Oil and Gas News Briefs
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Australia gas project biggest since investment splurge 10 years ago

(Australian Broadcasting Corp., Nov. 22) - Woodside will press ahead with the biggest oil and gas development to be built in Australia in a decade, after sanctioning its US$12 billion Scarborough project offshore Western Australia. In a move that has enraged green groups, Woodside announced it has approved the Scarborough development and associated expansion of its onshore Pluto liquefied natural gas facility near Karratha.

The decision comes despite a last-ditch bid by environmentalists to stymie the project after the Conservation Council of Western Australia last week launched legal action, arguing the project required assessment under federal law. The go-ahead decision coincided with news that the boards of Woodside and BHP had agreed to merge their petroleum assets in a $40 billion deal to create one of the world's top fossil fuel players.

With a price tag of US$12 billion (A$16.5 billion), Scarborough is set to be the biggest oil and gas development undertaken in Australia since the end of a US$200 billion (A$275 billion) investment splurge 10 years ago. The project will include construction of a 270-mile undersea pipeline linking the Scarborough gas field to the mainland, as well as a second liquefaction train at the Pluto LNG plant. First production is slated for 2026.

Latest Australia LNG project bets on gas demand for 20 years

(Bloomberg; Nov. 22) - A US$12 billion liquefied natural gas investment approved in Australia leads a wave of projects betting demand will rise as the world shuns more polluting alternatives like coal. The development of the Scarborough field, Pluto onshore liquefaction facility and subsea pipeline led by Woodside Petroleum will supply as much as 8 million tonnes a year of LNG for at least 20 years, with first gas expected in 2026.

It's a project that cuts straight to a key debate in the energy transition: The role of natural gas as nations aim to both curb greenhouse gas emissions and avoid supply crunches that triggered recent power shortages in Asia and record prices in Europe. "Gas is still needed," and particularly in industrializing nations, said Henning Gloystein, global director of energy and natural resources at Eurasia Group. Yet sanctioning new spending on the fuel will stoke debate over net-zero commitments.

Woodside and partner BHP Group insist the project will help customers across Asia to move away from coal, and will be less polluting than other giant gas export projects in Australia. Still, the venture carries an enormous climate footprint. Critics estimate direct carbon dioxide emissions will be about 4.4 million tons a year and will swell to 56 million tons if the burning of the gas by consumers, or so-called Scope 3 environmental impacts, are included, the Australia Institute think tank said in a June report. The outlook for gas will depend on how quickly national climate pledges are put into action.

Australia LNG project deal a sign of difficulty in financing

(Reuters columnist; Nov. 22) - For the first time in a decade, a massive liquefied natural gas project has been approved for construction in Australia, but the venture's structure and market realities indicate it may be the last of its kind. Woodside Petroleum and BHP Group gave final backing Nov. 22 to the US$12 billion plan to develop the Scarborough field off Western Australia and expand the onshore Pluto LNG plant to process the fuel.

Scarborough lies about 233 miles off the coast of Western Australia and holds about 11.1 trillion cubic feet of dry gas. Woodside expects to produce about 8 million tonnes of LNG per year from a second train at its Pluto LNG plant, and is targeting first cargo in 2026. The company said the all-in cost of the LNG to be produced is around $5.80 per million Btu, well below the current spot price of $36.70 but considerably higher than the $1.85 the fuel sank to in May last year during the height of the coronavirus pandemic.

The Scarborough field and Pluto expansion are the first major LNG project to reach a final investment decision in Australia in about a decade, and comes after the industry spent around $200 billion to expand capacity to around 80 million tonnes per year of LNG, making the country the world's biggest exporter.

As part of the deal, Woodside agreed to sell 49% of the second LNG train at Pluto to private-equity Global Infrastructure Partners (GIP). Terms of deal effectively commit GIP to providing financing but virtually all of the risk falls to Woodside with regards to cost overruns, regulatory hurdles and changes to emissions liabilities. The deal doesn't look advantageous to Woodside, implying that it was unable to find any takers among more traditional partners. This could be a sign that LNG projects are getting harder to finance.

Indigenous group in talks for a stake in Australia gas project

(Reuters; Nov. 23) - A Western Australian Indigenous group is in talks with Woodside Petroleum over obtaining a stake in its US$12 billion Scarborough gas field development and Pluto LNG expansion to help secure the future of the local traditional owners, a senior Indigenous official told Reuters. Woodside gave the final go-ahead on Nov. 22 for the biggest new gas project in Australia in a decade, alarming conservationists worried about the impact the project might have on one of the world's largest collections of ancient rock art on adjacent Indigenous land.

The Murujuga Aboriginal Corp. and its traditional owners have long worked with Woodside, as its Pluto LNG plant is on Murujuga country on the Burrup Peninsula. MAC and other traditional owners do not receive royalties from businesses in the Burrup as rights to part of their land were acquired in 2002 to create an industrial development area, leaving MAC instead with the title to Murujuga National Park next to the industrial land. Now MAC is seeking to secure a stake in the Scarborough project and Pluto LNG expansion, MAC Chief Executive Peter Jeffries told Reuters.

"This is an integral element for development on (Murujuga) country as it helps us find ways to work together, to keep us involved, and to help create long-term sustainability and stability for our members and future generations," Jeffries said. "We want to be strategically vested in any project on country." MAC did not disclose the size or value of the stake sought, or any further details.

Woodfibre LNG in British Columbia selects construction contractor

(Financial Post; Canada; Nov. 23) - Woodfibre LNG took a step closer to building Canada's second liquefied natural gas export project on Nov. 23 as it picked a Houston-based engineering group to build a plant near Squamish, British Columbia. Woodfibre, a Vancouver-based private subsidiary of Singapore's Pacific Energy, said it had awarded an engineering, procurement and construction contract to McDermott International to build the facility at the site of a former pulp mill up the coast from Vancouver.

The company called the contract an important step "in advance of Woodfibre LNG issuing a notice to proceed." If Woodfibre does issue its notice to proceed, or final investment decision, the company will be just the second in Canada to start work on an export project. The US$30 billion Shell-led LNG Canada project is under construction in Kitimat, British Columbia, with start-up expected the middle of the decade.

Woodfibre has previously said it hopes to proceed to construction by the end of this year. The cost of the project has previously been pegged at between $1.6 billion and $1.8 billion, with an output capacity of 2.1 million tonnes per year. The Woodfibre release said McDermott plans to start construction in early 2022, reach "major construction" in September 2023 and finish work in the third quarter of 2027. Woodfibre has already secured off-take agreements with BP to take 70% of the plant's production.

U.S. industry group wants halt to new LNG export approvals

(S&P Global Platts; Nov. 23) - A group of industrial manufacturers wrote U.S. Energy Secretary Jennifer Granholm on Nov. 22 to offer 12 reasons why it believes a "consumer safety valve" is needed before more liquefied natural gas exports flow to non-free trade agreement countries. The letter continues ongoing pressure from the Industrial Energy Consumers of America, which seeks to limit the scale of LNG exports.

Seizing on higher natural gas prices expected this winter, the group in September urged the department to take immediate action under the Natural Gas Act to prevent a supply crisis by requiring LNG exporters to reduce export rates. Now, with a focus on non-free trade countries, the industry group is arguing it is "prudent to reduce LNG exports" to a level that would assure a surplus gas supply that benefits the domestic market.

It has asked the department to put on hold all permits and approvals for U.S. gas exports to non-free trade countries and conduct a review of whether they are in the public interest. The trade group is highlighting the increase in U.S. LNG exports to China, arguing Chinese subsidies of energy and other costs for its manufacturers make it hard for U.S. firms to compete. Despite the requests, the Biden administration has not shown signs it will alter its approach on LNG or intervene in export markets.

U.S. LNG exporters say they are not to blame for high prices

(Houston Chronicle; Nov. 23) - As the cost of energy has increased in recent months, a debate has raged about the reasons for the increases. On one side are those who say exports of U.S. liquefied natural gas are driving prices higher. LNG producers are taking advantage of sharply higher prices before winter in Europe and Asia, which are reliant on imported heating fuel. On the other side are those who say the causes are lost output during the hurricane season, soaring global demand as the pandemic wanes, and oil and gas drillers focused on boosting profits rather than production.

U.S. producers have been quick to answer the call for more gas in distant countries. In the first half of 2021. U.S. liquefied natural gas exports grew to record highs, according to the Energy Department. The department said this month that the recent run-up of prices reflects the decrease in natural gas inventories, which are below the five-year average for this time of year. An analysis by S&P Global Platts found that U.S. natural gas storage volumes last month were about 14% less than the same time last year. Domestic prices this winter have been averaging close to double last year.

But that doesn't concern the trade association representing LNG producers. “We're not going to run out of natural gas because of LNG exports," said Charlie Riedl, executive director for the Center for Liquefied Natural Gas. "This is a short-term sort of issue that the confluence of events has created and to suggest that we're not able to meet the demand is inaccurate.”

[Report says U.S. will boost gas-fired generating capacity 6% by 2025]

(U.S. Energy Information Administration; Nov. 22) - Between 2022 and 2025, 27.3 gigawatts of new natural gas-fired generating capacity are scheduled to come online in the United States, according to the Energy Information Administration's latest monthly report on electrical generation. The additions would increase the nation's capacity by 6%. Many of the planned gas-fired capacity additions are close to major shale plays in the Appalachia region and in Texas and Florida.

The Appalachia region's Marcellus and Utica shale plays stretch across Ohio, Pennsylvania and West Virginia. These shale plays have led the growth in U.S. gas production over the past several years, accounting for 34% of U.S. dry gas production in the first half of 2021. Illinois, Michigan, Ohio and Pennsylvania — states with pipeline access to gas from the Marcellus and Utica shale plays — account for a combined 43% of the gas-fired capacity planned to come online between 2022 and 2025.

Pipelines continue to be added to this region to increase takeaway capacity and to bring gas to demand markets in the Midwest, Northeast, Southeast and Canada. After Illinois, Florida has the second-most gas-fired capacity additions planned to come online between 2022 and 2025 (3.2 GW). Although Florida does not produce significant amounts of natural gas, its regional pipeline networks have been continually expanding to serve gas-fired generation units as older coal- and oil-fired units retire.

[Tacoma LNG plant developer clears one more legal hurdle]

(The News Tribune; Tacoma, WA; Nov. 22) - Puget Sound Energy's controversial $310 million liquefied natural gas production plant, storage and loading terminal on Tacoma's tideflats cleared another legal hurdle Nov. 19 when a Washington state board affirmed the decisions behind its development, though with additional air-quality monitoring.

The LNG facility would produce up to 250,000 gallons of LNG a day, stored in an 8-million-gallon tank. It is set to provide about 900,000 gallons of LNG each week to TOTE Maritime for its two Alaska ships. Puget Sound Energy has said the facility also will help boost the reliability of the fuel supply for Western Washington, providing gas for local customers for peak winter demand. Commissioning of the plant is underway.

In findings of facts and conclusions of law, the state Pollution Control Hearings Board wrote that it "affirms the permit and supplemental environmental impact statement, but remands to add a condition in the permit to install a continuous emission monitoring system to monitor SO2 (sulfur dioxide) and VOC (volatile organic compounds)." The Puyallup Tribe of Indians as well as multiple environmental groups at the end of 2019 filed challenges against the facility with the state's Pollution Control Hearings Board.

Chinese company launches new ships to deliver LNG by container

(The Maritime Executive; Nov. 18) – China is preparing to take an important step toward launching a unique approach to importing liquefied natural gas. Yangzijiang Shipbuilding Group recently completed the float-out of the second of two vessels, which it is calling the world’s largest LNG tank container transport dual-fuel cargo ships. The shipbuilder expects to deliver the first vessel in the next few weeks and both will be used to launch an LNG import business under the company name Tiger Gas.

The 630-foot-long Tiger Maanshan was moved from drydock on Nov. 5 to prepare for sea trials. The Tiger Longkou completed testing in October. The vessels will be used to transport LNG, but instead of opting for massive storage tanks built into a traditional LNG carrier, the vessels will transport gas in a fashion similar to a container ship. Each vessel has the capacity to load about 700 45-foot-long tanks, each tank holding about 1 million cubic feet of natural gas as LNG.

By loading individual LNG tanks and providing the vessels with the capabilities to dock at smaller terminals, Tiger Gas plans to provide a door-to-door service delivering LNG directly to end-users. The ships will be able to sail on inland waterways, such as China’s Yangtze River, making it possible to reach customers for a broader range of businesses to convert to gas. The Tiger Gas LNG will come from a long-term supply agreement with Malaysia’s state-owned Petronas.

New player in China’s LNG market in talks to use import terminal

(Reuters; Nov. 23) - China's Sinochem Group is in advanced talks with state-owned PipeChina to use the energy infrastructure firm's liquefied natural gas import terminals after it struck a deal to buy the fuel from a U.S. supplier, people with knowledge of the matter said. The move comes after state-owned Sinochem, traditionally an oil and chemicals trader, announced its first-ever deal earlier this month to buy LNG from Cheniere Energy, which operates export terminals in Texas and Louisiana.

A deal with China Oil and Gas Pipeline Network, or PipeChina, is an important step in Sinochem's growth ambitions for LNG. For PipeChina, Sinochem will constitute a stable LNG customer and help offset weak demand from smaller importers due to volatile prices of the fuel. China, which overtook Japan as the world's No.1 buyer of LNG this year, sees gas as a key bridge fuel along its path to reach carbon neutrality by 2060.

Sinochem aims to sign long-term deals to use PipeChina's terminals, including the new facility in Zhangzhou, Fujian province, that's due to start operations next year, said the sources. Sinochem started a Beijing-based gas trading team in early 2021, the sources said, joining national oil majors and local distributors such as privately controlled ENN Natural Gas in vying for a slice of the world's top LNG import market. "Sinochem entered the market at an opportune time," said a Beijing-based LNG trader.

Sinopec boosts natural gas production to meet winter demand

(S&P Global Platts; Nov. 23) - Chinese state-owned oil and gas major Sinopec has increased natural gas supply to the north of the country by more than 350 million cubic feet a day in a bid to meet demand from residents and business amid cold weather, the company said on its website Nov. 22. This equates to nearly 6% of the state-owned company's gas supply and 10% of its domestic gas output. The company said its daily gas production reached a record high of 3.5 billion cubic feet on Nov. 21.

The ramp-up in supply is on account of a cold snap. China's Central Meteorological Observatory issued a "blue" warning on Nov. 19, signaling a cold front was expected to sweep across the entire country over Nov. 20-23, bringing blizzards and strong winds. This is the third cold warning issued by the observatory so far this winter.

Sinopec's gas fields are operating at full capacity to ensure supply. The company has built up an effective natural gas working storage volume of about 63 billion cubic feet, Sinopec said. The company also is working on a second dock at its Tianjin LNG import terminal, which is expected to be ready for operations by the end of November. This will further alleviate gas shortages in the region.

U.S. and other nations coordinate release of oil stockpiles

(The Wall Street Journal; Nov. 23) - The U.S. and several other countries will tap their national strategic petroleum reserves, the White House said Nov. 23, in an attempt to bring down gasoline prices that have become a big contributor to inflation. Other countries participating in the release include China, India, Japan, South Korea and the U.K., the White House said. The U.S. will release 50 million barrels, officials said.

The coordinated release would be the first one in a decade, when the U.S. and 27 other countries agreed in 2011 to release 60 million barrels to replace some of the output lost during months of conflict in what would become Libya’s civil war. The announcement comes as gasoline and heating oil prices have risen to their highest levels since 2014. The Biden administration didn’t cite emergency authority to support its decision to release oil from the reserve, and instead used a less-urgent authorization to provide short-term fixes that get more oil on the market in the immediate future.

Most of the 50 million barrels going out from the reserve — a total of 32 million — are part of exchanges designed for a short-term boost to supply. The Energy Department will trade barrels in December with buyers who will agree to send barrels back to the government sometime between 2022 to 2024, to replenish the reserves. The other 18 million barrels of the release will come as part of a previously authorized sale from the reserve, which the Energy Department is now moving to do earlier than it had planned.

Release of U.S. oil reserves in 2000 didn't do all that much

(Bloomberg commentary; Nov. 23) - Bill Clinton was the last U.S. president to tap the country's emergency oil reserves with the deliberate goal of fighting high prices 21 years ago. The move, which President Joe Biden is now replicating, didn't help all that much. As energy prices became a hot issue in the 2000 U.S. presidential campaign, then-vice president and candidate Al Gore urged Clinton to use the government's stockpiles after crude prices in New York hit a 10-year high of more than $37 a barrel.

The next day, on Sept. 22, 2000, Clinton released 30 million barrels from the Strategic Petroleum Reserve, helping bring prices down to little more than $30 in about a week, but two weeks later they were back at $36. In the following weeks, what really determined the market's mood was what OPEC was up to and concerns about heating fuel for the winter.

After the Saudi Arabia-led cartel's oil production reached the highest since 1979 in October 2000 and U.S. heating oil production jumped, prices declined sharply in December to end that year at less than $26. To Biden's credit, his efforts to talk down oil did have an impact on the market before any release from the reserves was announced. But now, 21 years later, the market seems to be more focused on OPEC's reaction.

Multiple problems push Nigerian oil production far below capacity

(S&P Global Platts; Nov. 22) - Nigeria's oil production outlook is under tremendous pressure, as technical and operational issues along with mounting security concerns are likely to persist over the short term, industry sources and analysts said Nov. 22. Many of the country's key oil fields, terminals and facilities have been simultaneously experiencing teething problems, and a recent resurgence in attacks on Nigeria's oil facilities have exacerbated the situation.

"Nigeria may drop further in status as Africa's biggest producer if the government does not urgently address the situation," said Abiodun Adesanya, CEO of Lagos-based oil consultancy Degeconek. "Already the country has fallen behind Libya in terms of output." Nigeria has the capacity to pump about 2.2 million barrels of crude and condensate a day, but in recent months it has been languishing below 1.55 million.

The OPEC member remains hamstrung by operational setbacks, with key pipelines facing persistent sabotage. Due to "disruptions, declines, and underinvestment," Platts Analytics said, Nigeria's output growth outlook is under a lot of stress. The country's production is expected to recover to 1.8 million barrels per day by the end of 2021, the head of state-owned Nigerian National Petroleum Corp. said Nov. 22. But some doubts linger whether it could be achieved so soon.

[Portugal shuts down its last coal-fired power plant]

(Reuters; Nov. 22) - Portugal shut down its last remaining coal plant over the weekend, ending the use of the polluting fuel for electricity generation and becoming the fourth country in the European Union to do so. Environmental group Zero said in a statement that the Pego plant in central Portugal had been the country's second-largest emitter of carbon dioxide, adding that "freeing ourselves from the biggest source of greenhouse gases was a momentous day for Portugal."

The move comes nine years before Portugal's targeted the end of the use of the fossil fuel by 2030. Belgium, Austria and Sweden are the other three European countries to have already stopped using coal for power generation. Although a hefty 60% to 70% of its electricity comes from renewable sources, Portugal still relies heavily on imported fossil fuels to meet overall energy needs.

There are concerns that the Pego plant, run by privately held Tejo Energia, might now be converted to burn wood pellets. "The challenge now is to ensure utilities do not make the mistake of replacing coal with fossil gas, or unsustainable biomass," said Kathrin Gutmann, campaign director at Europe Beyond Coal. "Ditching coal only to switch to the next worst fuel is clearly not an answer," said Zero's president Francisco Ferreira. "Instead, the focus should be on rapidly upscaling our renewable energy capacity."

[Petition asks Pennsylvania to require higher bonds for well cleanup]

(Pittsburgh Post-Gazette; Nov. 18) - The Pennsylvania Department of Environmental Protection will formally study petitions seeking to require oil and gas well owners to set aside the full cost of plugging their wells, after a board approved the review Nov. 16. Environmental groups introduced the petitions to try to push the state to significantly raise bond rates for shale wells and traditional wells that have been drilled since 1985.

They say the hikes are necessary to protect the state and its taxpayers from having to bear mounting cleanup costs and environmental damages when companies walk away from their obligations to plug and restore wells at the end of their useful lives. "Full-cost bonding is the only way to prevent the abandonment of oil and gas wells," said Ankit Jain, an attorney with the Sierra Club, which is leading the effort. "Our current bonding system that relies entirely on enforcement by the department simply does not work."

Oil and gas well bonds are a form of insurance against unfunded abandonment. They require companies to demonstrate they can afford to plug their wells before they start drilling. The payments are forfeited to the state if an operator walks away without sealing a well and restoring the site. According to the petitioners, the full cost of plugging and reclaiming a conventional oil and gas well is $38,000 and a shale well is $83,000. For conventional oil and gas wells, Pennsylvania's current bond rate is $2,500 per well, or a blanket bond of $25,000 to cover all of a company's wells.

Critics say draft Colorado rules for well cleanup bonds are inadequate

(Denver Post; Nov. 22) - Proposed reforms meant to ensure Colorado taxpayers don't get stuck paying to clean up oil and gas sites could leave the public open to covering billions of dollars in costs, environmentalists and local governments say. The Colorado Oil and Gas Conservation Commission is considering new rules to ensure companies have the money to properly close wells, remove equipment and clean up the site.

But the latest draft is a big step backward, local officials, community and environmental activists told the commission in recent hearings. A third version of the proposals is due out Dec. 7, with hearings scheduled in January and February. At the heart of the proposals is making sure companies have the money to close and clean up wells or that there are funds to cover the costs if a company walks away without doing the work.

An update of financial assurances from oil and gas companies is mandated by a 2019 law that directed an overhaul of the state's rules and prioritized public health and environment when regulating the industry. Critics say revisions by the commission staff to earlier proposals don't comply with the law's directive that every operator provide assurance that it's financially capable of meeting all its obligations under the law.