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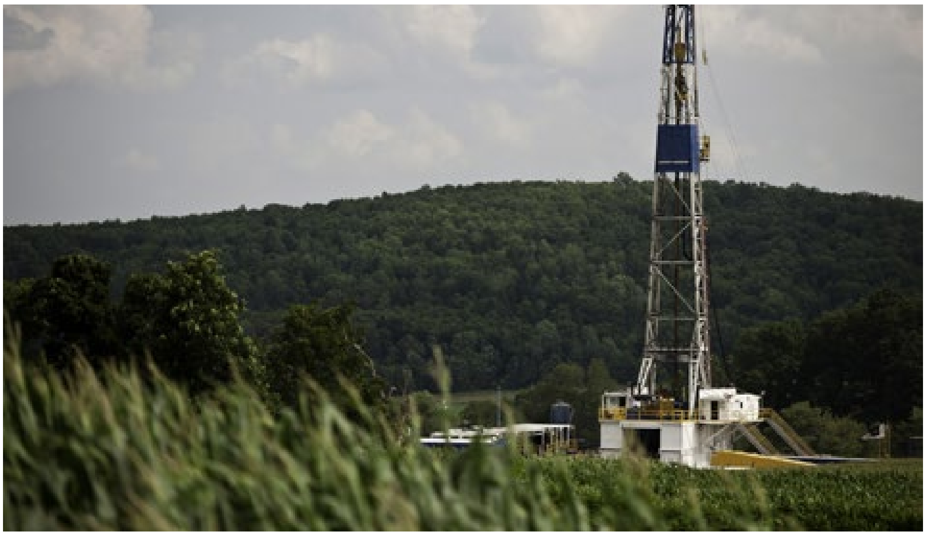
Nova Scotia LNG – where's the gas?



Two planned LNG projects in Nova Scotia hope to source gas from the Marcellus shale play. (Statoil)

Therese Robinson / London

NEW CLIMATE CHANGE targets unveiled by Canadian Prime Minister Justin Trudeau last week may affect the future of every planned LNG project in Canada. However, the two plants intended for the coast of Nova Scotia – the 8 mtpa Bear Head and the 10 mtpa Goldboro LNG – face an added issue: securing gas supply.

Both export projects plan to source their gas from Canadian reserves and the huge Marcellus shale play in the United States. But their success will depend on how and when they are able to obtain these supplies.

Bear Head project developer LNG Ltd is hoping to take an FID next year, but this will depend on whether it can source gas in time. Darshi Jain, Bear Head's project director, told *Interfax Natural Gas Daily* his company was looking at "several options" for gas supply, "including stranded resources in western Canadian reserves".

Jain said Bear Head may still source gas from the US, but with Canada's west coast LNG projects not moving forward as expected, LNG Ltd is talking to selected western Canadian investors to look at the potential of delivering gas to Bear Head under a tolling arrangement.

Sourcing gas from western Canada to Nova Scotia would be difficult as current pipeline infrastructure is inadequate, but Jain pointed to two options for delivering gas from the west to the east coast. The first would involve a gas pipeline running parallel to the proposed Energy East oil pipeline, which aims to deliver oil from Alberta to the east coast. The second option would use the Portland Natural Gas Transmission System and deliver gas to eastern Canada via a New England pipeline network.

However, industry insiders are sceptical the west-to-east-coast plan is workable.

"It doesn't sound practical," said Dirk Lever, head of research for energy infrastructure at Calgary-based AltaCorp. Capital. Tolling fees and new transport costs would make it difficult to make a profit, he added.

Sourcing gas from eastern Canadian reserves off the Nova Scotian coast and onshore shale reserves in New Brunswick would also be difficult. There has been limited drilling off Nova Scotia and no shale gas production in New Brunswick since fracking was banned in 2014.

Mark Brown, Goldboro LNG's director of project development, said the company plans to make an FID by the end of the year and is optimistic about sourcing gas.

Goldboro is located at the start of the 1,100 km Maritimes and Northeast pipeline (M&NP), which delivers Canadian gas to the northeastern US. Because of this, "Goldboro has direct access to gas supply offshore and also plans to potentially source gas from western reserves, the Dawn

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Hub, and the US Marcellus shale play", Brown said. "The M&NP pipeline is on the project site and it provides the necessary interconnections with the pipelines needed to bring gas from those regions," he explained.

US issues

Although Goldboro and Bear Head have permission to source gas from the Marcellus – which is big enough to supply both plants – the M&NP needs major improvements.

The pipeline is already constrained, particularly during the winter in New England, when there is high demand. Therefore, diverting gas to feed any proposed east coast Canadian LNG export plant would likely result in strong opposition from a region that already pays high prices for gas because of its inadequate pipeline capacity.

One of the two large pipeline projects planned to deliver Marcellus gas via New England to Canada has been cancelled. US-based Kinder Morgan withdrew its federal application in April for its 680 km, $3.3 billion Northeast Energy Direct Pipeline after failing to secure buyers and as a result of pressure from environmental and political protests.

A competing project, the Access Northeast pipeline proposed by Spectra Energy Partners, won the financial support of New England-based utilities but has also run into trouble. It faces opposition from several energy companies over pipeline capacity disagreements as well as protests by local communities and environmentalists.

The success of the two Nova Scotia projects may also come down to price. "Europe is a potential market for the LNG, but it will have to be supplied at market prices," a US LNG analyst, who wished to remain anonymous, told *Interfax Natural Gas Daily*. "With European gas demand weak, and the US and Qatar already targeting Europe, will these prices support an investment in a greenfield LNG plant – even when transportation costs are lower than from the Gulf of Mexico?"

Bear Head and Goldboro have both received export licences from the Canadian energy regulator, the National Energy Board. The Canadian government has approved licences for the two projects to import gas from the US, and both projects have approvals from the US Department of Energy to import US gas and re-export it as LNG. ■

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Energy front-month futures

	Closing date	Close	High	Low	% change
Brent Crude, $/bbl	7 Jul	46.40	49.59	46.15	-4.92
WTI Crude, $/bbl	7 Jul	45.14	48.25	44.87	-4.83
Henry Hub, $/MMBtu	7 Jul	2.78	2.84	2.73	-0.32
NBP, p/th	7 Jul	35.55	35.80	35.24	1.66
TTF, €/MWh	7 Jul	14.39	14.48	14.30	1.59
Gaspool, €/MWh	7 Jul	14.47	–	–	1.58
NCG, €/MWh	7 Jul	14.45	–	–	1.40
Central Appalachian Coal, $/t	7 Jul	39.50	–	–	0.00
Newcastle Coal, $/t	7 Jul	58.95	–	–	0.94
South China Coal, $/t	7 Jul	53.05	–	–	1.05

Prices provided by GlobalView.
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Editor's choice

Cyprus moves to block Israel-Turkey gas pipeline

Hopes have been raised that Ankara may buy Israeli gas, but Cyprus will not allow a pipeline through its territory.

Supermajors hunt for El Dorado

Supermajors are vying to open up new oil and gas frontiers in Latin America. But so far, fortunes have been mixed.

Trending

1. Exxon and Qatar team up in Mozambique
2. Cyprus moves to block Israel-Turkey gas pipeline
3. US heatwave supporting gas prices
4. Indonesia asserting sovereignty over islands in South China Sea
5. Philippines requires $30 bln in power project investment

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Mozambique: selling off the crown jewels

Leigh Elston / Maputo

Selling its stakes in the Rovuma Basin gas fields could help Mozambique's desperate government raise cash quickly, but would it be at too great a cost?

The port of Pemba in Mozambique will act as an oil and gas logistical hub. (Interfax)

DESPERATE TO CLAW its way out of the worst debt crisis in the country's history, Mozambique's government is rumoured to be considering selling stakes in its precious Rovuma Basin gas blocks. The problem is that it does not have that much to sell – and now would be a terrible time to do so.

Under Mozambican law, state petroleum company ENH must hold a minimum 10% stake in upstream contracts. It already holds only 10% in Area 4 and 15% in Area 1, giving it only a 5% stake to play with.

It's difficult to assess what the stake would be worth today. China National Petroleum Corp. paid $4.2 billion for a 20% stake in Offshore Area 4 in 2013, and Thailand's PTTEP paid $1.92 billion for an 8.5% stake in Area 1 in 2012. Since then, the oil price has dropped dramatically, and while the project has moved forward, Anadarko has not secured binding LNG offtake contracts for the 12 mtpa plant and is still at least a year away from an FID.

While there is interest in the blocks – ExxonMobil is reported to be teaming up with Qatar Petroleum to make a bid – this would be "selling the crown jewels at the worst possible time" said one industry source – especially as developing the projects won't cost ENH anything now. Eni and Anadarko have agreed to cover the financing of the NOC's stake with the debt repaid with profits from ENH's share of future LNG sales.

At the very least, ENH should wait until an FID is reached to realise the true commercial value of Area 1. "The challenge is how do you get from here to there and have money to sustain yourself," Pedro Pinto Ferreira, chief executive at Dominio Capital, told *Interfax Natural Gas Daily*. "I think that ENH and the new president are more than capable of doing that [...] there are other ways – new blocks and concessions that probably aren't, commercially speaking, as valuable as the other ones, but could at least try to sustain the company until the big day comes."

Key to reaching an FID and getting the most out of the LNG developments for Mozambique will be to focus on capacity-building at ENH – and this will mean bringing in outside help. So far, the company has used Mozambicans to build up the team, which is important, but as a new oil and gas province there are limited skills and experience to draw on locally.

At the moment, ENH Chairman Omar Mitha is trying to manage nearly all negotiations on his own. His reluctance to share information and delegate tasks has apparently irritated other board members, who are becoming increasingly uncooperative, and has stalled progress. Tough market conditions and weak finances may also mean the company has to soften its negotiating stance to get the projects off the ground.

"ENH is caught in the middle of the process between being a significant player or not. It can't model itself on [Angola's] Sonangol or [Nigeria's] Sahara Energy because it doesn't have the cash-flow yet, so it can't act as if it holds a huge power of negotiations, because that is just not the case," said Pinto Ferreira.

A strong and experienced team will be needed to strike the right balance. The agreements ENH comes to now will be crucial in shaping Mozambique's economic future. With the first payments on the $2 billion of state-backed debt already overdue, the government's options may be limited, but the temptation to raise cash quickly by selling stakes or offering big concessions on the LNG projects could later prove to have come at too great a cost for the country as a whole. ■

We welcome your comments. Email us at comments@interfax.co.uk.

Best of Blogs

Apple energy

Apple's move into selling energy marks the beginning of a restructuring in the energy market that will reshape the sector, argues Nick Butler in the *FT*.

North Sea relief

The fall in the pound has cut labour costs in the North Sea basin, throwing a lifeline to operators looking to reduce opex, notes Geoffrey Cann in *Fuel Up*.

Clean power

The US Clean Power Plan will result in more electricity generation from renewables and gas over the next 25 years, according to the Energy Information Administration.

Portugal's demand drop leaves little room for US LNG

Annemarie Botzki / London

Portugal is well placed to receive the upcoming US LNG exports, but a downturn in demand and weak connections make such deals look unlikely.

PORTUGAL WAS THE first European country to receive a cargo of LNG from the United States in April, but North American exporters should not count on the country to absorb much more in the way of future volumes.

Portugal's Atlantic coastline puts it in a good position to receive LNG from plants in the US, but fewer options to reload cargoes globally and weak connections with the rest of Europe are likely to remain major hurdles.

Andy Flower, an independent LNG expert, said it is uncertain if and how much more US LNG will reach Portugal.

"There are no contracts for the supply of US LNG to Portugal, so it will depend on whether Portugal needs spot LNG cargoes [as well as] how competitive US LNG will be on price and the marketing strategies of Shell and Cheniere," Flower told *Interfax Natural Gas Daily*.

In the first half of 2015, Portugal was able to ship two reloaded cargoes to Brazil and one to Argentina. But LNG imports into Brazil fell by 60% this year, while those to Argentina dropped by 16.6%, according to Flower.

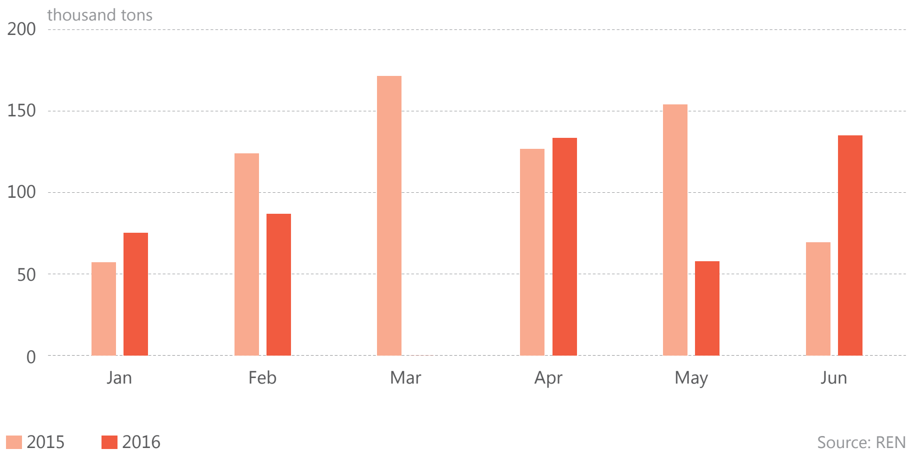
"So it is not too surprising that there has been only one reload from Portugal this year," he added.

Portugal could also send cargoes to higher-paying consumers in Asia, but the global oversupply and falling prices means there has been less opportunity to perform reloads.

"This is manifest in the case of Galp group, whose sales have declined during the last years. Before, Galp managed to evade this fact with trading activity, especially to Japan," Rui Pena, partner at law firm CMS Rui Pena & Arnaut, said.

Portuguese LNG imports declined from 703,000 tons in the first six months of 2015 to 489,000 tons in the same period this year. However, Portugal reloaded only one cargo in 2016 compared with four in 2015 as price differences between regions have narrowed. Therefore, net LNG imports are still slightly higher this year, standing at 487,000 tons for the first six months of the year compared with 467,000 tons last year.

PORTUGUESE LNG IMPORTS



"There seems to be evidence that, in recent years, Portugal has been over-contracted in gas, and Galp as offtaker has been selling in the market the excess gas," Siza Vieira, Lisbon-based partner at law firm Linklaters, told *Interfax Natural Gas Daily*.

According to Pena, Portugal has been able to reduce its purchases of LNG largely because of the flexibility of its long-term supply deal with Nigeria.

The long-term contracts with Algeria and Nigeria will come to the end of their terms in 2020 and 2025, and extensions are already being negotiated, according to Catarina Cortez Gamito, energy lawyer at PLMJ in Portugal.

US imports

Pena argued that Portugal's Sines terminal should nevertheless be a hub to supply the European market with US LNG. "I have called attention to the strategic interest of this solution, but as yet without result," he said.

"Unfortunately the connections by pipeline with Spain/France are not prepared. Indeed, the interconnections – electricity and natural gas, both – are essential for a peripheral country like Portugal," he added.

The US cargo that arrived in April was bought by Galp Energia from Cheniere Energy and shipped from the Sabine Pass plant to Sines.

According to Galp, the volume purchased was equivalent to one week (2% in annual terms) of the country's needs, and represents 1% of the total annual quantity of gas purchased by the company.

A lack of economic growth and the resulting fall in energy consumption, together with competition from renewables, has pushed down gas demand in Portugal and across Europe.

Total Portuguese gas consumption increased slightly in 2015, by 6.6% to 4.3 billion cubic metres. But consumption was on a downward trend between 2010 and 2014, when it fell by 22.8%, was largely because of a collapse in demand from the power sector amid increased production from renewables, according to the US Energy Information Administration and BP.

Portugal generated all of its electricity from renewables for four days in April. "Given priority of dispatch, the share of renewables in a scenario of reduced demand for electricity pushes off the gas-fired plants," Vieira said. ■

We welcome your comments. Email us at comments@interfax.co.uk.

Further reading

- Portugal to take sixth Sabine Pass cargo
- EU has high hopes for energy security with US LNG
- Industry divided on 15% interconnection target

Germany gets to work on Paris climate agreement

Annemarie Botzki / London

Nineteen parties – including Norway and a number of small island nations – have already ratified the Paris climate agreement. This week, the German government started the formal process of ratifying the deal.

Dec 2015 Agreement reached on the COP21 Paris deal.

Apr 2016 The Paris agreement was opened for signing on 22 April at a high-level ceremony convened by the UN secretary general in New York. At the ceremony, 174 states and the EU signed the agreement. Of these, 15 states also deposited their instruments of ratification.

Jun 2016 As of 29 June, there were 178 signatories to the Paris agreement. Of these, 19 states had also deposited their instruments of ratification, acceptance or approval. These states account for 0.18% of the global greenhouse gas emissions.

Nov 2016 COP22 will take place in Morocco from 7-18 November.

WHAT WAS AGREED IN PARIS, AT A GLANCE

Emissions will be cut to keep the rise in global temperatures well below 2C above pre-industrial levels

The ability of countries to adapt to the **effects of climate change** will be strengthened

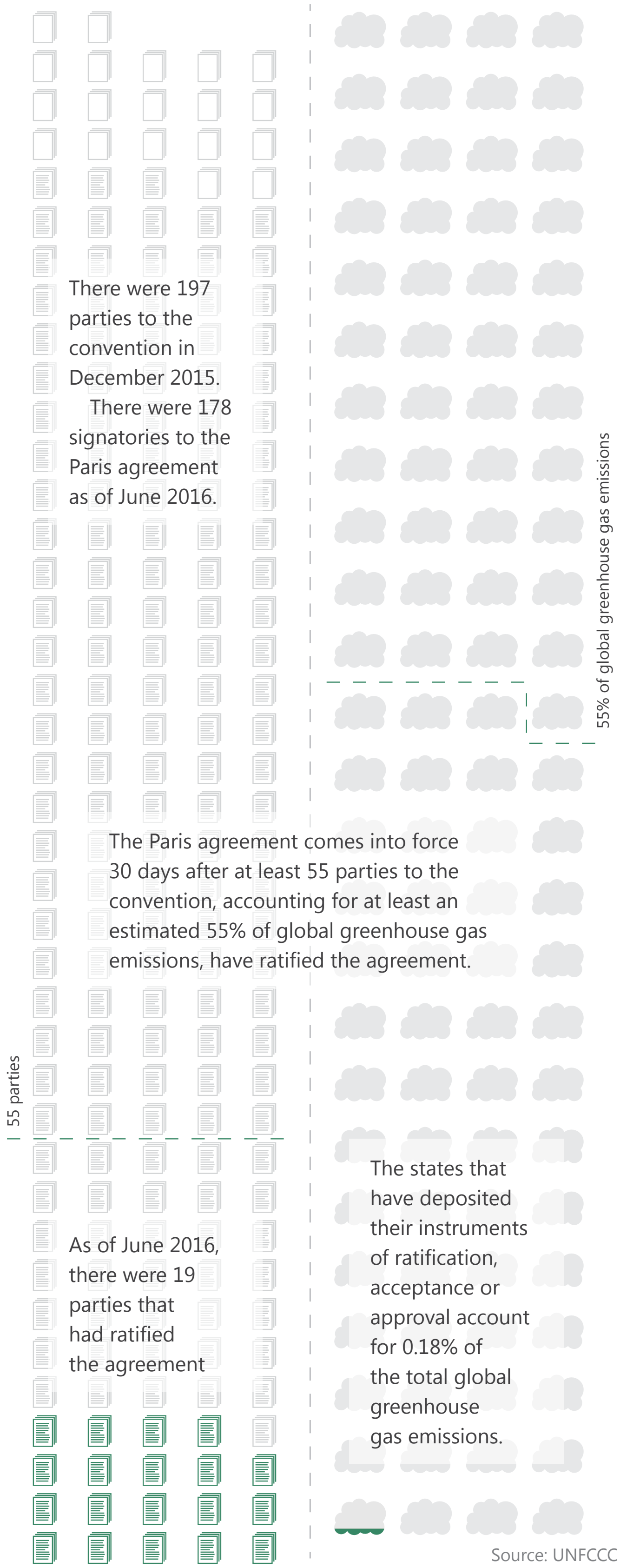
A **transparency** system will be established for emissions and a global stock-take completed

The ability of countries to recover from **the impacts of climate change** will be bolstered

Financial support for the climate goals will be provided, with a floor of **$100 billion per year**

Source: UNFCCC

RATIFYING THE COP21 AGREEMENT



Source: UNFCCC

Spot prices spike as second Aussie gas hub opens

Sally Bogle / Perth

Australian regulators are attempting to loosen a tight wholesale gas market by opening a new trading hub, but experts are sceptical.

The Gladstone LNG plant. Producers in eastern Australia have been accused of prioritising LNG exports. (Santos)

GAS CONSUMERS WILL be hoping the recent launch of a second supply hub in eastern Australia will spur trading in the region, tempering record-breaking wholesale price spikes and boosting short-term flows into a tight domestic market.

Wholesale gas prices in eastern Australia's short-term trading market have spiked at over A$20/GJ ($15.84/MMBtu) in recent weeks – and up to A$29/GJ in Sydney at one point – as a result of cold winter temperatures and a shortage of supply. This is well above the A$9/GJ equivalent being paid in Japan for imported LNG – some of which is sourced from new plants in Queensland.

In an attempt to even out supply and demand, the Australian Energy Market Operator (AEMO) has launched the Moomba Gas Supply Hub (GSH) and two additional trading locations at the Moomba-to-Adelaide and Moomba-to-Sydney pipelines. Australia's first hub was the Wallumbilla GSH, which was launched in 2014.

Violette Mouchaileh, AEMO's acting executive general manager for markets, told *Interfax Natural Gas Daily* that together both GSHs will "enhance the transparency and reliability of gas supply by creating a voluntary market that offers a low-cost, flexible method to buy and sell gas at interconnecting transmission pipelines".

"Participants will have increased accessibility to trade between the southern markets and the Queensland market that serves the LNG export facilities, opening up greater market access to new participants, smaller producers, large users and retailers in South Australia and New South Wales [NSW]," Mouchaileh added.

But analysts say Moomba is unlikely to iron out a plethora of issues in eastern Australia's wholesale gas market, several of which were highlighted in a recent report by the Australian Competition and Consumer Commission following a prolonged inquiry.

These include the need for tighter regulation on the region's privately owned gas transmission pipelines and steps to break up the near monopoly operating in the upstream market. The recent launch of five of Queensland's six new LNG plants and the influence they exert on the domestic market is another complicating factor.

"Four producers control the gas market very tightly on the east coast, providing the ability to form cartels," Bruce Robertson, an analyst at the Institute for Energy Economics and Financial Analysis and former investment analyst for UBS and others, told *Interfax Natural Gas Daily*.

In particular, Robertson noted the power exerted over pricing and supply by the Gippsland Basin joint venture's marketing arrangement, which is a major supplier to the southern part of the market. The Gippsland JV is owned by BHP Billiton and ExxonMobil subsidiary Esso.

"Not long ago BHP said they had enough gas in the Bass Strait to supply the east coast market for decades, but now we're hearing about impending shortages," Robertson said, adding that the gas industry's calls to lift moratoriums on fracking in Victoria and NSW were a "ruse".

The ownership and lack of adequate regulation for the privately owned gas transmission network is also unduly influencing the market, Robertson said. "In the UK and United States, transmission pipelines are all regulated, providing transparency on prices and availability. This isn't the case in eastern Australia, meaning we're not seeing smaller producers get going," Robertson said.

Industrial gas user group Manufacturing Australia has long called for greater transparency and liquidity in the nascent spot gas trading market from which its members source short-term supplies. Group members are finding it hard to sign long-term contracts beyond 2017.

Manufacturing Australia also wants a portion of the gas produced for export in Australia's east to be reserved for domestic use, as is the case in Western Australia. This demand has become more pressing of late as five of Queensland's six LNG plants have started exporting gas.

High-profile casualty

A visible casualty of the recent price spikes has been electricity generator AGL, Australia's largest gas wholesaler. The company issued a profit warning this week after having to buy spot gas to make up for a shortfall in demand as well as supply constraints during the first week of July, the point at which prices spiked.

Robertson believes some gas producers on the east coast may be intentionally withholding supply to manipulate spot prices. He believes they are also giving preference to LNG exporters over domestic users. Santos is known to have been short of gas for its Gladstone LNG plant, and producers are reportedly giving preference to LNG contracts that need to be fulfilled.

"There really is no market as such on the east coast. There is no depth, no liquidity," Robertson said. "For a market you need buyers and sellers and transparent prices, not one that's tightly held by a number of producers." ■

We welcome your comments. Email us at comments@interfax.co.uk.

Commissioning cargo arrives at Dunkirk LNG

France's Dunkirk LNG terminal is scheduled to receive its first commissioning cargo on Friday onboard the Madrid Spirit. The vessel is owned by Teekay and has a capacity of 138,000 cubic metres. It took its cargo from Nigeria's Bonny Island facility, according to ship tracking information. Dunkirk is France's fourth LNG terminal and the first on its northern coast. It is set to receive a second commissioning cargo next month. The first cargo was delayed because France has been struggling with industrial labour disputes. Three of France's LNG terminals were shut as a result of strike action for a short period in May. EDF owns a 65% stake in the project while Belgium's Fluxys owns 25% and Total holds the remaining 10%. EDF and Fluxys hold 10 billion cubic metres of the terminal's regas capacity.

Russian independents mulling Power of Siberia link

Russia's independent gas producers have asked for access to the Power of Siberia gas pipeline and are considering building their own link from it to the Sea of Okhotsk. Ivan Menshikov, general director of Rosneftegaz, made the announcement at the East Russia Oil and Gas Forum on Thursday. "We need state support, the construction of transport infrastructure, the provision of tax concessions and the creation of conditions for access by independent gas- and oil-producing companies to the system of trunk pipelines. In the first place, to Power of Siberia," Menshikov said. He added that one of the options for resolving problems could be to build an "independent gas pipeline".

Naftogaz-Gazprom contract awaiting signature – Kobolev

Naftogaz Ukrainy is continuing its negotiations with Gazprom on the possibility of buying Russian gas in Q3 2016. However, the supplement to the 2009 contracts that would allow Naftogaz to resume purchases has not yet been signed, Naftogaz Chief Executive Andriy Kobolev said at a press conference in Kiev on Thursday. European gas would be enough to fill Ukraine's underground gas storage facilities, meaning the issue of buying gas from Gazprom is purely commercial, he said. "Gazprom's price is slightly lower than the price of European suppliers," Kobolev added. He said the market is volatile, with falling price trends seen on the European markets. He confirmed the plan to enter the heating season with gas stocks of 14.5 billion cubic metres. "These stocks could be accumulated without supplies from Gazprom," he said. Ukraine would pay $167.57 per thousand cubic metres ($4.56/MMBtu) for Russian gas in Q3 under the 2009 contract formula, according to Gazprom's data, although taking into account its calorific capacity Kobolev assessed the price at $173/Mcm. Ukraine's storage volumes increased by 1.29 billion cubic metres, or 15.3%, to 9.73 bcm after the 2015-2016 heating season. Gazprom is ready to begin supplying gas to Ukraine as soon as it receives prepayment, Gazprom Chief Executive Alexei Miller said last week.

An LNG tanker at Sakhalin 2. The plant's exports have increased in volume but decreased in value. (Shell)

Chayanda field power supply to cost $150 mln – DVEUK

The cost of building external power supply facilities for the Chayanda oil and gas condensate field in Yakutia in eastern Russia is estimated at RUB 9.5 billion ($148 million), while another RUB 500 million will be needed for the expansion of the Olekminsk substation, Anatoly Maksimov, the deputy chief executive and chief engineer of Far East Energy Management (DVEUK), said on Thursday. "All calculations are preliminary. The final cost will be known after the government review of the design and estimate documentation," Maksimov said at the East Russia Oil and Gas Forum in Vladivostok. DVEUK is considering 14 applications for utility connections to power grids in Yakutia to cover the future needs of the Eastern Siberia-Pacific Ocean oil pipeline and the Power of Siberia gas pipeline, Maksimov said.

Novatek ships first LNG cargo

Novatek Gas & Power, the Russian independent's Switzerland-registered trader, has shipped its first LNG cargo, Novatek said in a press release. The cargo was sourced from Trinidad & Tobago's Atlantic LNG plant and was sent to Chile's Quintero terminal. "This first LNG cargo is an important milestone for Novatek to enter the global LNG market. After the launch of Yamal LNG's first train we will enter the LNG market with our own volumes, and gaining spot trading experience is important for us," said Lev Feodoseyev, Novatek's commercial director.

Sakhalin 2 LNG export volumes up but value drops

LNG exports from Russia's Sakhalin 2 project rose by 21.2% year on year, to almost 5.4 mt, in the first half of 2016, the island's customs authority has said. However, the value of LNG exports fell by 33.9% to about $1.7 billion. "This situation was due to the global trend in hydrocarbon prices," the authority said. The LNG was exported to Asia – mostly to Japan, South Korea and China.

Saipem to carry out EPC on Egypt's Zohr field

Saipem has been selected to work on the Zohr gas field off the coast of Egypt by its parent company Eni and Egyptian General Petroleum Corp. The contract covers

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engineering, procurement, construction and installation. Saipem will install a 26-inch gas export trunkline and 14-inch and 8-inch service trunklines as well as other infrastructure. It will start work on the project this month, with completion anticipated by the end of 2017.

Four more years and $300 mln for Carillion's Oman contract

Petroleum Development Oman has extended Carillion's contract to provide facilities management services at 12 locations across Oman by four-and-a-half years. The contract extension is worth £240 million ($311 million), the UK-based company said.

Siemens may build South African gas-fired power plants

Siemens is interested in bidding to build gas-fired power plants in South Africa, Siemens South Africa Chief Executive Officer Sabine Dall'Omo has said. The South African government is keen to build up its gas-to-power generating capacity in a bid to tackle power shortages and reduce its dependence on coal. State-owned Eskom produces around 90% of the country's power, the vast majority of which is coal-fired. The government wants to reduce its dominance by installing 3.73 GW of gas-fired generation from private companies.

Keppel joins Shell to store LNG in Singapore

Singapore-based investment holding and management company Keppel Corp. announced on Thursday that it will form a joint venture with Shell for the storage of LNG in Singapore. The companies will hold a 50% stake in the new venture, the main activity of which will be storing LNG for bunkering, according to a statement from Keppel.

Gujarat Gas gets green light for city gas network

India's Gujarat Gas has been granted permission to develop a city gas distribution network in the Ahmedabad district by the country's Petroleum and Natural Gas Regulatory Board. The company will supply gas by pipeline and as CNG to residential, commercial and industrial customers in urban centres in the region – including the towns of Sanand, Viramgam, Bavla, Dholka, Dhandhuka, Mandal and Detroj-Rampura. The Indian government recently gave the distribution of pipeline gas and CNG priority over fertiliser and petrochemicals production as it is aiming to boost demand for the fuel and reduce reliance on LPG.

South Korea's Kepco heading for record Q2 profits

South Korea's state-owned electricity company Kepco is expected to post record profits for Q2 216 of KRW 2.6 trillion ($2.25 billion), an increase of 34% year on year. The record profits have been attributed to new nuclear and coal capacity coming online, reducing the company's need to purchase oil and LNG. The cost of buying oil and LNG is also lower than in the same quarter last year. Nuclear power has provided around 40% of the country's electricity in recent months, according to analysts.

China Geological Survey discovers major new gas and shale play

The China Geological Survey (CGS), part of the Ministry of Land and Resources, announced the discovery of a large-scale gas field in southwest China's Guizhou province on Wednesday, representing the first breakthrough in the southern geological formation outside the Sichuan Basin. The CGS drilled a 2,900 metre well in Zheng'an county near the city of Zunyi and encountered four conventional gas and shale gas layers. Test flows at the Anye 1 well were at a steady rate of 100,000 cubic metres per day, according to the CGS. The organisation said it believed the region is likely to form a new industrial shale gas field similar to Sinopec's Fuling play.

EIA maps out forecasts for US Clean Power Plan

The United States Energy Information Administration has produced several scenarios for the country's Clean Power Plan (CPP) in its latest *Annual Energy Outlook*. Most of the CPP scenarios "tend to result in more electricity generation from renewables – especially solar and wind – and (in most cases) gas over the next 25 years compared with projections without the CPP," the report said. In all cases, coal generation in the US is forecast to decline and generation from other fuels such as nuclear or hydroelectricity will be relatively unchanged. ■

Interfax
Natural Gas Daily

Registered Office
Interfax Europe Ltd,
19-21 Great Tower Street, London EC3R 5AQ
Tel: +44 (0)20 3004 6200
Email: customer.service@interfax.co.uk
Web: interfaxenergy.com

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Winners & Losers

Ukraine and Russia appear closer than ever to reaching a deal to resume supplies from Gazprom, potentially in Q3 this year. Ukraine suspended direct imports of Russian gas in November 2015 in favour of cheaper deliveries from EU countries.

Old LNG carriers could find a new lease of life by being converted into FSRUs. Around 180 LNG carriers are on order to be delivered by 2019, which will modernise the global fleet and increase its size by 40%.

Revised EU rules on air quality have taken a step closer to becoming law, potentially representing a boost for gas over coal in electricity generation. MEPs in the European Parliament and the EU Council struck an informal agreement in early July.

Israel's plan to export gas to Turkey by pipeline may be thwarted by Cyprus. Cyprus has indicated it will block the construction of a pipeline to Turkey that passes through its territory because it remains under occupation by Turkish forces.

Total has concluded its $200 million drilling campaign offshore Uruguay and has yet to announce any significant finds. The major's exit would be a setback for the country's deepwater ambitions.

Shale gas and coal-to-gas, widely seen as future drivers for China's gas production growth, are being handicapped by geographical, economic and technical difficulties, according to experts. Plans have been hamstrung by a lack of pipeline capacity to send the stranded gas to coastal markets.

Verbatim

Whether or not Gazprom will change their position now is very interesting. Maybe they feel that now is the time to incentivise partners such as Shell to a greater extent.

Louis Skyner, head of the Russian & CIS oil and gas practice at Clifford Chance, said prolonged sanctions against Russia might encourage Gazprom to offer more favourable terms to European partners.

With low oil prices eating into the Gulf states' munificence, there is less compulsion to hand lucrative deals to poorer Middle Eastern allies.

Nabeel Khoury, of the Rafik Hariri Center for the Middle East, said he did not think the MOU between Jordan and the Gulf Cooperation Council Interconnection Authority would signal widespread collaboration.

It doesn't sound practical

Dirk Lever, head of research for energy infrastructure at AltaCorp. Capital, on plans for Nova Scotian LNG projects to source feed gas from reserves in Western Canada.

People Moves

Janet Cronin has joined Australia-based energy consultancy EnergyQuest as a senior associate with a particular focus on the outlook for Australian gas markets.

Canadian oil and gas company Vital Energy has appointed Ngai Ho to its board of directors.

Philippe Sauquet, currently Total's president of refining and chemicals, will be appointed president of the company's newly created gas, renewables and power branch as part of the French major's One Total reorganisation project. Sauquet will take the post from 1 September. He has also been appointed executive vice president of strategy and innovation and will be a member of Total's executive committee. Bernard Pinatel will be joining Total as president of refining and chemicals and also as a member of the executive committee. Namita Shah has been appointed executive vice president of people and social responsibility and a member the executive committee. Shah is directly in charge of human resources and will oversee the newly created Total Global Services. Jean-Jacques Guilbaud has been appointed senior adviser to the chairman and chief executive.

United States-based oil services provider Halliburton has announced that Mark McCollum will resume his role as executive vice president and chief financial officer, effective immediately. McCollum will continue reporting to Dave Lesar, chairman and chief executive of Halliburton, and will remain a member of the company's executive committee.

Go Figure

€37.5 million

Amount raised by Francaise de l'Energie to produce CBM in France

2017

The year the company hopes to start production by

5%

Proportion of France's domestic gas demand the company hopes to meet by 2025

France hopes to tap former coal mines for gas, 6 July 2016

80%

Current share held by gas in Ivory Coast's power mix

32%

Expected share of gas in Ivory Coast's power mix in 2030

950 MW

Gas capacity to be added by 2030

Ivory Coast turns from gas to coal in generation mix, 5 July 2016