Oil and Gas News Briefs
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September 30, 2019

Papua New Guinea will review oil and gas laws from the 1970s

(Reuters; Sept. 26) - Papua New Guinea plans to begin working with foreign investors next year to review natural resource extraction laws that are more than 40 years old, the country's petroleum minister said Sept. 26. Most of its resource extraction laws are from before it won independence in 1975. The government, which came to power in May, wants to see the country benefit more from its huge petroleum and mineral resources.

Papua New Guinea is in the process of revising its Mining Act and next year will look to update its petroleum laws to match regulations in other nations that export liquefied natural gas, Papua New Guinea Petroleum Minister Kerenga Kua said at the annual LNG Producer-Consumer conference in Tokyo. The push comes as ExxonMobil and Total are leading coordinated, twin multibillion-dollar projects that would double the country's LNG exports to about 16 million tonnes a year.

"Whilst attracting FDI (foreign direct investment) in the oil and gas sector, reaping and sharing the rewards involving this valuable resource must be equitable to our development partners, investors, and the host government and its people," Kua said. The Total-led Papua LNG project recently secured an agreement with the government after some minor new commitments from Total. Exxon now needs to secure its own agreement with the government for development of the P'nyang gas field, which will help feed an expansion of the Exxon-led PNG LNG plant that went online in 2014.

Papua New Guinea says it wants a better deal from Exxon

(Reuters; Sept. 25) - Papua New Guinea will press ExxonMobil for "far better" terms on its P'nyang gas project than the government secured in a recent agreement with Total for its Papua LNG project, the country's petroleum minister said. The P'nyang field will help feed an expansion at Exxon's 5-year-old PNG LNG plant. If negotiations for the project are protracted, that could delay Exxon's $13 billion plan that along with Total's Papua LNG project would double the country's liquefied natural gas exports by 2024.

Talks on P'nyang were put on hold earlier this year when the government sought to revise Total's Papua LNG agreement. That deal was finally endorsed in early September with minor concessions from Total. Formal talks on Exxon's P'nyang project have yet to begin, with the government waiting for information from Exxon, Petroleum

Minister Kerenga Kua told Reuters on the sidelines of the annual LNG Producer-Consumer conference in Tokyo.

Whether the government would seek the same terms from Exxon on the P'nyang project as it secured from Total, Kua said: "It has to be better. It has to be far better. That's the key point." ExxonMobil, which is also a partner in Total's project, said it is looking forward to working with the government to conclude the gas agreement for the P'nyang project ahead of decisions on design work for new liquefaction capacity at PNG LNG. The push to extract more benefits from the P'nyang project is part of a wider effort by the government to reap more rewards from the country's petroleum resources.

Mozambique wants capital gains tax on sale of Anadarko assets

(Reuters; Sept. 27) - Mozambique is targeting $880 million in capital gains tax from the takeover of Anadarko Petroleum by Occidental Petroleum, local newspaper O Pais reported on Sept. 27. Anadarko led a liquefied natural gas project in the southern African country but was replaced by Total after the French oil major agreed to buy Anadarko's Africa assets as part of Occidental's takeover of Anadarko.

Mozambique President Filipe Nyusi announced the target for capital gains tax revenues after he met Occidental and Total managers in the city of Chimoio, O Pais reported. Mozambique's economy has been hobbled in recent years by a hidden debts scandal, which prompted donors to cut off funding and deterred investment. The country is banking on its massive natural gas reserves to lift millions out of poverty.

Anadarko and its partners had made a final investment decision before the takeover to proceed with the $20-plus billion Mozambique LNG project. Total has said it plans to proceed with the venture, with an initial capacity of 12.88 million tonnes per year and a planned start-up in 2024.

U.S. Export-Import Bank votes to help finance Mozambique LNG

(LNG Global; Sept. 27) - The board of directors of the Export-Import Bank of the United States voted unanimously Sept. 26 to authorize a direct loan of up to $5 billion to support the export of U.S. goods and services for development and construction of a liquefied natural gas project in Mozambique. The borrower is Mozambique LNG1 Financing Co., which is owned by a group of sponsors, formerly including Anadarko Petroleum that earlier this year was acquired by Occidental Petroleum. Occidental is expected to sell the African assets it acquired to French energy major Total.

"Private financing was not available for this project given its size, complexity, and risk — necessitating support from EXIM," said EXIM Chairman Kimberly Reed. "We have been told that China and Russia were slated to finance this deal before our EXIM board quorum was restored by the U.S. Senate." Mozambique LNG will initially consist of two LNG trains with capacity of 12.88 million tonnes per year. Start-up is planned for 2024. Other partners are Mitsui, Mozambique national oil company ENH, Thailand's PTT, and Indian energy companies ONGC, Bharat Petroleum Resources and Oil India.

Record year for LNG project decisions; 125 million tonnes likely

(Reuters; Sept. 25) - Record investments of $50 billion have turned 2019 into a banner year for liquefied natural gas with Canada and the United States being the main drivers, the chief of the International Energy Agency (IEA) said Sept. 26. Asia is the biggest driver of LNG growth, with China expected to overtake Japan as the world's top LNG importer in five years, said Fatih Birol, the IEA's executive director.

"This year, 2019 already broke the highest amount of (final investment decisions) for the first time ever, $50 billion," Birol told the annual LNG Producer-Consumer conference in Tokyo. More than 125 million tonnes a year of liquefaction capacity, representing about 6 trillion feet of natural gas production, is due to take a final investment decision this year, a record far surpassing the previous high in 2005 of 2.5 tcf, according to the IEA.

The boost in project sanctions follows the increasing adoption of the equity-offtake marketing structure, where companies have access to LNG volumes according to their equity stake, reducing the need for upfront long-term sale and purchase agreements for the LNG, the IEA said in a report released this month. In another evolving change in the industry, about 70 percent of LNG contracts are oil-price-indexed, with the rest geared to natural gas pricing. That could soon change to a 50-50 pricing mix, Birol said.

Gorgon LNG could be liable for exceeding CO_2 emissions in Australia

(Reuters; Sept. 26) - Chevron might have to pay penalties for carbon emissions from its huge Gorgon LNG plant off Western Australia after running into delays it incurred in starting up one of the world's biggest carbon capture and storage projects. Western Australia's environment minister is considering a recommendation this week by the state's Environmental Protection Authority to hold Chevron accountable for emissions as of July 2016, when Gorgon LNG got its first operating license.

Chevron contends the start of operations should be defined as when it reached steady operations in all three of the plant's production units. "The EPA does not agree with the argument that operations do not commence until all stages of the proposals are constructed and operating at full capacity," the environmental agency said. No date has been set for a final decision by Environment Minister Stephen Dawson on the EPA's advice. It is too early to say what penalties Chevron might face if the minister agrees with the EPA's advice, the minister's spokeswoman said.

Gorgon is the biggest carbon emitter among Australia's 10 liquefied natural gas plants. Chevron said it would be the lowest emitter of any LNG project in Australia after its carbon-injection project is fully operational, burying between 3.4 million and 4 million tonnes a year of carbon dioxide. Under the state's approval of Gorgon, Chevron was required to inject underground at least 80 percent of carbon dioxide removed during gas processing over a five-year average. Chevron only began injections in August after resolving technical problems with the A$2.5 billion ($1.7 billion) carbon capture project.

Novatek says it has enough gas for third Arctic LNG terminal

(Reuters; Sept. 26) - Russia's top private gas producer Novatek expects newly acquired licenses will give it enough resources for a third liquefied natural gas plant in the Arctic, CEO Leonid Mikhelson said. The Novatek-led Yamal LNG plant is running at an annual capacity of 16.5 million tonnes, and it plans to start up another export project, Arctic LNG-2, in 2023, at 20 million tonnes per year. Arctic LNG-2 is planned for the Gydan Peninsula across the water from Yamal LNG.

Mikhelson, who is also a major Novatek shareholder, told reporters at a global LNG conference in Tokyo that the three gas production licenses Novatek holds on the Gydan Peninsula would "give the necessary resource base for another LNG project of the size of Arctic LNG-2." He did not give a timeframe for the project. Capacity at Yamal LNG is expected to reach around 19 million tonnes a year after a smaller, fourth production line at the plant is launched before the end of this year.

Russia and China strengthen their trade ties, and energy is part of it

(CNBC; Sept 27) - Russia and China appear to be increasing their economic, political, and military ties amid poor relations with the West. But the relationship is more nuanced than it first appears with strengths and weaknesses on both sides, experts said. While U.S. trade relations with China have soured as each slap billions of dollars' worth of tariffs on each other's goods, relations between China and Russia are blossoming. Chinese President Xi Jinping even called Russian President Vladimir Putin his "best friend" in an uncharacteristic display of warmth during a visit to Russia this summer.

Strengthening economic ties is a large part of it. Last week Russian and Chinese news agencies reported that the two countries want to double their trade over the next five years, to $200 billion by 2024 — up from $107 billion in 2018 — by implementing joint projects in fields of energy, industry, and agriculture. Russia also has something that

China needs in abundance – energy. Russia is among the world’s top three producers of oil and gas, whereas China is the second-largest crude oil importer in the world.

“China is the main source of new energy consumption for fossil fuels. … Having a strong partner on its doorstep that’s ramping up its production of crude oil, the fabrication of LNG (liquefied natural gas), and the shipping of that all around the world would also be beneficial to China,” said Cailin Birch, a global economist at the Economist Intelligence Unit.

Japan will join with Novatek on Arctic LNG transshipment terminals

(The Barents Observer; Norway; Sept. 26) – Japanese and Russian companies signed an agreement this week in Tokyo to “jointly develop” liquefied natural gas transshipment terminals in Kamchatka, in Russia’s Far East, and near Murmansk fewer than 100 miles from the border with Norway. Both terminals will serve Novatek’s Yamal LNG project, as well as the upcoming Arctic LNG-2 project. Ice-class carriers will shuttle from the LNG plants to the transshipment terminals, where the gas will be transferred to less costly, conventional carriers for delivery to customers in Asia and Europe.

“The construction of complexes for reloading of LNG in Kamchatka and Murmansk allows us to optimize transport logistics and make deliveries of LNG from Yamal and Gydan to the key markets in the Asian-Pacific region as efficient as possible,” said Leonid Mikhelson, CEO of Novatek, Russia’s largest privately owned gas producer and lead partner in Yamal LNG and Arctic LNG-2. The deals are likely to be fully finalized in the course of the year, Mikhelson said.

Mitsui O.S.K. Lines and the Japan Bank for International Cooperation signed the agreement with Novatek. The two transit terminals for LNG will be crucial infrastructure hubs for Novatek’s Arctic exports. The terminal in Murmansk will be located in the Ura Guba just a couple of miles from the Russian navy’s northern base in Vidyaevo. Ura Bay is ice-free year-round.

Chinese shipyard building carriers for Russia’s Yamal LNG

(Barents Observer; Norway; Sept. 27) - A naming ceremony was held on the waterside of the Hudong-Zhonghua Shipbuilding yard in China on Sept. 24 for the LNG Dubhe, the first Chinese-built liquefied natural gas carrier for the Yamal LNG project in Russia’s Arctic. The Shanghai shipyard has three more under construction. The Dubhe was built for a partnership of Japanese company Mitsui O.S.K. Lines and China’s COSCO.

The Japanese-Chinese shipping partnership already has three carriers operating for the Yamal LNG project. Those tankers, the Vladimir Rusanov, Vladimir Vize, and Nikolay Urvantsev, were all built at Daewoo Shipbuilding & Marine Engineering in South Korea.

While the Korean-built ships are top Arc7 ice-class rated and can operate in the harsh and icy waters of the Russian Arctic, the new ships from China are unlikely to ever make it into the ice. The LNG Dubhe is not designed for Arctic conditions. The carrier will be engaged in the transport of LNG from transshipment terminals in Europe or a location where ship-to-ship transfer operations are carried out, Mitsui O.S.K. Lines said.

Chinese yard launches world’s largest LNG-powered container ship

(gCaptain; Sept. 25) - The world’s first ultra-large container ship powered by liquefied natural gas was launched in China this week. The Jacques Saade is the first of nine French-flagged LNG-powered container ships that will be built for French shipping giant CMA CGM. Each of the nine will be capable of hauling 23,000 20-foot-long shipping containers. The vessel was launched at the Shanghai Jiangnan-Changxing Shipyard.

The new ships will join the fleet linking Asia with northern Europe. The Jacques Saade sports a green paint job, distinguishing it from CMA CGM’s traditional blue hulls. The ship is also emblazoned with “LNG POWERED” lettering on its bow. The nine ships in the series will measure 1,312 feet long and 200 feet wide, ranking them among the largest container ships in the world. By 2022, CMA CGM will have taken delivery of 20 LNG-fueled container ships as the company seeks to cut its carbon footprint.

Conoco and partners closer to new gas supply for Darwin LNG plant

(Australian Financial Review; Sept. 26) - Santos' multibillion-dollar Barossa gas project off northern Australia took a leap forward with partner ConocoPhillips inking a contract for construction of a 162-mile offshore pipeline to get the gas to the liquefaction plant in Darwin. The contract comes ahead of the final go-ahead for Barossa, anticipated by Santos for early next year. Gas from the Barossa field is earmarked to replace declining supplies to feed the Conoco-led Darwin LNG plant, in which Santos also has a stake.

Still remaining as a hurdle to the final green light for construction are sales contracts with LNG customers. A final deal also needs to be signed on the terms for processing gas from Barossa at the Darwin plant, a transaction complicated by the fact that Conoco and Santos are the only two with stakes in both. South Korea's SK Group has a stake in Barossa alongside Conoco and Santos, while the Darwin plant also involves Italy's Eni, Japan's Inpex, and two Japanese LNG buyers.

Chris Wilson, president for Australia West at Conoco, said the Barossa field is the lead candidate to supply Darwin LNG, extending the plant's life for an additional 20 years. The export facility went online in 2006. Wilson said in May that the Darwin plant, at 3.7 million tonnes annual capacity, still faces an interruption of up to two years in LNG exports as the partners bring replacement gas online after the original supply from the Bayu-Undan field runs out around the end of 2022.

Tokyo Gas wants to renegotiate LNG deals for more flexibility

(Reuters; Sept. 26) - Japanese gas distributor Tokyo Gas aims to renegotiate its long-term contracts with liquefied natural gas suppliers to boost flexibility by scrapping clauses that restrict where the cargoes can be sold, its president said Sept. 26. Japan's Fair Trade Commission in 2017 ruled that destination restrictions preventing the resale of contracted LNG cargoes breached competition rules, but Japanese companies have been slow to bring the terms of existing deals into compliance.

"For most new term contracts, we basically try to win deals that come destination-free," Takashi Uchida, president of Tokyo Gas, told reporters on the sidelines of the LNG Producer-Consumer conference in Tokyo. "For our existing long-term contracts such as 20-year contracts, we are trying to renegotiate to gain flexibility in destination when prices are reviewed," he said. Buyers and suppliers typically review the prices of long-term contracts every four to five years.

Tokyo Gas, Japan's biggest gas seller in cities and a major LNG buyer, has stepped up its efforts to diversify supply sources and price formulas by using different types of pricing in a move to improve competitiveness, Uchida said. Earlier this year, Tokyo Gas signed a deal with Shell for a long-term supply of LNG, partly using a coal-linked pricing formula — an unusual move for an Asian buyer. "We can be even more creative," Uchida said, adding that oversupply in the market makes it easier to obtain good terms.

LNG hopeful in Texas presses FERC for decision

(Houston Chronicle; Sept. 25) - After nearly four years of waiting, Annova LNG is pressing federal regulators for a decision on its proposed export terminal at the Port of Brownsville, Texas. In a letter to the Federal Energy Regulatory Commission that was made public Sept. 24, Annova CEO Omar Khayum reminded the agency that a July 18 deadline set by FERC "for all federal action" on the application has come and gone.

Annova is seeking to build a liquefied natural gas export terminal capable of producing up to 6 million tonnes of LNG per year. The company began the FERC prefiling process in March 2015 and filed its official application in July 2016. "Our potential customers and investors routinely cite delay in commission action on the pending permit as a critical issue in their decision-making process on key commercial activity," Khayum wrote.

The company has not inked any sales contracts. Annova and two other LNG terminals face stiff opposition from a coalition of Rio Grande Valley shrimpers, fishermen, environmentalists, neighbors, and communities working under the banner Save RGV from LNG. All the projects are waiting on permit decisions, as environmental reviews have expressed concern about the cumulative traffic, noise, and habitat fragmentation they would have on the endangered ocelot, jaguarundi, and aplomado falcon.

New Permian gas pipeline starts up; region needs four more

(Reuters; Sept. 26) - A new $1.75 billion natural gas pipeline went into service in Texas on Sept. 25 — analysts say the region now needs four or more just like it. Kinder Morgan started commercial service on its Gulf Coast Express pipeline slightly ahead of schedule, providing much-needed takeaway capacity from the Permian region in West Texas and eastern New Mexico. The line can move 2 billion cubic feet per day.

The Permian is the biggest U.S. producer for crude and the second biggest for gas. Oil drilling produces a lot of associated gas in the Permian, some of which drillers have been burning off or flaring at record rates because there was not enough space on existing pipelines to move it to market. Drillers flared a record 663 million cubic feet per day of gas in the Permian in the second quarter, according to data from Rystad Energy. That lack of pipeline capacity caused gas prices in the Permian to turn negative earlier this year, forcing some producers to pay others to take their gas.

The Gulf Coast Express should alleviate the region’s pipeline constraints — until the pipe fills up, which analysts expect will happen fairly quickly. That will leave the market waiting for the next big pipeline, also a Kinder Morgan project, due to enter service in late 2020. Rich Redash, head of global gas planning at S&P Global Platts Analytics, said the Permian still needs four more pipes like Gulf Coast Express to transport about 10 bcf per day of additional gas that is expected to be produced in the region between 2018 and 2030. The Permian currently produces about 15 bcf per day.

Communities line up to oppose state permit for Texas LNG project

(Houston Chronicle; Sept. 27) –Texas LNG will face three opponents in an upcoming hearing for a state air pollution permit to build an export terminal at the Port of Brownsville. The State Office of Administrative Hearings held a preliminary hearing on Sept. 26. The hearing official ruled that the City of Port Isabel, the retirement community of Long Island Village and the Laguna Heights community group Vecinos Para el

Bienestar de la Comunidad Costera all have legal status to testify against and oppose the company's permit during a Nov. 20 hearing in Brownsville.

Texas LNG is seeking approval from the Federal Energy Regulatory Commission and the Texas Commission on Environmental Quality to build an export terminal capable of producing up to 4 million tonnes of LNG per year. Texas LNG is the smallest of three liquefied natural gas export terminals proposed for the Port of Brownsville. The projects represent nearly $40 billion of potential investment. Citing safety and environmental concerns, a coalition of shrimpers, fishermen, environmentalists, neighbors, and community groups under the banner Save RGV From LNG oppose the projects.

Louisiana LNG developer still talking with Saudis about investing

(S&P Global Platts; Sept. 27) - Tellurian is in a "good position" in talks about Saudi Aramco taking an equity investment in the company’s proposed Driftwood LNG project, chief financial officer Antoine Lafargue said Sept. 27. A week after signing a preliminary agreement with India's Petronet for an investment of up to $2.5 billion in Driftwood, Tellurian is trying to build momentum with buyers and confidence in the market that the Louisiana export project will advance to construction and ultimately be completed.

During a conference call with analysts, Lafargue said Tellurian has the right business model. An investment by Aramco, which already has a preliminary agreement to take a 25 percent stake in Sempra Energy's Port Arthur LNG in Texas, would further bolster Driftwood's prospects. "They have plenty of need for LNG rather than just one large contract with one company," Lafargue said. Driftwood already has U.S. regulatory approval and an engineering, procurement and construction contract with Bechtel.

Tellurian's pitch calls for buyers to make a minimum $500 million equity investment in the holding company that includes Driftwood and four pipelines that Tellurian proposes to build. That would give investors the right to lift 1 million tonnes per year of LNG from Driftwood for the life of the facility. Over the summer France's Total signed a firm deal to take a $500 million equity investment in Driftwood. The LNG export terminal is planned for maximum output of 27.6 million tonnes per year to be built in phases.

Weakening global economy will cut into oil demand, IEA says

(Reuters; Sept. 27) - The International Energy Agency (IEA) may cut its growth estimates for global oil demand for 2019 and 2020, should the global economy weaken further, its chief said Sept. 27. The Paris-based agency in August trimmed its global oil demand growth estimates for 2019 and 2020 to 1.1 million and 1.3 million barrels per day, respectively, as trade woes weighed on global oil consumption, slowing down demand growth to its slowest pace since the financial crisis of 2008.

“It will depend on the global economy. If the global economy weakens, for which there are already some signs, we may lower oil demand expectations,” Fatih Birol told Reuters on the sidelines of the World Knowledge Forum in Seoul. He said China’s economic growth, which has fallen to the lowest in nearly three decades, could also mean there would be some revisions, as Beijing is “an engine of the demand growth.”

China’s economic growth slowed to 6.2 percent in the second quarter, its weakest pace in at least 27 years, dragged down by weaker demand amid heightened trade tensions with the United States.

Canadian oil sands shippers find a way around tanker ban

(Bloomberg; Sept. 26) - A Canadian law barring oil tankers from the northern coast of British Columbia hasn’t stopped crude from setting sail there. Two Calgary-based companies, Melius Energy and BitCrude, are exploiting a loophole in the law passed this summer by shipping semi-solid bitumen mined from oil sands on a cargo ship rather than in liquid form aboard an oil tanker. About 130 barrels of bitumen left Prince Rupert, B.C., on Sept. 21 bound for a refinery in China, said Cal Broder, founder of both companies and chairman of BFH Corp. He declined to name the cargo’s buyer.

“This demonstration … was to show we can meet all regulatory requirements” for shipping out of Prince Rupert, he said Sept. 25. Canada’s Senate in June passed legislation banning oil tankers off the northern B.C. coast, against the objections of oil-producing province Alberta. Broder was able to get around the ban by sending the bitumen in a 20-foot-long container in a semi-solid, undiluted state.

The concept of sending bitumen in solid form in shipping containers isn’t new. Companies have been developing technologies to send oil in the form of bricks or pellets for several years. The technology could help Canadian oil producers overcome a pipeline shortage that caused local oil prices to collapse last year and prompted the Alberta government to impose production limits on large producers.