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Contents

Weekly news roundup (5-9 August 2019)

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Analysis

Abysmal quarterly results from prominent independent US onshore E&P companies have increased the likelihood of consolidation or aggressive takeovers in the Permian shale play [1], which has burned equity investors despite pumping out record volumes of gas and liquids. Some of these companies are also now starting to face the possibility that the Permian boom might not last [2] forever, even as they seek to drill their way out of an enduring bear market for gas that has wiped billions off market capitalisations in recent months.

International

Prolonged disruption to commercial vessels passing through the Strait of Hormuz would deliver a greater shock to the global LNG market [3] than the 2011 Fukushima disaster, according to a US policy think-tank, but might also improve Gazprom's hand in renegotiating pipeline transits through Ukraine.

Japan's Mitsui OSK Lines reportedly intends to more than double its portfolio of FSRUs [4] with six new vessels, boosting its fleet to 10 by 2025, while the company targets newbuild LNG-to-power projects in Asia, Europe and Australia.

The IEA has again cut its oil demand forecast for this and next year [5] after global crude consumption increased at its lowest rate since the financial crisis in 2008 over the first five months of the year, in a sign that an economic slowdown is well and truly underway.

LNG traders are looking to snap up carriers under short-term charters to use as temporary storage and take advantage of widening price spreads and low charter rates – but some believe that re-exporting cargoes from Europe to north-east Asia [6] later this year may deliver better returns.

Africa

Mozambique – A peace agreement signed by the government of Mozambique and its main political rival should focus minds in Maputo on tackling an Islamist insurgency threatening Anadarko's Area 1 LNG project [7], which reached a USD 25 billion final investment decision (FID) in June.

Asia Pacific

China – China has removed restrictions on direct foreign investment in its upstream oil and gas sector [8] in a bid to meet domestic gas production targets, but further regulatory and fiscal clarity will be required to lure foreign investors, according to law firm Herbert Smith Freehills.

Japan – Japan Petroleum Exploration (JAPEX) has discovered gas 50 km off the coast of Hokkaido [9] following a single exploration well drilling campaign, and is considering further exploration in the area after the first well achieved stable gas production.

Inpex and other Japanese buyers are looking to dial down LNG contracted under long-term deals [10] from the Ichthys LNG plant to take advantage of cheap spot cargoes, while India's Petronet has said it may renegotiate long-term contracts if spot LNG prices remain low in the coming years.

Australasia

Australia – The federal government plans to expedite a review of its domestic gas supply policy [11] and is considering rolling out a national gas reservation scheme while pressuring states to lift any restrictions on drilling, in a bid to keep a lid on spiralling prices.

Chevron and its Gorgon LNG partners appear likely to avoid being fined despite launching a CO₂ reduction project [12] three years late [12] at Australia's largest LNG plant.

New Caledonia – French island territory New Caledonia is looking to install an LNG-to-power project [13] to replace an ageing oil-fired plant and cut emissions, with the joint venture developer launching an expression of interest seeking a 15-year LNG supply deal, according to Bloomberg.

Central & South America

Chile – The world's largest copper producer Codelco has sold its stake in Chile's Mejillones LNG terminal [14], prompted by changes in the country's energy mix after Chile resumed pipeline imports from Argentina and embarked on a renewables build-out.

Europe

UK – Cuadrilla Resources is to experiment with a new fracturing fluid [15] at its Preston New Road shale gas project in north-west England that it hopes will reduce fracking-induced earth tremors that have severely hampered drilling operations at the site in Lancashire.

Mediterranean

Cyprus / Turkey – The US has signalled growing interest in [16] east Mediterranean energy affairs [16] by attending meetings on regional projects, while opposing Turkish drilling in the Cyprus exclusive economic zone and working to keep Ankara onside over the enduring conflict in Syria.

North America

US – The Texas Railroad Commission has granted permission to Exco Resources to flare associated gas [17] at oil wells in the Eagle Ford shale play, in a ruling that midstream giant Williams warns could open the door to flaring for economic convenience rather than practical necessity.

Shale player QEP Resources has scrapped plans to sell the family silver and has instead signed a cooperation agreement with Elliott Management [18], the activist investor that tried and failed to buy the company in January.

Cheniere Energy shareholders were left disappointed by vanishing profits in Q2'19 [19] as increased operational costs and lower prices outweighed solid revenues, resulting in a surprise loss per share that fell well below consensus estimates.

Occidental Petroleum has completed its controversial acquisition of Anadarko Petroleum [20] after this week issuing some USD 13 billion in bonds to finance the transaction, which is valued at USD 55 billion including the assumption of Anadarko's debt.

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