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Weekly news roundup (22-26 October)

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Analysis

US LNG developer Tellurian has performed a major U-turn by switching to a leveraged financing model [1] for its Driftwood integrated LNG project that reverts to a more traditional debt-equity split and lowers the cost of entry to would-be investors.

International

Chinese independent distributor ENN has signed a wide-ranging agreement with Woodside to cooperate in LNG, power generation and E&P [2], in a move that appears incongruous with its equity holding in Woodside's rival Santos.

Insufficient LNG carrier availability could become a “serious issue” [3] for trade as early as 2020 and could even threaten security of global gas supply, the IEA has claimed – but impacts should be short-lived if a wave of newbuilds is delivered from 2021.

Japan's trade ministry has released a draft “model diversion clause” containing a profit-sharing element it hopes will be adopted in supply contracts in order to remove restrictions on the resale of LNG [4] cargoes – which the Japanese antitrust watchdog has ruled illegal.

LNG shipping rates are nearing a six-year high [5] and carriers are lying laden with LNG due to a confluence of short and long-term factors including tepid demand for spot LNG and a lack of shipping capacity as new supply volumes come online.

Norway and Russia have signed an agreement on mutual rights to seismic acquisition in the Barents Sea [6], government officials announced last week.

US & Canada

Canada – TransCanada's Coastal Gaslink pipeline [7] that will feed LNG Canada faces another potential hurdle on the eve of construction, after Canada's National Energy Board decided to consider a challenge to the project's provincial authorisation.

US – Current commissioner of the Federal Energy Regulatory Commission (FERC), Neil Chatterjee has been appointed chairman [6] of the government body.

Asia Pacific

China – The role of the yuan in Asian LNG trade is expected to rise significantly, particularly as a pricing hub is likely to emerge [8] in China, according to Chinese LNG importer and low-carbon energy company Hanas.

China has reportedly relaxed air pollution rules [9] for the coming winter and will allow local governments to control industrial production in a bid to drive economic growth and ensure people are not once again

left in the cold.

Indonesia – Japanese state-owned credit agency JBIC is spearheading a consortium jointly lending USD 1.3 billion to a new 1.7 GW LNG-to-power project [10] in Indonesia, in line with Japan's aim of investing in infrastructure to build Asian LNG demand.

Australasia

Australia – The Inpex-led Ichthys LNG project has won the race to produce first LNG from gas reserves [11] in the Browse basin, gaining a slight advantage over rival Shell's Prelude floating LNG project to tap a shared reservoir.

Cue Energy has once again extended the option for BP to acquire a 42% stake in its Ironbark permit [6] (WA-359-P), which contains an estimated 15 Tcf of gas and has possible connections to the North West Shelf LNG project.

Red Sky Energy has agreed to purchase Bengal Energy's 25% interest in PRL182 permit [6] – part of the Innamincka Dome project in the Cooper basin, South Australia.

Europe

Belgium / Netherlands – RWE's mothballed 1.3 GW Claus C gas-fired power plant in the Netherlands is set for a new lease of life generating on the Dutch grid and exporting [12] electricity to Belgium [12], where nuclear power is to be phased out by 2025.

Cyprus / Turkey – Turkey has hired the world's largest oilfield services firm Schlumberger to assist its contentious drilling campaign [13] in the eastern Mediterranean Sea, where it claims territory pertaining to the Cypriot exclusive economic zone.

France – Total recorded a 45% year-on-year boost to Q3 profits [6], with net income totalling USD 4 billion thanks to higher hydrocarbon prices.

Romania – OMV has deferred a final investment decision on the Neptun block [14] offshore Romania after the country's lower house passed a legal framework that imposes a local content and domestic market obligations on upstream players.

UK – Cuadrilla pause [15]d exploratory drilling operations [15] at its Preston New Road shale site in Lancashire twice last week [6] following an "extremely low" tremor has reignited debate over the UK's "cautious" limit on fracking-induced seismicity.

Latin America & Caribbean

Brazil – Petrobras and partners Shell and Petrogal have started production from the Lula Extremo Sul [6] area in the offshore pre-salt basin off the coast of Rio de Janeiro.

The country is reportedly lining up its first auction for gas-to-power projects [6], with agreements said to run for 15 years.

Venezuela – A new draft constitution could spell trouble for the few foreign firms still operating in the country, as the government reportedly aims to transfer full control over E&P to a new state entity [16] that would replace incumbent PDVSA.

Russia & CIS

Russia – Saudi Aramco is positioning itself to take a roughly 30% stake in Novatek's Arctic LNG-2 project [17], in a strategic move that could freeze out other international equity investors vying for a piece of the action.



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