Oil and Gas News Briefs
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October 31, 2019

China's growth in gas demand may partially depend on price

(Reuters; Oct. 30) - China's annual gas demand is expected to double between 2018 and 2035, representing 30 percent of the total growth in global demand, stoked by the country's shift to the cleaner fuel from coal, a senior executive of PetroChina said Oct. 30. However, gas still faces stiff competition from coal as a fuel for power generation and heating as China advances low-emission clean-coal technology, said Ling Xiao, a vice president at China's top oil and gas producer. Price is also an issue.

Meeting part of that surge in demand for gas in China, a new supply from Russia's Siberia fields is due to start arriving through a multibillion-dollar pipeline at the Chinese border in December. That supply, however, is more costly than the government-set price in China, meaning that PetroChina as the contractual buyer of the gas will incur losses in selling the fuel, Ling said in addressing an industry gathering in Singapore.

"PetroChina will still be making a loss, as it (the price) exceeds that of domestic city-gate benchmark rates," Ling told Reuters, speaking separately on the sidelines of the Singapore International Energy Week. Russian gas giant Gazprom will supply China less than 200 billion cubic feet of gas in 2020 via the new pipeline, and the ramp-up to the line's full capacity of 1.35 trillion cubic feet per year will depend on the cost of gas and how affordable it is to Chinese consumers. China consumed 10 tcf of gas last year.

Russia looks to Arctic for most of its oil and gas production

(OilPrice.com; Oct. 28) - The Arctic could become the key driver of Russia's natural gas production in fewer than two decades, as it has the potential to produce 90 percent of all the gas produced in Russia by 2035, a senior government official said Oct. 28. "The Arctic's contribution in the oil and gas sector will continue to grow, we can really bring gas production to 90 percent of the national level and to a quarter of all oil production in Russia," said Alexander Krutikov, deputy minister for the Development of the Russian Far East and the Arctic, as reported by Russian news agency TASS.

The Arctic region is also key to Russia's ambitions to be a dominant player in the global liquefied natural gas market, Krutikov said. Russia is supporting its companies with tax breaks, waivers on production taxes, and other incentives to help develop its arctic oil and gas. Government incentives will allow Russian producers Novatek, Lukoil, and Gazprom Neft to develop more LNG and chemicals projects in the Arctic, said Yury Trutnev, deputy prime minister and presidential envoy to the Far Eastern District.

Novatek, Russia’s largest privately owned gas producer, will receive a tax deduction of about US$626 million (40 billion Russian rubles) from the budget of Yamal-Nenets Region and US$1.56 billion (100 billion rubles) from the federal budget to build an LNG export terminal in northwestern Siberia. It will be second Novatek-led LNG project in the Arctic, with the two developments totaling more than 46 million tonnes annual capacity.

BP expects global LNG market will start to rebalance in 2022

(S&P Global Platts; Oct. 29) - The global LNG supply glut will likely continue to effect prices and U.S. export flows until 2022 when the market for LNG will start to rebalance, BP chief financial official Brian Gilvary said Oct. 29. Spot-market LNG prices in Asia and Europe have nosedived in 2019 amid a wave of new supply coming onstream and subdued gas demand growth in Asia. In Europe, gas storage sites have been filling to capacity as coal-to-gas fuel switching fuel may be reaching its maximum potential.

"The U.K. is full on LNG right now. Europe is full on LNG imports. We do not anticipate that all of the gas that was planned to be exported from the U.S. will be able to hit a demand market any time soon," Gilvary said on a quarterly earnings call. "You are looking at the back end of 2021 to see this massive supply overhang clear out ... gas feels pretty bearish right now. You will see some exports out of the U.S. but not anywhere near the capacity that has been built." There are now five export facilities in the U.S. producing LNG, with two more under construction.

"Although there is no question that U.S. gas is still the lowest-cost production in the world, it is going to be hard to find a market in the next two years probably," he said.

Indian LNG importer turning to spot market to save money

(Reuters; Oct. 29) – India’s customers for liquefied natural gas imports are increasingly choosing spot-market cargoes over long-term LNG contracts as spot purchases are cheaper, Prabhat Singh, chief executive of India’s Petronet LNG, said Oct. 29. The delivered price of spot LNG is $6.30 to $6.40 per million Btu versus $7.50 to $8.50 for supplies under long-term, oil-price-linked deals, he said. The oversupplied global LNG market is holding down prices on the spot market.

Besides for looking for less expensive spot-market cargoes, Petronet is considering renegotiating its long-term LNG supply contracts with Qatar’s RasGas, Singh said. Petronet successfully renegotiated a lower price with Qatar in 2015, followed by similar price renegotiations with another long-term supplier, ExxonMobil. Growing supply and a price-competitive market have led several LNG importers to push for price negotiations.

Oversupplied U.S. market puts more natural gas in storage

(Reuters' analyst; Oct. 29) - U.S. natural gas stockpiles have surged during the injection season and are now above the five-year seasonal average for the first time in two years, despite a slump in prices and a sharp drop in the number of rigs drilling for gas. Gas in underground storage has risen by 2.465 trillion cubic feet since the start of April, the largest seasonal gain since 2014, according to federal data.

Stockpiles moved above the five-year average this month for the first time since September 2017 and are now 519 billion cubic feet (17 percent) above the same point last year. In response, prices have slumped in a bid to encourage power producers to buy as much gas as possible and run their gas-fired generation units for more hours at the expense of coal-fired power stations. Domestic gas production has soared faster than consumption by power producers or the ability of the export market to absorb it.

Gas production rose 10.5 percent in the three months between May and July compared with the same period a year earlier. By contrast, gas consumption by power producers was up by just 1.1 percent in the three months between May and July from a year ago. Even the massive boost in U.S. LNG exports was not sufficient to prevent a near-record increase in gas stocks during the injection season. The domestic generation market is increasingly saturated and there are infrastructure limits on how fast exports can rise, so the rebalancing of the market will have to come from a slowdown in production growth.

Banks cut oil and gas price expectations, squeezing producers

(Reuters; Oct. 28) - The largest banking lenders to the U.S. oil and gas sector are turning more cautious, marking down expectations for oil and gas prices that underpin loans in a move expected to put further financial stress on struggling producers, industry and banking sources said. As part of regular biannual reviews, banks have cut their estimated values for oil-and-gas companies' reserves, which serve as the basis for the companies to receive reserve-based loans, according to more than a dozen sources.

Those lenders have marked down the perceived value for both oil and gas for the coming five years, with the changes kicking in as early as this month. Expected natural gas prices have been cut by around $0.50 per million Btu, about 20 percent below levels set in the spring. Industry sources are forecasting some firms face a 15 to 30 percent reduction in loan size as a result. Oil prices are expected to be about $1 to $2 per barrel lower than spring estimates.

"Some banks believe they have too much energy exposure and want to reduce some of this risk," said Ian Rainbolt, vice president of finance at Warwick Energy, a private equity firm. That is a threat to smaller companies, which are already struggling to find other methods of financing — such as issuing stock or bonds — as investors grow restless with years of poor returns in the shale sector even as the U.S. has risen to become the world's largest oil and gas producer. Reduced funding could slow growth in U.S. oil and gas production, and also threaten more bankruptcies in the sector.

Onshore LNG project in B.C. proposes construction camp on barge

(The Squamish Chief; BC; Oct. 28) - Workers for the Woodfibre LNG project just north of Vancouver may be housed in a "floatel" rather than a land-based work camp. The company has filed an amendment to its environmental assessment certificate with the British Columbia Environmental Assessment Office, asking "to house construction workers in a floating worker camp — the floatel," Woodfibre said in a statement.

The move is in response to the community's mostly negative reaction to a work camp planned for Britannia Beach, said a Woodfibre LNG spokesperson. Peak construction will employ 650 workers. The floatel will be a self-contained barge with 400 to 600 beds, dining facilities, recreation facilities, sewage collection and holding tanks, and garbage collection. Water will be recycled and waste will be taken away for disposal at a licensed facility. Power will be provided from the BC Hydro grid, according to Woodfibre.

"A floatel will address concerns we've heard from the community over the past year about the potential impacts of using land-based camps or rental housing at a time when the Squamish market is already tight," Woodfibre said in the press release. The B.C. Environmental Assessment Office will provide a 30-day public comment period as part of its review of the amendment for the floatel. The LNG project developer, a Singapore-based investment company, has not made a final investment decision on the project, estimated at C$1.4 billion to C$1.8 billion for 2.1 million tonnes of LNG per year.

Chinese company proposes small-scale LNG project in B.C.

(The Northern View; Prince Rupert, BC; Oct. 29) - A Chinese distributor of liquefied natural gas wants to build a processing facility near Terrace, British Columbia. Top Speed Energy sent a letter to residents near the site on Oct. 16, seeking feedback on a facility that could process 150,000 tonnes of LNG per year — about 0.6 percent of the Shell-led C$40 billion LNG Canada project under construction in Kitimat. At full capacity the small-scale project would average about 20 million cubic feet of gas per day.

The small facility would be built in the Qinhuangdao Economic and Technological Development Zone. The land is privately owned by Taisheng International Investment Services, which bought the 1,187 acres in 2014 and signed a development agreement with the city of Terrace for the property. The project, Skeena LNG, is small enough to bypass environmental assessments, the letter to residents said. It will instead submit a permit applications to the provincial Oil and Gas Commission and the city of Terrace.

The project would receive gas from a nearby pipeline. The LNG would be loaded into specialized containers and stored on-site until loaded onto trucks for delivery to domestic or international markets through the container terminal in Prince Rupert. The empties would be sent back to the site, where they will be kept for storage and refills.

Norwegian oil workers don't feel as much love from their country

(Bloomberg; Oct. 29) - Ole Lie, a drilling supervisor who's worked for Norway's oil giant Equinor since the 1990s, is feeling unloved as many are starting to turn their backs on an industry that's made the country one of the richest on Earth. "I feel stabbed in the back," said Lie. "Politicians are very fond of redistributing the money we make, but not of providing the support needed to keep the industry alive." Western Europe's biggest producer has a complex relationship with oil amid growing concern over global change.

Oil was discovered in the North Sea in the 1960s and has made Norwegians rich, but that fairy tale is now losing sway as a growing number of politicians and environmental groups are calling for a shutdown of production with as much half of the estimated resources still in the ground. As neighbors in Sweden are grappling with "flying shame" from the pollution air travel causes, offshore workers across Norway are complaining about "oil shame." They are now fighting back against what they perceive as a new stigma on their profession and a disregard for the industry's economic contributions.

Oil and gas accounts for about half of Norway's exports; the industry employs almost 200,000 people. This year the government expects to get $26 billion from taxes, stakes in fields and dividends from Equinor. Almost all of it goes straight into the budget. The rest will top off Norway's sovereign wealth fund, the world's biggest at about $1.1 trillion. Yet some polls show eroding support for the industry. While the biggest parties remain supporters of oil, they're being challenged. The stability of Norway's regulations, one of the high-cost country's main selling points, could be in jeopardy in coming elections.

Maritime shippers change paint and propellers to cut emissions

(Reuters; Oct. 27) - From higher-quality paint to state-of-the-art propellers, shipping companies are looking everywhere to cut their carbon footprint as investor and activist pressure increases on companies to do more. The move comes as aviation and shipping firms face demands to slash their emissions. The International Maritime Organization (IMO) has said it aims to halve greenhouse gas emissions from 2008 levels by 2050, building on new emissions limits that take effect Jan. 1, 2020.

"Ships are long-life assets, typically up to 25 years, and if the industry is to meet the IMO target then we need to accelerate the pace of change to greener vessels," said Stephen Fewster, Dutch bank ING's global head of shipping. Operators are making individual efforts to change. U.S. agricultural group Cargill, one of the world's biggest charterers of dry-bulk ships, has cut its CO_2 output by over 12 percent. One measure is the use of higher-quality paints that give a smoother hull, meaning less energy is used.

Emanuele Grimaldi, president of Italian shipping company Grimaldi Group, said apart from changing the paint that the firm uses, it also has modified propellers for 30 of its ships. While there have been signs of growing interest in using liquefied natural gas as a cleaner marine fuel, take-up is slow. "It's going to get tougher and tougher and we are running out of time. We need to build zero-emission fuel vessels in the next 10 years. We don't need to mess about with LNG," Lasse Kristoffersen, CEO of Norwegian shipping company Torvald Klaveness, said at a shipping conference last month.

Opponents say shale gas would boost Australia's emissions

(Bloomberg; Oct. 28) - Opening up a huge shale gas region in Australia's Northern Territory would increase the country's already-hefty greenhouse gas emissions, making it a "particularly dangerous" contributor to climate change, according to a new study. The report, commissioned by environmental group Lock The Gate, tested a range of scenarios for development of the McArthur Basin and Beetaloo sub-basin, about 310 miles southeast of Darwin and estimated to contain roughly 500 trillion cubic feet of gas.

Gas extraction would add 20 to 75 percent to Australia's total emissions, the study found, based on high and low production estimates. But an oil and gas industry group said the study over-estimated potential gas production by at least 10 times what was envisaged by the industry. The "alarming and unrealistic" scenarios were distorting public discussion on resource development in the region, said Keld Knudsen, Northern Territory director for the Australian Petroleum Production and Exploration Association.

Origin Energy and Santos have approval to drill exploration wells in the region this year after the territorial government lifted a ban on fracking. Producing gas from shale "inevitably involves fugitive emissions of methane, which has a much greater capacity to increase global warming than carbon dioxide in the short term," said Ian Lowe, the study's author and former president of the Australian Conservation Foundation.

Russia may delay low-sulfur fuel rules for in-country ships

(Bloomberg; Oct. 28) - Russia, one of the largest producers of the world's favorite ship fuel, may delay local adoption of more stringent rules targeting air pollution from commercial vessels. Ship owners and operators worldwide are preparing to switch to using fuel oil with lower sulfur content starting Jan. 1, when new International Maritime Organization rules take effect.

But Russia's energy and transportation ministries are looking to postpone the stricter standards for vessels operating within the country and four other former Soviet republics until 2024, Energy Minister Alexander Novak said. The new rules "will lead to a sharp hike in the price of fuel for the river fleet and river-sea vessels, which operate mainly in Russia's territorial waters," Novak said. The energy and transportation ministries are seeking "to prevent a higher financial pressure on the nation's shipowners," he said.

However, Russia will comply with IMO 2020 standards in international waters, Novak said. Russia's delayed adoption of the rules locally would support the domestic price and demand for high-sulfur fuel oil, giving a financial boost to the nation's refiners that produce a lot of the fuel. The delay under consideration would also free up low-sulfur fuel oil for export, possibly putting downward pressure on international prices.

Vietnam starts construction of first LNG import terminal

(S&P Global Platts; Oct. 29) - State-controlled PetroVietnam Gas began construction of the Thi Vai LNG terminal, and also signed financing deals for the first phase of the project to import liquefied natural gas into Vietnam, it said Oct. 28. The terminal will have a capacity of 1 million tonnes per year in its first phase and is scheduled to start up in 2022. Its capacity will be raised to 3 million tonnes by 2023 in the second phase.

The project will cost $285 million for the first phase, with 30 percent of investment capital financed by PV Gas and the remaining 70 percent from loans, PV Gas said. Thi Vai will be the first LNG import terminal in Vietnam. In 2014, PV Gas signed framework LNG purchase agreements with Russia's Gazprom and also with Shell for deliveries.

Markets are 'awash' in oil thanks to U.S. crude, says energy secretary

(Bloomberg; Oct. 27) - Global markets are "awash" in crude thanks to the surge in U.S. oil output, and the boom looks set to continue, U.S. Energy Secretary Rick Perry said in a Bloomberg TV interview. U.S. shale production has turned the world "on its head," and Goldman Sachs Group is "off a bit" in its report last week saying the bonanza is fading, Perry said Oct. 27 in Dubai. Oil and gas from American shale fields have made the U.S. one of the world's largest producers and enabled it to become a net energy exporter.

Perry will travel in the coming week to Saudi Arabia to discuss possible sales of U.S. liquefied natural gas and Saudi efforts to develop nuclear power. Perry held talks in the United Arab Emirates and visited the country's largest solar-power facility at a site near the U.A.E.'s commercial hub of Dubai. The U.S. sent 11 LNG cargoes to the U.A.E. in the past three years and is seeking to sell more of the fuel there and to Saudi Arabia.

U.S. LNG hopeful says modular construction will help reduce costs

(S&P Global Platts; Oct. 29) - Privately held Commonwealth LNG sees its late entrance in a crowded field of U.S. LNG developers as an advantage, with officials saying they can apply lessons learned from the first wave of LNG export projects toward a low-cost approach that would put their $5 billion Louisiana proposal ahead of its rivals. But the LNG facility that the company's venture most closely resembles is not among the projects on the U.S. Gulf Coast — it's Russia's Yamal LNG plant, Commonwealth said.

As Novatek did in developing Yamal, Commonwealth LNG plans for offsite construction of its six gas liquefaction trains and other major components, said the company's controller, Nick Eusepi. The benefit of this modular approach would be a lower cost and faster turnaround time on construction, he said. "We are basically mirroring the Yamal project," Eusepi said. "The market is tough, the customers and off-takers have fatigue from all the projects, and they are somewhat on the sideline just waiting things out."

It was only in August that Commonwealth submitted its formal application for a federal permit to build the LNG terminal at 8.4 million tonnes annual capacity in Cameron Parish, Louisiana. The project is competing against others that already have permits and deals lined up with potential off-takers. "We are coming in later, but we are not finishing much later than everyone else," Eusepi said, predicting the developer could make a final investment decision in 2021 and start producing LNG in 2024.