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Oil Search expects FID on Papua New Guinea expansion in 2019

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Oil Search Ltd expects to take a final investment decision in 2019 on the expansion of its LNG projects in Papua New Guinea, a company executive said Wednesday.

Oil Search plans to add 8 million mt/year of new production capacity in the country, likely with three new LNG production trains, which will effectively double Papua New Guinea's current LNG production volumes.

Two of the trains will be fed by the Papua LNG project's Elk-Antelope gas fields and one train will be fed by the PNG LNG project and the associated P'nyang field, according to Ian Munro, executive general manager for gas and marketing at Oil Search.

"We see a lot of potential in the country to grow but obviously LNG takes some time to deliver. You have to build partnerships and bring the government along," Munro said on the sidelines of the LNG Supplies for Asian Markets conference in Singapore.

"The first project in Papua New Guinea reached FID in 2009 and the next one we think in 2019. It takes a while to bring LNG projects to fruition," he added.

The Papua LNG project is led by French oil and gas major Total and is yet to start production, while the PNG LNG project is operated by ExxonMobil and started operations in 2014.

COST-EFFECTIVE SOLUTION

There's a broad alignment between the venture partners that simultaneous expansion is the most cost-effective solution, and the proposal is yet to be presented to the Papua New Guinea government and other partners for endorsement, Munro said.

A decision on the Front End Engineering and Design phase of the expansion is expected in the second half of 2018. Oil Search had previously indicated a phased development of Papua LNG followed by the new train at PNG LNG.

Simultaneously developing the three trains highlights the low cost and the growth potential for Papua New Guinea projects at a time when neighboring Australia was being written off for soaring production costs.

The economics of PNG LNG's third train at less than $1,500/t should be wildly attractive, given pre-existing nfrastructure, Sanford C Bernstein senior analyst Neil Beveridge said.

"So too should Papua LNG, although we sense that partner misalignment and gas agreement negotiations with the government have caused delays," he said.

Oil Search has a 29% interest in PNG LNG, ExxonMobil has a 33.2% stake, Santos has 13.5%, Kumul Petroleum Holdings Ltd has 16.8%, JX Nippon Oil & Gas Exploration has 4.7% and Mineral Resources Development has 2.8%.

The PNG LNG Project has operated above its nameplate capacity of 6.9 million mt/year, averaging 7.9 million mt/year in 2016 and 8.6 million mt/year in December. Its operators have been offering the surplus capacity to buyers on the market.

The contracts are for up to five years and interested parties include a combination of end-users and traders as well, Munro said.

"We've had over a dozen bidders," he said.

Munro said Oil Search also operates a lot of smaller fields in the country and is looking for opportunities to monetize them with smaller scale solutions that will fill a niche market.

"We are looking at half to 1 mt type solutions in small scale LNG," Munro added.

RECOVERY AFTER EARTHQUAKE

Additionally, the PNG LNG project is reeling from the impact of a 7.5 magnitude earthquake in the Highlands on February 26, following which two LNG trains near Port Moresby were safely shut down along with the shutting of the Hides Gas Conditioning Plant and Hides well pads in Hela Province.

PNG LNG sources gas from seven fields including the Hides, Angore and Juha fields.

Infrastructure like roads and airports in Papua New Guinea has been damaged, making several areas difficult to access, and in some cases helicopters have to be flown in, ExxonMobil Asia Pacific's senior vice president for LNG marketing, Frank Kretschmer, said.

"It will take a little bit of time for the specialist engineers to assess the damage," Kretschmer said, adding that there was no immediate timeline available for repair and recovery as information is still being gathered.

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--Platts Natural Gas Alert—

Mitsubishi to step up LNG derivatives trading as Cameron LNG starts up

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Diamond Gas International, the trading arm of Japan's Mitsubishi Corp, will step up LNG derivatives trading to hedge US LNG volumes, its chief executive Ryosuke Tsugaru said Wednesday.

"As we start trading Cameron volumes, which are based on Henry Hub, we anticipate selling those volumes into Europe or Asia on different price indexes for example NBP, TTF or JKM Platts," Tsugaru said.

"Naturally, we need to be able to have relevant hedging and risk management," he said on the sidelines of the LNG for Asian Markets conference in Singapore.

Exchanges cleared a record high volume of 9,523 lots of the Platts JKM Swap contract in January, the equivalent of 1.83 million mt of LNG, compared with the last record high of 6,720 lots in August 2017, according to exchange and broker data.

He said Diamond Gas has established risk management teams and the relevant infrastructure like standardized agreements with hedging counterparties to facilitate derivatives trading.

Mitsubishi is one of the partners in the Cameron LNG liquefaction project in southwest Louisiana built at cost of around $10 billion. The project has an LNG export capacity of 14.95 million mt/year and a plannedstart-up date of 2019.

The project is operated by Sempra LNG and its other partners include Mitsui, Engie and NYK, according to the company's website.

"We will start taking 4 million mt from Cameron that will substantially increase our portfolio starting from the end of this year," Tsugaru said, adding that a portion of the US volumes will be sold to end-users on a long-term basis and the rest will be retained for trading purposes.

Diamond Gas traded around 1.5 million mt of LNG in 2017, and the incremental US LNG will be on top of this. Risk management strategies are being framed accordingly.

"We are hoping that everything will be operational and ready in a few months' time," Tsugaru said.

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--Platts Natural Gas Alert—

Total's Myanmar gas-fired power project to boost LNG demand

Singapore (Platts)--01Mar2018/253 am EST/753 GMT

* Total expects FID on Myanmar gas-based power project in H2 2018

* Project includes LNG supply, FSRU, transmission line, power plant

* Total to supply project with LNG from global portfolio

France's Total expects to make a final investment decision in the second half of 2018 on a greenfield gas-based power project in Myanmar that will include a floating LNG terminal, a transmission line, and an electricity generation plant, a company executive said Wednesday.

The project is unique because it entails the oil major's involvement in the full supply chain from gas procurement to electricity generation, in line with the growing trend of oil companies transforming into energy companies.

The Myanmar project also expands Total's footprint in Southeast Asia and underscores its strategy of investing in downstream infrastructure to spark demand for LNG from its global portfolio.

"We are not an investor in assets," Jean-Pierre Mateille, vice president of trading at Total Gas & Power, said. "If it is necessary to market your gas, then it is fine," he added.

"We will invest in infrastructure projects to unlock new demand in the country. I think Myanmar is a typical case. Without investing in a floating, storage and regasification unit and power generation, there is no LNG demand in Myanmar," Mateille said on the sidelines of the two-day LNG Supplies for Asian markets conference that began in Singapore on Wednesday.

The project is expected to cost around $1.6 billion, including $1.2 billion for the power plant and $400 million for the regasification facility, assuming a baseload gas demand of 2 million mt/year, Edi Saputra, senior analyst for gas and power at Wood Mackenzie, said.

He said Myanmar's power demand has been very stong in excess of 10% growth over the last five years. Total has been involved in gas exploration in Myanmar since 1992 with the Yadana gas field that supplies domestically as well as Thailand. It supplies around 50% of local gas demand, according to its website.

In 2017, Total started production from the offshore Badamyar project, located around 220 km south of Yangon. Badamyar will allow the Yadana gas field's 8 billion cu m/year production to extend beyond 2020.

Total is the operator of the project with a 31.2% interest, and its partners include Chevron-Unocal with a 28.3% stake, PTTEP with a 25.5% interest, and state-owned Myanma Oil and Gas Enterprise with a 15% share.

THE RISE OF GAS-FIRED POWER GENERATION

On January 30, Myanmar's Ministry of Electricity and Energy made a surprise announcement of four large gas-based power projects totalling 3,000 MW of capacity.

For Myanmar, the simultaneous announcement of several gas-based power projects signals that natural gas will be an important portion of the energy mix. It also raises questions as the bulk of its gas production is exported to Thailand and China on contracts that cannot be terminated at will.

Hence, growing domestic gas demand has to be met from more local production, which looks unlikely due to a struggling upstream sector, or with imported LNG, which is what companies such as Total and Gunvor are targeting.

Total's project comprises a 1,230 MW gas-fired power plant at Kanbauk in the Taninthary region in southern Myanmar, according to a report by law firm VDB Loi.

The project was awarded after direct talks with the government. Further details around power purchase agreements still need to be ironed out with the government before the FID.

The other projects include a 1,390 MW gas-fired plant by a consortium of Hong Kong-based Zhefu Group, commodity trader Gunvor Group, and Myanmar's Supreme Group of Companies; a 356 MW gas-fired plant by TTL, a joint venture between Italian-Thai Development and Toyo Engineering Corp; and a 135 MW gas-fired plant by China's state-owned Sinohydro and Supreme Trading.

"Studies put the Myanmar demand for electricity in 2030 at 15,000 MW, and I believe that [3,000 MW] number is in fact far too low if you factor in compound industrial growth, significant investment in transportation, and reduced reliance on fossil fuel cars," Edwin Vanderbruggen, senior partner at VDB-Loi, said.

He said the new project announcements had reinvigorated investors interested in Myanmar's energy space, and showed willingness on the part of the government to move forward and find innovative solutions.

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Mozambique LNG to sign multiple SPAs in 2018: Anadarko

Singapore (Platts)--01Mar2018/255 am EST/755 GMT

* MZLNG stays focused on Asian buyers

* 8.5 million mt/year in SPAs before FID

* Exporter has exposure to five pricing indices

Mozambique LNG project operator Anadarko Petroleum Corporation is expecting to execute multiple sales and purchase agreements this year, while it continues to focus its marketing efforts on potential customers in Asia, a senior company official said Thursday.

The future of MZLNG is important not only for Mozambique and its developers, but for the LNG industry as a whole, as it could set a precedent as the first East African onshore LNG project to be sanctioned and one of the few large-scale greenfield facilities globally to reach financial close in recent years.

The project has sold 1.2 million mt/year in completed SPAs of the 8.5 million mt/year it needs before it can proceed to FID, said Andrew Seck, Vice President LNG Marketing and Shipping with Anadarko, on the sidelines of the LNG Supplies for Asian Markets conference held in Singapore.

"The momentum is growing on the project," Seck said. "We will execute multiple SPAs this year It is a race to the finishing line. We have multiple ongoing negotiations with a variety of buyers, including Chinese, Indian and Japanese," he added.

MZLNG has signed a total of 5.1 million mt/year in newly negotiated supply agreements, including a binding SPA with France's EDF for 1.2 million mt/year, an SPA with Thailand's state-owned PTT for 2.6 million mt/year that is still pending approval by the Thai government, and several other preliminary agreements worth 1.3 million mt/year, including
one with Japanese utility Tohoku Electric.

The exporter now has exposure to five different pricing indices, Seck said, without elaborating.

"There is a lot of competition out there, but we are quite well positioned [to meet growing LNG demand]," he added.
In a separate interview with S&P Global Platts, Seck said: "Producers need to be competitive on price, but also offer sufficient flexibility which will allow our buyers to manage growing uncertainty in their downstream markets."

Mozambique LNG will initially consist of two LNG trains with total nameplate capacity of 12.88 million mt/year to support the development of the Golfinho/Atum fields located entirely within Offshore Area 1.

Mozambique LNG expects Japan to be the biggest recipient of its LNG, followed by Thailand, Europe and other Asian countries, and a smaller share of supply to be allocated to the spot and short-term markets,

Partners in the project include Anadarko (26.5%), Mitsui (20%), ONGC Videsh (16%), Empresa Nacional de Hidrocarbonetos (ENH) (15%), Bharat PetroResources (10%), PTT Exploration & Production (8.5%) and Oil India
(4%).

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