U.S. natural gas futures jump amid spreading heatwave

Investing.com - U.S. natural gas futures bounced back from the prior session's losses on Tuesday, as investors bet a heat wave making its way across the continental U.S. will prompt households to ramp up their air conditioning. Updated weather forecasting models showed that temperatures are expected to be warmer than previously projected in the central U.S. from July 20 to July 24, and sweltering conditions are also forecast for the West from July 25 to July 29.

Natural gas for delivery in August on the New York Mercantile Exchange rose 3.7 cents, or 1.36%, to trade at $2.759 per million British thermal units by 14:35GMT, or 10:35AM ET. A day earlier, natural gas lost 3.4 cents, or 1.23%, amid speculation that July heat won’t prevent stockpiles from reaching a record before the winter.

Total U.S. natural gas storage stood at 3.243 trillion cubic feet as of last week, according to the U.S. Energy Information Administration, 15.6% higher than levels at this time a year ago and 18.1% above the five-year average for this time of year. Unless intense summer heat boosts demand from power plants, stockpiles will test physical storage limits of 4.3 trillion cubic feet at the end of October.


(Investing.com)  7/19/16

Will the US Natural Gas Rig Count Fall for the 3rd Consecutive Week?

Baker Hughes (BHI) is scheduled to release its weekly US natural gas rig count on July 15, 2016. In the week ended July 8, 2016, US natural gas rig count fell by one to 88 rigs—down by 1.1% week-over-week and by 59.4% year-over-year. The counts fell for the second consecutive week.

The trend might continue this week, as natural gas prices are down by ~10% from its 2016 highs. For more on natural gas prices, please read the first part of this series.

The US natural gas rig count peaked at 1,606 rigs on September 12, 2008. In contrast, it hit a low of 82 rigs in the week ended June 3, 2016—down by 94.5% compared to its peak level.

US drilling activity fell due to lower natural gas prices, and natural gas prices fell due to oversupply. For more on natural gas supplies and production, please read the next part of this series.


By Gordon Kristopher  (Market Realist)  7/15/16
Ohio's shale natural gas spurs investment in building of plants
A power-plant building boom has hit Ohio, the first since shale natural gas changed just about everything in the state's energy landscape. Six plants are under construction or in the planning stages across the state, including one near Circleville. The projects show how shale gas is transforming the electricity market in a state long associated with coal and coal-fired electricity.
By Dan Gearino (Canton Rep) 7/17/16

Ohio State Builds CNG Station to Further Sustainability Efforts
Ohio State University (OSU) says it has broken ground on a new compressed natural gas (CNG) station on-site to serve the university’s Department of Transportation and Traffic Management and the City of Columbus, according to a university report.

OSU adds that other university, state agency and Ohio municipalities may also use the new fueling station, which is estimated to cost approximately $3 million.

Ohio State President Michael V. Drake states that OSU will continue to explore how the rest of the university fleet, including cars and vans, can be powered by CNG, as well. Specifically, the university’s Campus Area Bus Service, which will now fuel some of its fleet at the new station, has set plans to transition all of its fleet vehicles to alternative fuel models over the long term.

Per the report, the initiative aligns with Ohio State’s sustainability efforts, working to advance sustainability across campus and throughout the community.

“This station will fuel our four Ohio State Campus Area Bus Service CNG buses as well as the six additional CNG buses that will be joining our fleet fall 2017,” she adds. “Our long-term goal is to transition all CABS buses as well as other Ohio State fleet vehicles to alternative fuel models.” Construction on the new station is expected to begin by early 2017.
http://ngtnews.com/ohio-state-university-builds-cng-station-to-further-sustainability-efforts/
By NGT Staff 7/18/16

Utilities And MLPs Are Teaming Up On Natural Gas Pipelines
This comes on the heels of Southern Company’s (SO) natural gas pipeline joint partnership with Kinder Morgan (KMI) and Consolidated Edison’s (ED) pipeline joint venture with Crestwood Equity (CEQP), which the firm says exemplifies the trend of increasing ties between utilities and MLPs.

Commodities have seen pricing improve from February lows, improving debt and equity investor sentiment. However, with capital market access for most MLPs still constrained at a time when balance sheet management still in focus, many are looking to monetize their assets.

Attracted by the growth opportunities in both the downstream and the midstream segments, utility companies have been keen to diversify in the natural gas sector. So far, utility companies have shown a preference for natural gas pipeline assets that strategically fit with their service territories and where their distribution utilities can benefit from being a shipper on the pipeline.

The announced transactions by both Southern Company and Consolidated Edison are relatively modest in size and, given the balanced funding mix, will have no bearing on their credit profile. In general, Fitch views natural gas pipeline investments that generate revenues primarily based on volume-insensitive, fixed-capacity payments via long-term contracts with creditworthy offtakers, typically utilities, as relatively low-risk investments.
By Teresa Rivas (Barrons) 7/11/16
Love’s says Trillium CNG will maintain the CNG fuel systems at the location. The addition of Love’s Fast-Fill CNG to the Guthrie station, which is approximately 40 miles north of Oklahoma City, is the fourth for the company along I-35 from San Antonio, Texas, to Guthrie, and the 18th across the country.

Together, Love’s and Trillium own 65 CNG locations and operate nearly 100 additional locations.

http://www.overdriveonline.com/loves-adds-cng-to-guthrie-okla-location/
Overdrive Staff (Overdrive on line) 7/14/16

Consol Energy, Allegheny County officials announce production of natural gas at airport

Tim Dugan, chief operating officer of Consol Energy, speaks at a press conference to mark initial production at the Pittsburgh International Airport natural gas development project.

Officials from Consol Energy and Allegheny County announced Monday the start of natural gas production at Pittsburgh International Airport, a partnership that has already helped the offset operational costs at the airport.

The Cannonsburg-based energy company is now harvesting the natural gas on the land that was leased by the airport in 2013 in a 20-year, $500 million deal. The partnership has helped reduce the airport’s per-passerenger costs since the company made an initial lease payment of $46 million in July 2013.

With the current production, the airport will soon begin to receive its 18 percent royalty from natural gas produced at the airport.

“It’s an innovative approach at generating non-aviation revenue for our local airport,” said Tim Dugan, chief operating officer of Consol Energy. “We are now producing and seeing the benefits of the last two years worth of work.”

Consol officials expect to pay $450 million dollars in revenue to the airport in royalty payments.

The deal between Consol, the Airport Authority and Allegheny County allows the energy company to drill 47 wells throughout six designated well pads on airport-owned property. Of the six pads, only Pad 2 is currently producing.

By Mike Danielewski (Pittsburgh Post-Gazette) 7/19/16
Sales of natural gas trucks down more than 20% to last year

Despite reasonably priced diesel fuel, U.S. and Canadian natural gas Class 8 truck retail sales improved in May, according to ACT Research.

It’s not been a good year for natural gas trucks sales, with a 24 percent drop year-to-date and a 21 percent decline year-over-year. May brought a nice rebound to the market with a 48 percent climb month-over-month.

ACT’s Natural Gas Quarterly attributes May’s improvement to a high number of repeat sales, as well as purchases from transit bus and refuse truck operators. However, diesel prices hovering just south of $2.50 per gallon are hampering sales growth.

“With the fuel price differential continuing to narrow, the ROI to convert from diesel to natural gas is moving in the wrong direction: payback periods remain lengthy,” says Ken Vieth, ACT’s senior partner and general manager. “This doesn’t mean the adoption of NG fuel has stopped or that there are no new developments supporting a future uptick in NG truck orders.”

Vieth adds infrastructure continues to be built at targeted locations but at a slowing pace, and existing natural gas equipment users are still committed to its long-term viability and emission benefits.

Feds OK Sempra LNG expansion

Amid an expected surge in liquefied natural gas exports, the U.S. Department of Energy gave the green light to Sempra Energy’s Cameron LNG facility near the Gulf Coast of Louisiana on Monday. Cameron LNG’s export capacity will increase by an additional 1.41 billion cubic feet of natural gas per day to countries that do not have a free-trade agreement with the United States.

The Department of Energy authorization, which grows the capacity for the Cameron LNG plant to 24.92 million tons per year, comes shortly after Sempra received approval from the Federal Energy Regulatory Commission to expand the Cameron facility. “Essentially, we have all the major permits and licenses for the Cameron expansion,” said Octavio Simoes, president of Sempra’s operations. “It’s still one of the lowest-cost and most credible offers in the market.”

Based in San Diego, Sempra Energy has for the past 16 years been involved in the business of “liquefaction,” the process in which natural gas is cooled to minus-260 degrees Fahrenheit and condensed into liquid.

The first phase of Cameron’s $10 billion liquefaction project is scheduled to go online in 2018. Mitsui and Mitsubishi of Japan and France-based ENGIE have partnered with Sempra on the Cameron project, signing 20-year contract commitments to take delivery of LNG and shipping it to clients around the world.
Three LNG firms continue making plans at Valley port

Photo courtesy of Rio Grande LNG

A rendering of the proposed Rio Grande LNG plant located on the Port of Brownsville.

BROWNSVILLE — Annova LNG announced this week that it has filed its application with the Federal Energy Regulatory Commission to seek authorization to build facilities at the Port of Brownsville. That puts the number at three for proposed liquefied natural gas projects at the port. Annova has joined Rio Grande LNG and Texas LNG, who both filed FERC applications earlier this year.

To address concerns, the three companies invited members of the community to a late night Q&A session Thursday in Brownsville. The liquefied natural gas companies wanted to re-iterate the economic growth the plants would bring to Cameron County and emphasize that LNG is environmentally friendly.

“This is a really exciting period for the Valley. These projects have the potential to transform (the region) in a very positive way,” said James Markham-Hill, the Rio Grande LNG representative.

By FRANK GARZA Staff Writer (Valley Morning Star) 7/15/16

American Gas Will Be First to Pass Through Expanded Panama Canal

The vessels will become the first to take advantage of a multibillion-dollar expansion that widened the canal enough to handle massive LNG tankers. Its opening stands to increase the potential for American shale gas exports, which began just five months ago, by cutting shipping costs and times from the U.S. to the west coast of Latin America and to Asia.

“The fact that three companies have booked passage means that it’s viable and it’s working more or less the way the canal authority hoped when they set up the tolls,” Jason Feer, head of business intelligence at Houston-based ship broker Poten & Partners, said by phone Monday. “I wouldn’t be surprised if one of those goes to Asia.”

Shell’s tanker was approaching Cheniere Energy Inc.’s Sabine Pass LNG terminal in Louisiana late Monday, shipping data compiled by Bloomberg show. BP’s British Merchant tanker will carry gas from Trinidad to an import terminal on Mexico’s west coast, the authority said.

A Shell spokesman declined to comment, as did a spokeswoman for BP. Cheniere couldn’t immediately be reached for comment. The Panama Canal Authority didn’t immediately have details on the destination of Shell’s tanker and didn’t release further details about the third cargo.

The canal expansion, which went into service in late June, allows access to 90 percent of the world’s LNG tanker fleet, up from 6 percent before, Victoria Zaretskaya, an analyst with the U.S. Energy Information Administration, said in a July 1 e-mail. The U.S. Gulf Coast may be sending 35 million to 38 million tons annually on about 550 tankers through the Panama Canal by 2021, she said.

By Naureen Malik (Bloomberg) 7/19/16
US LNG won't be Japan's savior after all

The Panama Canal now allows wider liquefied natural gas carriers to pass through, making it possible for U.S. shale gas to more easily make its way to Japan. But U.S. LNG is becoming pricey, and exports of the stuff from the U.S. no longer promise to help Japan cut its energy bills.

Trading house Sumitomo Corp. and utility Tokyo Gas will be the first Japanese consortium to start importing U.S. LNG. The consortium will start producing LNG in the U.S. state of Maryland and shipping it from there in 2017.

Japan, however, finds itself in a bit of a pinch. "It is now cheaper to buy LNG from Southeast Asia and Australia than from the U.S.,” an energy company representative said. A few years back, U.S. LNG prices were expected to be nearly half those of Southeast Asia, but now U.S. LNG prices are nearly double Asian spot prices, according to the representative.

HIROFUMI MATSUO, Nikkei senior staff writer (Nikkei Asian Review) 7/19/16

Power from Natural Gas Expected to Reach a Record High Despite Climate Concerns

Electricity production from natural gas-fired power plants is expected to reach a record high this year, as the fuel source remains cheaper than coal, according to a government report.

In total, natural gas-fired plants will provide 34% of the country’s electricity this year, the Energy Information Administration (EIA) said. Coal-fired plants, nuclear and renewables follow with 30%, 19% and 15%, respectively.

The cost of natural gas has dropped dramatically in recent years as a result of new technologies that have opened up vast new areas in the United States to drilling, vastly increasing production. As recently as 2010, 42% of the electricity mix came from coal and 25% from natural gas.

By Justin Worland (Time) 7/14/16

Korean shipbuilders, energy firms join hands to develop LNG bunkering market

As part of efforts to have a grip on the growing liquefied natural gas (LNG) bunkering market, a group of South Korean companies including shipbuilders have come together to establish an association dedicated to developing LNG bunkering facilities and infrastructures including LNG-fueled vessels.

On Friday, officials representing 21 private and state-run entities in Korea gathered to attend the inaugural meeting of the LNG Bunkering Industrial Association. They were from major shipbuilding and energy companies including Hyundai Heavy Industries Co., Daewoo Shipbuilding & Marine Engineering Co., Samsung Heavy Industries Co., Korea Gas Corporation, Posco Co., Samchully Corp., GS Energy Corp. and SK Energy Co. The association was founded after four years of preparation work with an aim to nurture the country’s LNG bunkering industry that is yet in its infant stage.

The global LNG bunkering industry is widely expected to grow amid stricter environmental regulatory standards on offshore vessels to use clean fuels. The association seeks to expand the industry by developing facilities and infrastructures that are able to supply LNG fuel to vessels both onshore and offshore.

By Park Yong-beom (Pulse) 7/17/16
Shale gas impact fees expected to drop again in Pennsylvania

Clem Murray/Philadelphia Inquirer
A well-site for Seneca Resources, Inc. in Loyalsock State Forest in Lycoming County.

Pennsylvania’s total impact fee collections from shale gas wells are expected to fall again next year amid continued low prices and scant new drilling, according to projections released today by the state Independent Fiscal Office. Total fees paid by drillers are expected to decline between $5.4 million and $56.5 million from this year’s record-low collection of $187.7 million, minus late or disputed payments from prior years.

The office’s least optimistic of three scenarios contemplates that a drop in the annual average price of gas on the New York Mercantile Exchange will drive down the impact fee by $5,000 per well for most wells. That would translate to a total collection of $129.3 million. Its middle scenario anticipates the currently sluggish pace of drilling will remain the same for the rest of the year but the price schedule will not drop, resulting in a $15.2 million reduction in impact fee collections to $170.6 million.

The number of new wells drilled in the first half of 2016 declined by 60 percent compared to the same period last year, the office said. If that trend continues, only 329 new wells will be drilled this year. In the highest-revenue case, drilling will pick up to match the pace from the second half of last year and the fee collection will total $180.4 million.

Pennsylvania’s impact fees have cumulatively raised $1.04 billion since they were first levied in 2012.

By Laura Legere / Harrisburg Bureau (Powersource Post Gazette) 7/15/16

Sunoco's Mariner East pipeline wins big in court but hurdles remain

Commonwealth Court on Thursday upheld Sunoco Logistics Partners' power to take private property for its Mariner East Pipeline, adding momentum to Sunoco's plan to deliver more energy from the Marcellus Shale region to Marcus Hook. The court, in a 5-2 ruling, affirmed a Cumberland County judge's decision last year that Sunoco's pipeline subsidiary is a public utility as determined by the Pennsylvania Public Utility Commission, which Sunoco says gives it the authority to take rights of way from property owners who decline to negotiate agreements along the pipeline's 351-mile route.

The majority opinion, written by Judge Renée Cohn Jubelirer, concluded that "Sunoco is regulated as a public utility by PUC and is a public utility corporation, and Mariner East intrastate service is a public utility service."

Sunoco Logistics called the ruling decisive. "Although this case confirmed Sunoco Pipeline's public utility status, we have always worked with landowners to reach mutually acceptable agreements, and pursued legal proceedings only in those instances where an agreement could not be reached," the Newtown Square company said in a statement.

The Mariner East project, which would deliver natural gas liquids like propane, butane and ethane to Delaware County, still faces obstacles that were unresolved by Thursday's ruling. A separate suit, filed last year in Philadelphia by the Clean Air Council, also argues that Sunoco has no legal right to use eminent domain to build its pipelines, which it argues would not serve a public need.

"This is not the end of the story," said Alex Bomstein, a Clean Air Council attorney. He said the ruling on Thursday was "quite narrow" and did not address the constitutional challenges raised by the Philadelphia suit, including arguments that the pipeline violates the state's Environmental Rights Amendment.

Bomstein said the issues will ultimately be decided by the state Supreme Court.

http://www.philly.com/philly/business/energy/20160715_Court_boosts_Sunoco_s_Mariner_East_Pipeline.html
By Andrew Maykuth, Staff Writer (Philly.com) 7/14/16
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The Ben Franklin Shale Gas Innovation and Commercialization Center (www.sgicc.org) is designed to harness innovation and new technologies to maximize the economic return to Pennsylvania’s citizens from the Marcellus and Utica shale formations. The Center’s goal is to increase sustainable employment and wealth creation in Pennsylvania that has the potential to outlast the initial exploration, production and transportation of natural gas from the formations. The Center will also identify, support and commercialize technologies and early-stage businesses that enhance responsible stewardship of the environment while properly utilizing this transformative energy asset.

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