansion of the 5-year-old Papua New Guinea LNG project, operated by Exxon, and construction of the Papua LNG project, operated by Total. Oil Search is a partner in both ventures. Completion of the second gas agreement will allow the Papua LNG project to proceed into the front-end engineering design phase, Oil Search said.

The two projects would add more than 8 million tonnes annual output capacity, more than doubling the 6.9 million tonnes from the existing Papua New Guinea project.

Climate change activism, pipeline opposition challenge gas industry

(Forbes contributor; Oct. 23) - The boom times in America's natural gas industry are not without anxieties, many of which involve the looming climate crisis. That gives gas a leg up over coal today but could knock it back down tomorrow. "Are we in an age of golden age for gas? Yeah, probably," said Matt Watson, vice president of energy for the Environmental Defense Fund. "So how long will that last? I think that depends in no small part on how energy companies engage in the climate imperative."

Energy experts discussed the issues earlier this month at Rice University's Baker Institute in Houston. "We know now that the support for action on climate is polling higher than it ever has in the U.S. That's across party lines, and it's ... off the charts with youth," Watson said. "These young people will soon be occupying and influencing the halls of power, and they've had it." At the Paris Climate Conference, 200 investment funds representing \$6.5 trillion in assets called on energy companies to align their businesses and their lobbying efforts with the goals of the Paris Agreement.

In addition, it's becoming increasingly difficult to get pipelines permitted, said Peter Hartley, a professor of energy economics at Rice. "I think probably the biggest challenge (is) just getting infrastructure permitted and approved," Hartley said. "People used to say BANANA — Build Almost Nothing Anywhere Near Anybody — but the other one these days is CAVEman — Completely Against Virtually Everything. I think there's a big issue ... getting pipelines built, the liquefaction terminals built, and so on."

Researchers study belugas in vicinity of proposed Quebec LNG plant

(CBC; Canada; Oct. 19) - Michel Moisan, a wildlife technician for the Group for Research and Education on Marine Mammals, will try three times to tag a beluga before succeeding in the late afternoon in the St. Lawrence River estuary in Quebec. He watches the whale dive below the surface, the tag on its back. The tag will remain there for less than an hour, recording the sounds the beluga makes and what it hears, tracking data including the depth the beluga swims to and the speed at which it travels.

It's critical and timely work. There are several industrial projects on the horizon which could double ship traffic through the marine park and in and out of the Saguenay Fjord. One of them, Energie Saguenay, hopes to get approval by 2021 to build a natural gas liquefaction plant in the Port of Saguenay for shipping LNG overseas. If it goes ahead, tankers almost 1,000 feet long will pass through the belugas' territory. Researchers want to know the impact of the noise from that increased traffic on the belugas' health.

Belugas communicate and navigate using echolocation. They use sound to understand space and dimension, and to find food. "Their world is acoustic," said Veronique Lesage, a Department of Fisheries and Oceans researcher. If it becomes too loud, belugas will simply go quiet. Estimates put the endangered St. Lawrence-Saguenay beluga population at just 900. Proponents of the project believe the marine terminal doesn't mean condemning the belugas to a noisy existence; they believe can limit noise from the ship traffic to protect the whales. Opponents disagree with that assessment.

Dublin mayor joins opposition to LNG import terminal

(Green News; Ireland; Oct. 21) - The Lord Mayor of Dublin has joined climate activists, environmental groups and Hollywood star Mark Ruffalo in calling for the government to drop its support for a liquefied natural gas terminal that critics argue will make Ireland a hub for imports of fracked gas. Writing Oct. 20 to the Minister for Climate, Mayor Paul McAuliffe said he is "concerned" that support for the planned Shannon LNG terminal doesn't sit well with the state's ambition to fight climate change.

The Irish government recently put the project forward for inclusion on the European Commission's "project of common interest" list that would give it access to a multibillion-euro funding pot and a streamlined planning and permit process. Critics argue the government is well aware that the majority of the imported LNG would come from U.S. shale gas produced by fracking — a process that is banned in Ireland.

"I believe that this project will lock Ireland into continued fossil fuel use just as we desperately need to reduce our reliance on fossil fuels if we are to stand any chance of meeting our international obligations and mitigating the onset of climate breakdown," said Ciaran Cuffe, a Green Party member of the European Parliament. Actor and anti-fracking campaigner Ruffalo called on the Irish government to follow Sweden's lead and "show what real climate leadership looks like."

Irish government qualifies its support for LNG import terminal

(The Irish Times; Oct. 23) - The Irish government will not support any grant application for European Union funding to build the proposed Shannon liquefied natural gas import terminal until "a security-of-supply review has been completed and considered by the

government,” said Minister for Climate Action and Environment Richard Bruton. The government’s continuing classification of the project as a “project of common interest” has been criticized by the environmental group An Taisce as a “a profoundly retrograde step totally at odds with Ireland’s climate targets and existing national ban on fracking.”

The notion of opening a large terminal to facilitate importation of fracked gas from the U.S. while Ireland bans fracking in domestic gas production on environmental and health grounds “defies all logic and flies in the face of expert scientific advice regarding emissions reductions,” the group said Oct. 23. “We will carry out a comprehensive energy security review. It will consider, in a scientific way, how and where fossil fuels are sourced from during a transition to a carbon neutral economy,” the minister said.

“In the next decade, we will fully exit from peat and coal to generate electricity and we will reach 70 percent renewable electricity,” Burton said. “In making these critical changes, we must ensure our energy security is maintained. It is critical to protecting our people, our homes, our farms and our businesses.” The balance will have to be generated from fossil fuels, the minister said. “Back-up supply will be needed in particular when the wind isn’t blowing and when the sun isn’t shining.”

Federal agencies propose allowing LNG to move by rail tank car

(Natural Gas Intelligence; Oct. 21) - The U.S. Department of Transportation has issued a notice of proposed rulemaking to establish regulations for shipping liquefied natural gas by rail tank cars. The Pipeline and Hazardous Materials Safety Administration (PHMSA) is making the proposal in cooperation with the Federal Railroad Administration (FRA), seeking to authorize such rail transport of LNG for the first time.

In the United States, trucks and ships are the only two forms of bulk transport for LNG, though the FRA has authorized limited LNG transport by rail in a couple of cases, including the Alaska Railroad. Those exceptions allow transport only in portable tanks aboard flatbed rail cars. The proposed rules would allow larger volumes of LNG to move in rail tank cars. Efforts have been under way since last year at the Department of Transportation to develop a regulatory framework for moving more LNG by rail.

The two federal agencies cited potential logistical and economic benefits to shipping more LNG by rail, including the fact that railroads reach many isolated areas that lack pipelines. Nearly three years ago, the Association of American Railroads submitted a petition to PHMSA, seeking authorization for LNG rail shipments in tank cars. In 2017, the Center for Biological Diversity asked PHMSA to deny the petition, citing potential environmental impacts. The environmental group argued that PHMSA needs to do an extensive evaluation and prepare an environmental impact statement.

[Latvian company will convert Estonian locomotive to run on LNG](#)

(RailTech.com; Oct. 21) - Latvian engineering company DiGas will equip a diesel locomotive of Estonian rail freight carrier Operail with a natural gas-fueled turbine. The engine will be upgraded by spring 2020. After that, it will be tested on the Estonian railway network. In late 2020 the LNG-powered locomotive is expected to go into regular service. The joint project of Operail and DiGas costs a quarter-million euros (US\$280,000) and includes retrofitting a diesel locomotive produced by General Electric.

DiGas will divide the locomotive's 4,500-gallon fuel tank into two parts. One section will be used for diesel, while the other will be adapted for LNG. With the help of a gas-fueled locomotive, Operail intends to reduce operational costs and emissions. DiGas is focused on implementing dual-fuel solutions. Last year the company started a similar project with Latvijas dzelzceļš, the national railway operator in Latvia. It is converting the Czech-made locomotive into a hybrid vehicle to run using both diesel fuel and LNG.

[Japan subsidizes projects for ship-to-ship LNG fueling](#)

(Japan Times; Oct. 21) - A U.N.-led call for action to reduce sulfur emissions may accelerate a shift to natural gas as a fuel for the global shipping fleet, and Japan is wasting no time trying to establish a refueling hub in Asia. Some 80,000 vessels worldwide are weighing how to comply with the International Maritime Organization's new requirements to cut sulfur emissions that take effect Jan. 1. Though the vast majority will likely shift to low-sulfur fuel oil, a growing number of vessels are turning to sulfur-free liquefied natural gas amid heightened calls for curbing emissions.

To spur new demand for LNG bunkering, Japan is subsidizing projects in a rush to build vessels that make ship-to-ship LNG supply possible. Though some places including Yokohama allow LNG deliveries to ships via trucks and pipelines on shore, LNG-powered ships usually refuel when they stop at ports for unloading or loading goods, creating a need to build LNG supply vessels.

Two consortiums of private Japanese firms are planning to launch the nation's first LNG bunkering ships by the end of 2020. They would provide services in Tokyo Bay and Ise and Mikawa bays in central Japan. The bunkering ship set to operate in Mikawa and Ise bays — the equivalent of a mobile gas station — will supply LNG to two car-carriers ordered by Toyota to transport automobiles to the U.S., said Koji Takasaki, of Kyushu University. The government-subsidized carriers will begin operations in 2021, he said.

U.S. oil exports averaged record 3.2 million barrels a day in June

(U.S. Energy Information Administration; Oct. 22) - U.S. exports of crude oil rose to average 2.9 million barrels per day in the first half of 2019, an increase of 966,000 barrels per day from the first half of 2018. U.S. crude oil exports also set a record-high monthly average in June 2019 at 3.2 million per day, according to U.S. Energy Information Administration data.

Even with the growing volume of oil exports, the U.S. is still one of the world's largest importers of crude oil. In the first half of 2019, U.S. imports of crude less exports (net imports) averaged 4.2 million barrels per day compared with 6.1 million barrels in the first half of 2018. Increases in U.S. domestic crude oil production have resulted in reduced imports and increased exports.

The top regional destination for U.S. crude oil exports was Asia and Oceania at 1.3 million barrels per day in the first half of 2019. U.S. crude oil exports to these countries collectively increased by 472,000 barrels per day compared with the same period in 2018, and exports to countries such as South Korea, India, and Taiwan more than doubled. U.S. crude exports to Western European destinations averaged 824,000 barrels per day in the first half of 2019, 66 percent more than in the first half of 2018.