

Masela mothballed until 2029, analysts say



Indonesia's President Joko Widodo has now officially rejected the Abadi FLNG project. (PA)

Damon Evans / Jakarta

JAKARTA'S INSISTENCE ON an onshore liquefaction plant rather than a floating facility for its Masela development means first gas is likely to be delayed by five years, to 2029, analysts said this week.

Japanese operator Inpex finally received an official letter of rejection for its Abadi FLNG development on Monday, more than a week after [President Joko Widodo](#) announced his instruction for output from the gas-rich block in the Arafura Sea to be developed onshore.

Sending Inpex and project partner Shell back to the drawing board to prepare an onshore development proposal will probably postpone an FID on the LNG

scheme until 2022, nearly three years after general elections in 2019.

As a result, most Jakarta-based analysts are not expecting first gas until 2029, a year after the current production-sharing contract (PSC) expires and some five years later than under the vetoed FLNG concept, William Simadiputra, an Indonesian energy specialist at research agency DBS Vickers, told *Interfax Natural Gas Daily*.

On paper the onshore project seems feasible, but the investors will need to massively overhaul their development plan, while the president's decision could even see the companies pull out, Simadiputra added.

Inpex declined to comment specifically on the decision, but a spokesperson told *NGD* the company is reviewing the letter carefully before responding, as Masela is a high-risk and complex upstream block that will require huge levels of investment.

Inpex and Shell had previously assessed both onshore and floating development options. They selected the FLNG concept because it would be at least \$7 billion cheaper than plans for the onshore complex – estimated at \$22 billion – as well as being quicker to develop.

But the president – who overruled the recommendations of Shell, Inpex, Indonesia's energy minister and upstream regulator SKK Migas, all of which backed the FLNG model – hopes an onshore plant will boost regional economic development in Southern Maluku province.

The onshore model

Analysts told *NGD* they expect Inpex and Shell will need at least two years to carry out another environmental impact assessment, a year to prepare a detailed feasibility study on the onshore plant and one more year to complete the final development plan.

On top of that, they will also need at least two more years to shore up buyers and lenders for the project, meaning an FID is unlikely before 2022.

A sticking point will be extending the current PSC – which expires in 2028.

CONTINUED ON PAGE 2

Contents

Karoo closer to exploration but fracking still far away **5**

South Africa may approve its first five shale exploration licences this year, but only one applicant is considering fracking at this stage.

3 Editorial / Only Eni will stay afloat if Exxon takes bite of Rovuma

4 Infographic / Russia ups gas exports to key European markets

6 In Brief / Breaking news from around the world

8 This Week / Winners & Losers, Verbatim, People Moves



CONTINUED FROM PAGE 1

Negotiations could potentially be drawn out, Simadiputra warned. The extension can be negotiated 10 years before the contract expires.

But talks are unlikely to start in 2018, an election year, when nationalist fervour will be at its peak. State-backed oil company Pertamina's desire to get involved in the project could complicate matters too, he added.



The whole pricing issue is generally up in the air in Indonesia. As things stand now it will be hard going finding project finance, not to mention buyers

"Aside from figuring out [how to lay] pipelines across a deep-sea trench in an extremely tectonically active area and finding a suitable site for the LNG processing facility, the investors need some certainty on domestic gas pricing as a significant chunk of production will be sold locally," said a source close to the project, who wished to remain anonymous.

"The whole pricing issue is generally up in the air in Indonesia. As things stand now it will be hard going finding project finance, not to mention buyers," the source added.

Even after the feasibility study is finished, land acquisition will be a huge challenge and has proven to be a key hurdle for many

of Indonesia's other projects, resulting in multi-year delays, said Simadiputra.

It is not uncommon for powerful Indonesian businessmen to buy land that could potentially be used for oil and gas projects from locals when it is cheap. This kind of behaviour obstructs strategic state projects, a spokesperson at upstream regulator SKKMigas told *NGD*.

For instance, in recent years, whenever Inpex surveyed land in the Maluku region with an eye for developing a logistics supply base to support its FLNG scheme, speculators would snap up the land.

Leaked information about the planned construction of onshore facilities to speculators has not helped either. They want to take advantage and make as much money as possible, added the spokesperson.

Inpex can only hope the government will help expedite the buying of project land once a location for the LNG plant is finally decided, otherwise it will be one more problem delaying the development of the Masela block. ■

Further reading

- [Shell may exit Abadi after Jokowi sinks FLNG hopes](#)
- [Shell and Inpex put Abadi FLNG on ice](#)
- [Indonesia's Abadi FLNG mired in politics](#)

Energy front-month futures

	Closing date	Close	High	Low	% change
Brent Crude , \$/bbl	7 Apr	39.43	40.29	38.70	-1.03
WTI Crude , \$/bbl	7 Apr	37.26	38.30	36.69	-1.30
Henry Hub , \$/MMBtu	7 Apr	2.02	2.02	1.89	5.60
NBP , p/th	7 Apr	26.38	27.05	26.35	-2.33
TTF , €/MWh	7 Apr	11.15	11.30	11.10	-2.19
Gaspool , €/MWh	7 Apr	11.29	-	-	-2.17
NCG , €/MWh	7 Apr	11.43	-	-	-2.14
Central Appalachian Coal , \$/t	7 Apr	43.63	-	-	0.00
Newcastle Coal , \$/t	7 Apr	49.60	-	-	-0.90
South China Coal , \$/t	7 Apr	44.35	-	-	-1.00

Prices provided by GlobalView. GlobalView provides benchmark pricing, news and analytics for the commodities and energy sector. For more information, please contact sales.london@marketview.com.

On interfaxenergy.com

Editor's choice



[Ichthys delays would hit Inpex hard as low prices bite](#)

Inpex will find itself under pressure if its Australian LNG export project falls further behind schedule, analysts say.



[Blind faith not enough for Venezuela](#)

The latest El Niño has been particularly harsh, but it is a fig leaf for years of poor energy policy in Venezuela.

Trending

- 1** [Ichthys delays would hit Inpex hard as low prices bite](#)
- 2** [Sarawak agrees on Petronas gas supplies](#)
- 3** [Canada's outlook gloomy without LNG exports](#)
- 4** [Wentworth plans gas expansion in East Africa](#)
- 5** [JGC Indonesia secures EPC contract for gas plant](#)

Connect

- twitter.com/interfaxenergy
- facebook.com/interfaxenergy
- interfaxenergy.com/rss/gasdaily

Only Eni will stay afloat if Exxon takes bite of Rovuma

Leigh Elston / Maputo

The Offshore Area 4 stake sale could see Eni remain the operator of Coral FLNG while ExxonMobil operates the giant onshore project.

AFTER YEARS OF circling the warm waters of northern Mozambique, ExxonMobil is preparing to take its first bite out of the Rovuma gas Basin. But although Exxon's arrival may be good news for the country, it is still unclear what it will mean for Eni and Anadarko, the two companies currently guiding Mozambique's LNG future.

Exxon is expected to confirm its acquisition of a stake in Eni's Offshore Area 4 gas block within two weeks, but the deal looks far from straightforward. *Interfax Natural Gas Daily* has heard from sources in Maputo that the plan is to split Area 4's development into onshore and offshore LNG components so that, after the sale, Eni will remain operator of the Coral field and its flagship 3.4 mtpa FLNG project, while Exxon will operate the larger Mamba field and the onshore LNG project.

The teams at Exxon and Eni are now working out how to structure the deal to achieve this. One option, *NGD* understands, could be to split Eni East Africa – which holds a 70% stake in Area 4 and in which China National Petroleum Corp. holds 28.57% of the shares – into separate mid- and upstream companies and sell only the midstream company to Exxon. This could work because, although Coral FLNG is considered to be an upstream development until the liquefied gas is pumped onto a tanker, the onshore liquefaction process is considered to be a midstream project. However, it's not yet clear how the companies would delineate the upstream ownership of the Mamba field under this structure.

Eni, which will remain in Mozambique via Coral FLNG and the Angoche licence it won in the fifth licensing round, looks likely to be strengthened by the sale. But what, then, of Anadarko?

Not content with its Area 4 stake, Exxon is still rumoured to be interested in buying the Texan company – and with it, its stake in the neighbouring Offshore Area 1.

There could be major benefits from having a single operator managing the whole onshore Rovuma Basin LNG development. Not only would it simplify upstream work on the giant straddling Mamba-Prosperidade reserve, but building a single four-train



Anadarko's days off the Mozambican coast could be numbered. (Anadarko)

plant – rather than two separate two-train plants – would bring economies of scale at a time when it is critical to lower the project's breakeven cost.

On the other hand, there could be greater advantages in having competition rather than collaboration between Areas 1 and 4, an adviser at ENH told *NGD*. Having one monster company operate both blocks could sacrifice too much control over the project's pace of development, he warned.

However, Anadarko has confirmed it is reluctant to sell. Country Manager John Pepper has repeatedly reaffirmed the company's commitment to Mozambique.

"We have a new executive vice president for global LNG. We brought him in to help deliver this project. There is no better evidence that, firstly, we're committed, and secondly, that the project is going forward, than bringing in this executive," he told the *Rovuma Basin Market Briefing* event in Maputo in January.

However, new Anadarko troubleshooter Mitchell Ingram – the former managing director of BG Group's Queensland Curtis LNG project in Australia – is just one man. And if the economics of Mozambique LNG don't work at today's oil prices, Anadarko cannot move forward with the project. While the US independent may have fended off reported advances from Exxon last year, it is a weaker company today.

Anadarko's shares have nearly halved in value over the past 12 months, and it has been forced to slash capex for 2016 by nearly 50% to ride out the low oil price wave. As Exxon circles closer, Eni will stay afloat, but Anadarko's days appear to be numbered. ■



Best of Blogs

Nuclear alternative

Japan is likely to miss its nuclear target but has other zero-carbon options to meet its 25% energy self-sufficiency goal, says Varun Sivaram for the Council on Foreign Relations.

Tough environment

Solar power companies are having a hard time raising capital, with funding dropping to \$2.8 billion in Q1 from \$6.9 billion in Q4 2015, notes Joshua Hill in *CleanTechnica*.

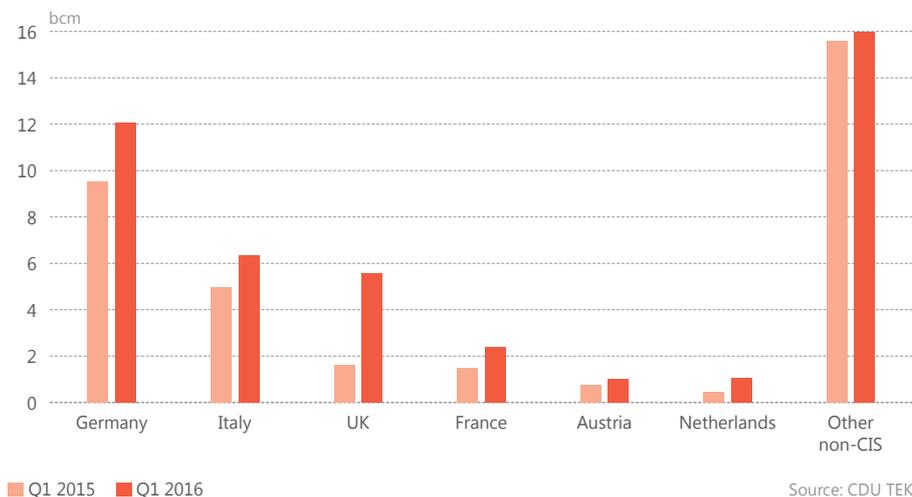
Stable prices

Wholesale gas and power prices in the northeast US have remained low this winter because of record warm weather and increased regional LNG imports, writes April Lee for the EIA.

Russia ups gas exports to key European markets

Annemarie Botzki / London

GAZPROM NON-CIS GAS EXPORTS, BY DESTINATION



Source: CDU TEK

RUSSIA EXPORTED 44.1 billion cubic metres of gas to non-CIS countries between January and March 2016 – 28% more than the 34.41 bcm it exported in Q1 2015 – according to Gazprom.

The increase was attributed to the company's oil-linked pricing system, which has seen gas prices become more competitive since the collapse in the price of crude.

Italy and Germany showed strong purchase growth in Q1 2016, while the UK's imports more than doubled, with Gazprom exporting 5.55 bcm to the UK in Q1 2016 compared with 1.62 bcm in Q1 2015.

Analysts expect Gazprom to keep increasing its exports to Europe in 2016. According to Anna Galtsova, principal researcher at IHS Energy, it is a continuation of the 2015 trend that saw Gazprom supplying additional gas at a time when European demand grew by 3.6% while indigenous production fell by 9.5%.

"2016 is going to be the continuation of the same trends. And even though LNG imports are set to rise this year in Europe, [the continued] lack of alternatives for increased supply will benefit Russia's gas exports to Europe," Galtsova said.

Despite the increasing exports, Gazprom produced 34.8 bcm of gas in March, 5.7% less than the 37.0 bcm it produced in the same month last year, according to *Interfax* calculations based on data from Central Dispatching Department of the Fuel and Energy Complex (CDU TEK).

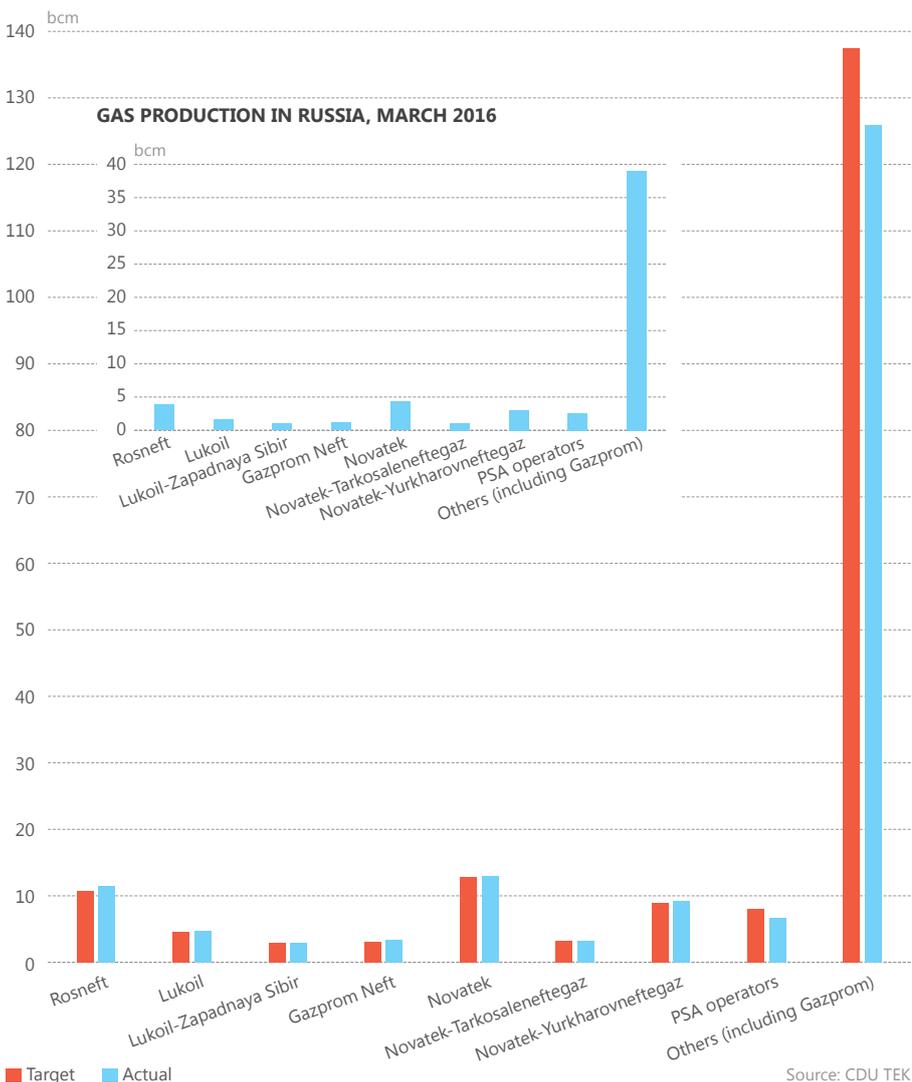
It is the biggest such drop since May 2015, when production by fell 18% year on year.

Gazprom's export success in March – a 1.6 bcm increase – was entirely offset by the decline in supplies to the domestic market and falling exports to the CIS region.

Gazprom produced 112.8 bcm of gas in Q1 2016, 3.5 bcm less than the 116.3 bcm it produced in Q1 2015.

European underground storage facilities had 31.7 bcm of gas in reserve on 30 March, compared with 24.3 bcm on the same date in 2015. The 7.4 bcm difference will result in reduced demand during the summer injection period. ■

GAS PRODUCTION IN RUSSIA, JANUARY-MARCH 2016



Source: CDU TEK

Karoo closer to exploration but fracking still far away

Leigh Elston / Maputo

South Africa may approve its first five shale exploration licences this year, but only one applicant is considering fracking at this stage.

THE PROSPECTS FOR shale gas exploration in South Africa's Karoo Basin are slowly improving, but it will be at least two years until the first well is fracked.

Petroleum Agency South Africa (PASA), the country's state regulator, is assessing the five shale applications made by three companies – Shell, Falcon Oil & Gas, and Bundu Gas & Oil – and will make recommendations to the minister of mineral resources for final approval "in a month or two months' time," Tebogo Motloung, PASA's manager of licensing and legal compliance, told *Interfax Natural Gas Daily* this week.

However, only one applicant has indicated to PASA that it may frack during the first three years of the licence, and even this depends on the outcome of initial exploration.

The other applicants – such as Australia's Challenger Energy, which owns 90% of Bundu – are planning for the possibility that exploration rights will be granted soon. However, initial work on the licences will only involve water sampling, data gathering and reprocessing of the original seismic results from Soekor, the former South African state-owned oil and gas exploration company.

"We anticipate that this will enable us to identify drilling locations without needing new seismic in the initial period," Challenger's Managing Director Robert Willes told *NGD*.

The company would then look to drill up to three exploration wells, and "if we have success following this, we may then look to hydraulic fracturing in the next stage", Willes said.

The global decline in oil and gas prices, [delays in shale gas regulation](#) and the projected drop in South Africa's power demand caused by its nosediving economy have dampened explorers' enthusiasm for early drilling.

There is still major uncertainty over the size of South Africa's reserves. The [United States Energy Information Administration](#) estimates there could be 13.6 trillion cubic metres of shale gas under the Karoo, "but those are prospective resources, there's



Wildlife in South Africa's Karoo Basin. A major study is under way to assess the impact of fracking. (Dominic Morel)

nothing proven. We don't actually know how South African shales will [...] deliver the gas we expect them to deliver," David van der Spuy, PASA's resource evaluation manager, [told a conference last year](#).

Shale gas drilling will be capital intensive, especially as the Karoo lacks easy access to water supplies or the midstream infrastructure to bring the gas to market.

Even if supplies are proved up in large quantities, domestic gas may not prove competitive against Henry Hub-linked LNG supplies from the US, or piped gas from neighbouring Mozambique or Namibia.

Detailed investigation

The economic potential of the shale gas industry in South Africa is one of the many issues under review by the [Strategic Environmental Assessment \(SEA\)](#).

This detailed investigation, coordinated by the Council for Scientific Industrial Research, is drawing on around 150 independent experts to look at the impact shale gas development could have on (among other things) biodiversity, tourism, agriculture, air quality and the social fabric of the Karoo.

The second draft of the first chapter from the investigation looks at four potential scenarios for fracking in the Karoo.

These range from no production, to producing enough gas to fuel a 1 GW power plant, to around 560 billion cubic metres of production – which could supply up to 4 GW of power as well as a GTL plant. The draft is now ready for review by stakeholders.

The final results from the SEA study should be published in 2017 and will be used to guide policy and update the current regulations before any fracking is expected to take place.

There is strong environmental opposition to fracking in South Africa, which could still halt exploration. In April 2011 the country imposed a moratorium on all shale gas exploration following protests by environmental groups.

The ban was lifted a year later after a team of experts recommended that fracking be authorised under strict supervision. The SEA was launched in May 2015, one month before the new regulations were published.

This stop-start policy process may have frustrated explorers, "but it doesn't seem particularly out of sync with the way regimes in other countries have developed", said Paul Jones, a senior associate at law firm Bracewell & Giuliani.

"Trying to legislate for a new industry is always an ongoing process. Going through this further assessment process now seems fairly responsible as, in reality, even if initial permits are approved this year, actual drilling isn't going to be taking place for some time, so there's scope for the SEA to consider everything fully," Jones said.

There is still a freeze on new applications to explore for shale, which PASA says is to ensure more equitable access to acreage. PASA is in discussions with the [Department of Mineral Resources](#) about launching a shale gas licensing round, although it is not known when this will happen. ■

EU delegation heads to Iran for energy talks

The EU's Commissioner for Climate Action and Energy Miguel Arias Cañete will visit Iran on 15 and 16 April to discuss developments in the energy sector with Iranian officials. Cañete will travel to Tehran with a number of other EU commissioners in a delegation led by Federica Mogherini, the EU's foreign policy chief, EU officials have confirmed. "It is a big delegation. It is led by High Representative and Vice President Federica Mogherini. To my knowledge there are eight or nine commissioners going, so it is really a big visit," Mechthild Wörnsdörfer, the European Commission's director for energy policy, told an event in Brussels on Thursday. Wörnsdörfer said energy would be high on the agenda during the visit and that the aim was to adopt a declaration on cooperation on the issue. "We will be looking future cooperation in the energy field [...] not just oil and gas but also energy efficiency and renewables. So it is a start. I won't say it is more than that but it is a start," she added.

German operators request Nord Stream 2 capacity

The operators of the German Gaspool zone – including ONTRAS, Gascade and Gasunie – have submitted non-binding requests for additional capacity to be linked to the Nord Stream 2 pipeline, Wintershall board member Ties Tiessen said at the company's annual press conference. These requests are under review by Germany's anti-monopoly regulator. Poland has also submitted a request for capacity from the Gaspool zones, which will help with the project, Tiessen said. Wintershall has prepared all permits and expects to receive approvals from the countries involved in Nord Stream 2 in 2017. This would coincide with the procurement process so the pipeline can be put into operation by the end of 2019. Tiessen expects clearance by the Polish regulator in Q2 for the formation of a Nord Stream 2 joint venture – allowing foreign partners to buy shares in Nord Stream 2. Wintershall holds a 10% stake in the project.

Kazakhstan plans to resolve Karachaganak dispute

Kazakhstan's government and the operator of the country's Karachaganak



EU Energy Commissioner Miguel Arias Cañete will be among the delegation visiting Iran. (EP)

project plan to resolve their dispute over production-sharing agreements (PSAs), the Kazakh Ministry of Energy has said. "There are specific controversial issues regarding the Karachaganak project related to production sharing calculations. All disputed issues are presented in a format required by FPSA [final PSA] dispute settlement requirements and international agreements," the ministry said in a statement on Thursday. "The parties are determined to find a negotiable solution and peacefully resolve the issue. It's important for us to keep up the spirit of successful cooperation between the parties that existed at the beginning of the project in 1998," the ministry added. News reports previously quoted Russian company Lukoil as saying Kazakhstan claimed \$1.6 billion from the Karachaganak partners under the PSA for the project. The Karachaganak oil and gas condensate field is one of the largest in the world, with estimated reserves of 1.2 billion tons of oil and 1.35 trillion cubic metres of gas. It is operated by Karachaganak Petroleum Operating, which includes BG Group (with a 29.25% stake), Eni (with 29.25%), Chevron (with 18%), Lukoil (with 13.5%) and Kazmunaigas (with 10%).

Novatek ups gas and liquids production in Q1

Novatek increased its gas production by 6.7% year on year in Q1 2016, to 17.24 billion cubic metres, and boosted its liquid hydrocarbons output by 61.1%, to 3.2 mt, the company said in a statement. Novatek processed 3.23 mt of unstable

gas condensate at the Purovsky Processing Plant, up by 29.8% year on year. It processed 1.78 mt of stable gas condensate at the Ust-Luga Complex, 4.7% more than in Q1 2015. Export sales of stable gas condensate amounted to 479,000 tons. As of 31 March 2016, Novatek had 400 million cubic metres of gas and 395,000 tons of stable gas condensate and petroleum products in storage or transit and recognised as inventory. Novatek's marketable hydrocarbons production includes shares in production from joint ventures.

Kazakhstan and US discuss energy cooperation

Kazakh President Nursultan Nazarbayev met United States Energy Secretary Ernest Moniz in Astana on Thursday, the president's press office announced. The meeting focused on efforts to strengthen cooperation between Kazakhstan and the United States in the energy sector, including the oil and gas industry, electricity and environmental protection. Nazarbayev and Moniz also discussed the participation of US companies in the Kazakh energy sector, plans for broader use of "green energy" in Kazakhstan, nuclear power, and the cost of producing energy from renewable sources. Nuclear security, in particular reducing the use of uranium, was a special focus. The meeting also highlighted Kazakhstan's contribution to the agreement with Iran's over its nuclear programme. Moniz said the

CONTINUED ON PAGE 7

CONTINUED FROM PAGE 6

Astana talks were productive and expressed confidence that Kazakhstan and the US will continue their cooperation in the energy sector.

Kuwait signs 2.5 mtpa of LNG supply contracts

Kuwait National Petroleum Co. (KNPC) has signed several LNG supply contracts that will see it import 2.5 mtpa over the next four years to an FSRU at Mina al-Ahmadi, Nabil Buresli, KNPC's head of marketing, announced on Thursday. The country began importing LNG in 2009 via the floating terminal to meet rising domestic gas demand. KNPC has agreed supply contracts with BP and Shell to buy 1 mtpa from each, and it has signed a third contract with Qatargas 2 for 500,000 tpa. Qatargas 2 is a shared venture between Qatar Petroleum, ExxonMobil and Total. Buresli said that after 2020 KNPC plans to sign contracts to import 6-7 mtpa for up to 15 years via its new onshore terminal. KNPC has signed a \$2.93 billion contract with two Korean companies to build the LNG terminal at the Al-Zour refinery near the Saudi Arabian border. Construction is expected to take 58 months and is scheduled to be completed by Q1 2021.

TAPI shareholders sign investment agreement

Management shareholders in the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline consortium signed an investment agreement on Thursday. The agreement was signed in Ashgabat following the 24th session of the management committee for the project, which was attended by the heads of the oil and gas ministries from the countries along the pipeline route, as well as representatives of the Asian Development Bank. The initial budget in the investment agreement amounts to more than \$200 million and provides financing for the next phase, including detailed surveying work on the pipeline route and a review of the environmental and social impact. The pipeline is expected to take three years to build.

Turkish companies show interest in Israel's Leviathan gas

Turkish energy companies have expressed interest in forming a consortium to import

gas from Israel's Leviathan field by 2020, according to a *Globes* report. An estimated 15 Turkish companies could buy up to 8 billion cubic metres on an annual basis, according to Batu Aksoy, the chief executive of Turkish energy company Turcas, who was quoted by Turkish daily *Hurriyet*. "The main advantage of creating a consortium is that companies can share the risks in such a major deal," Aksoy said. Turkey consumes 50 bcm/y of gas and is looking to diversify away from its dependence on Russian gas, which supplies about 55-60% of Turkish requirements. "We believe eastern Mediterranean gas will be a huge chance for Turkey on the road to becoming an energy hub," Aksoy added. Before talks can begin, Israel and Turkey will need to first sign a reconciliation agreement to resume diplomatic relations after they were severed over the 2010 Marmara ship confrontation.

Canadian energy to see massive drop in capital spending

Canada's energy industry is forecast to experience its biggest two-year decline in capital spending since records began in 1947, the Canadian Association of Petroleum Producers (CAPP) warned in a release this week. CAPP said spending on major projects is estimated to fall to \$31 billion in 2016, down by \$50 billion since 2014. The Canadian oil and gas industry spent a record \$81 billion in 2014 before energy prices collapsed. The total number of wells drilled in Western Canada is forecast to decline to 3,500 in 2016, a 66% drop from the 10,400 wells drilled in 2014, according to CAPP. "Including indirect jobs, more than 110,000 people across Canada have lost jobs as a result of the downturn in the oil and gas industry. Canada needs urgent action to remain an attractive market for oil and gas investment, and to be competitive relative to other oil and gas producing jurisdictions," Tim McMillan, CAPP president and chief executive, said in a statement. "The United States, our only customer and No. 1 competitor, is certainly not standing still," McMillan said. "We as a country need a common effort to have a level playing field in North America. Doing so will help ensure Canada is not at a competitive disadvantage relative to the US," he added. ■

**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

Chief editor Therese Robinson
therese.robinson@interfax.co.uk

News editor Tom Hoskyns
tom.hoskyns@interfax.co.uk

Western Europe editor Annemarie Botzki
anne.botzki@interfax.co.uk

Africa editor Leigh Elston
leigh.elston@interfax.co.uk

Latin America editor Christopher Noon
chris.noon@interfax.co.uk

Central & Eastern Europe editor Joshua Posaner
josh.posaner@interfax.co.uk

Middle East editor Verity Ratcliffe
verity.ratcliffe@interfax.co.uk

China editor Colin Shek
colin.shek@interfax.cn

Asia Pacific editor Andrew Walker
andrew.walker@interfax.co.uk

EU policy & regulation editor Andreas Walstad
andreas.walstad@interfax.co.uk

International correspondents

Baku Anar Azizov, Nigar Abbasova • **Beijing** Li Xin • **Beirut** Rachel Williamson • **Delhi** Garima Chitkara • **Dublin** Astrid Madsen • **Kiev** Alexey Egorov, Roman Ivanchenko • **London** Jane Upperton • **Moscow** Andrei Biryukov, Alexey Novikov, Svetlana Savateeva, Yulia Yulina • **Perth** Sally Bogle • **Shanghai** Tang Tian • **Singapore** Damon Evans

Production

Chief sub-editor Rhys Timson
Sub-editors Doug Kitson, Rob Loveday
Design & layout Joseph Williams

Sales

Senior sales manager Matt Shelton
matt.shelton@interfax.co.uk
+44 (0)20 3004 6203

Sales manager Frazer Donald
frazer.donald@interfax.co.uk
+44 (0)20 3004 6207

Sales manager Stephanie Paranjpe
stephanie.paranjpe@interfax.co.uk
+44 (0)20 3004 6220

Natural Gas Daily is published daily by Interfax Ltd, a division of Interfax Information Services Group.

Copyright ©2016 Interfax Ltd. All rights reserved

ISSN: 2048-4534

No part of this report may be reproduced or transmitted in any form, whether electronic, mechanical or any other means without the prior permission of Interfax. In any case of reproduction, a reference to Interfax must be made.

All the information and comment contained in this report is believed to be correct at the time of publication. Interfax accepts no responsibility or liability for its completeness or accuracy.

Winners & Losers

 India's Ministry of Petroleum and Natural Gas has cut the country's domestic gas price by 20%, to \$3.06/MMBtu. The cut is expected to encourage gas demand growth because it will mean lower costs for the fertiliser, power and steel sectors.

 The electricity output from French gas-fired power plants rose by around 55% year on year in 2015 as a result of low hydropower levels and cold weather. Power demand was virtually flat year on year.

 China's appetite for natural gas – which dropped last year because of high fuel prices – appears to be rebounding strongly after November's deep price cut. Chinese gas consumption was up by 44% on an annual basis in December 2015.

 The planned Nord Stream 2 project will not escape EU competition law on the grounds that it is a subsea pipeline, meaning its feasibility is highly questionable, speakers told a debate in the European Parliament on Wednesday.

 Brussels may not approve France's capacity market unless the scheme is changed to allow direct foreign participation, seen as key to avoiding fragmentation of the EU's internal electricity market.

 Not one of Canada's 22 LNG export projects proposed for the country's east and west coasts has made an FID. The fall in oil and gas prices, declining United States exports and the global LNG supply glut are all bad news for Canada's LNG industry.

People Moves

 Arsénio Mabote, the former head of Mozambique's state petroleum regulator INP, will join national oil company ENH as an adviser. Mabote told *Interfax Natural Gas Daily* he will start work at ENH within the next few weeks.

 Chevron has announced that Randolph Richards will become corporate vice president and treasurer, effective 1 May. Richards replaces Paul Bennett, who is retiring from the position after 36 years of service with the company.

 Greg Conlon has joined US company KBR as president for engineering and construction for Asia Pacific. He previously worked at WorleyParsons, where he managed

operations in North America, Europe and Asia.

 Australia's LNG Ltd has named Gregor Vesey, formerly of Chevron, as its new managing director and chief executive. Vesey will be based in Houston, Texas and his appointment is effective from 4 April. Maurice Brand, LNG Ltd's founder and former managing director and CEO, will continue as an executive director until he retires in June 2017.

 Neil McCulloch, the president for the North Sea at EnQuest, and Terry Savage, the corporate relationship director at Global Energy Group, are taking over as co-chairmen of the board of UK offshore oil and gas industry body Oil & Gas UK with immediate effect.

Go Figure

8.8 GW

Capacity of the Guri hydropower plant in Venezuela

240 metres

Water level in the Guri dam that would trigger emergency measures

244.55 metres

Water level in the Guri dam as of Tuesday

 [Gas cannot rescue desperate Venezuela, 5 April 2016](#)

18%

Annual rise in China's gas consumption in January 2016

19%

Annual rise in China's gas consumption in February 2016

28%

Average reduction in non-residential gas prices in China over the past winter

 [China's appetite for gas bounces back, 4 April 2016](#)

Verbatim

Nord Stream 2 and the Energy Union cannot coexist. The expansion of the pipeline strikes at the very heart of the Energy Union. It fundamentally endangers our energy security

MEP Jerzy Buzek in the European Parliament on Wednesday.

The government is facing some big decisions as water levels continue to fall to historical lows

Patricia Ventura, a director at energy consultancy IPD Latin America, discusses the dry conditions that have curbed Venezuela's hydroelectric production, threatening rolling blackouts.

I would be surprised if the French authorities do not have to make changes to the scheme to get the commission's approval

Peter Willis, partner with law firm Bird & Bird, told *NGD* France's capacity market scheme will likely face red flags under EU laws on state aid.