The Oil Drum
DISCUSSIONS ABOUT ENERGY AND OUR FUTURE

Interesting times get more so

Posted by Heading Out on May 2, 2006 - 10:51am
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Tags: australia, bolivia, germany, japan, lng, norway, oil, russia, united states, venezuela [list all tags]

Sheesh! There I was, just quietly slipped out of town for a quiet week at one or two of those conferences and westexas slips this little spark-emitting fizzy sounding thing into the comments. The FT story requires subscription, but the Mosnews seems to have most of it. The basic story itself is a dash of water in the face...all of it suggests that we are definitely entering one of those "interesting times", if we weren't in it already. (much more under the fold).

> Venezuela, the world's fifth-largest oil exporter, has struck a $2bn deal to buy about 100,000 barrels a day of crude oil from Russia until the end of the year.
>
> Venezuela has been forced to turn to an outside source to avoid defaulting on contracts with "clients" and "third parties" as it faces a shortfall in production, according to a person familiar with the deal. Venezuela could incur penalties if it fails to meet its supply contracts.

And from the Mosnews story.

> Documentation obtained by the Financial Times shows that the state-owned Petroleos de Venezuela (PDVSA) made a financing arrangement this month with investment bank ABN Amro to facilitate the purchases of oil from Russia via Rotterdam.
>
> PDVSA is believed to have dropped the Dutch bank after the Russian government agreed to provide Venezuela with an "open account" facility to buy the oil.
>
> The Ruhr Oel refinery in Germany, in which PDVSA has a 50 percent stake, may be among the clients that are being supplied with the Russian oil.
>
> PDVSA would not confirm on Thursday, April 27, that it was buying oil from Russia but said a statement would be issued on Friday. The company said it would be "logical" that the Ruhr refinery was sourcing some of its oil from Russia because it would be cheaper than transporting it from Venezuela.

When this is taken with the fact that the Bolivian government has just taken over the refineries and oilfields.

> The measure "seeks to ensure the functioning of oil facilities to guarantee the normal

> supply of energy in accordance with international agreements as well and to fulfill domestic needs," an army statement said shortly after the president's announcement.

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On the other side of the coin, the Norwegians are now able to expand their exports of natural gas by 40% because of the start-up of two new fields. This will include an LNG facility that will supply the US among others.

> Snohvit includes Europe's first large-scale liquefied natural gas (LNG) terminal with an initial capacity of 6 bcm a year and a potential expansion to 12 bcm a year. Built by Norway's Petoro and state-controlled Statoil, France's Total and Gaz de France, and Germany's Amerada Hess Corp. and RWE, the project will combine production from the Snohvit, Albatross and Askeladd fields and connect by pipeline to an onshore receiving terminal at Hammerfest. From there, the gas will be exported from the newly built Melkoya LNG facility. Destinations for the natural gas include the United States, Germany, Spain and France. The three fields have combined reserves of around 193 bcm, which at the expanded production rate gives the project a lifespan of 20 years.

This is good news and can be taken with the news that 3 new LNG facilities have been approved by the US FERC.

> BP intends to build a terminal at Crown Landing in New Jersey, along the Delaware River. Its formalized risk assessment includes making the carrier berths deep enough for ships to land and unload safely at all tide levels.
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> Dominion's Cove Point LNG proposes expanding its existing LNG import terminal at Cove Point, Md.
>
> Sempra Energy proposes to build a LNG terminal in Jefferson County, Tex., near the Texas-Louisiana border in two stages of 1.5 bcfd each

The Delaware facility is somewhat controversial

> The terminal would stand in Logan Township, N.J., but its pier would extend into a section of the river that is inside Delaware. Tankers carrying 52 million gallons of liquid gas, enough to meet a day's energy needs for 17.3 million homes, would arrive two to three times a week in an operation worth tens of millions for each shipment and billions annually at current gas prices.
>
> Mueller conceded that the court case could take 12 to 18 months to complete, barring the company from completing Crown Landing before 2010.

The Cove Point addition is also not without concern, although the intent to add a facility at Sparrows Point may be more controversial. Cove Point is, providing it can survive the controversy planned to come on stream in 2008.

> The FEIS reveals that FERC is moving along with the Cove Point LNG expansion despite cries by Washington Gas Light (WGL) to reject the project until it can be shown that LNG deliveries from the Maryland facility are interchangeable with traditional gas and will not negatively impact the utility's distribution system. WGL in early 2005 blamed Cove Point's LNG for multiple leaks that erupted on its system. It contends that Cove Point's expansion could pose even more problems (see Daily GPI, April 7).
>
> The expansion, which is scheduled for 2008, would increase the sendout capacity of the Cove Point LNG terminal in Calvert County, MD, to 1.8 Bcf/d from 1 Bcf/d, and would boost storage capacity to 14.6 Bcf from 7.8 Bcf. The project calls for the construction of two 160,000 cubic meter single-containment LNG storage tanks. Affiliate Dominion Transmission Inc. proposes to construct 161 miles of mostly 36-inch and 24-inch diameter pipeline in Maryland and Pennsylvania, and associated aboveground facilities in Virginia, Pennsylvania, New York and West Virginia. . . . . The Cove Point LNG terminal currently receive about 90 LNG shipments annually and would receive up to 200 shipments each year following the construction of the expansion.

Sempra's Texas facility is now scheduled to come on line in 2009.

Meanwhile the Japanese are buying more Australian LNG.

> Toho has agreed to increase its LNG purchases from the North West Shelf to about 1 million metric tons a year starting April 2009, up from about 230,000 tons a year now, Woodside said Monday.
> The Woodside-operated North West Shelf, offshore northwestern Australia, is negotiating new contracts with eight Japanese electricity and gas companies who originally signed up to buy a total of 7.3 million tons of LNG a year.
> The 10-year Toho deal follows a March agreement with Chugoku Electric Power Co. (9504.TO), who agreed to buy up to 1.4 million tons of LNG a year from 2009 for 12 years. It also comes amid Japanese reports Woodside is looking for a 30% price rise in the talks.

And the Germans have bought into the Russian Yuzhno-Russkoye field which will provide gas for the pipeline from Russia that slips around Ukraine - maybe solving some of that problem.