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Mozambique makes its picks in gas tender

Mozambique has allocated gas to Yara International for a fertiliser plant in the country. (Yara International)

Leigh Elston / Maputo

MOZAMBIQUE'S SELECTION OF Shell and fertiliser giant Yara as the main winners in its domestic gas tender is good news for investors as it shows the professionalism of the country's new energy minister and the government's commitment to gas industrialisation, sources told *Interfax Natural Gas Daily* this week.

There had been fears the competition would favour local companies with limited experience in developing energy projects but good connections to leaders within Mozambique's ruling party, Frelimo.

However, Mozambique's Ministry of Mineral Resources and Energy (MIREME) announced on Monday that the domestic market obligation gas from Offshore Area 1 and Offshore Area 4 in the Rovuma Basin would be allocated to three international companies, with London-based GL Africa Energy taking the third slot.

Shell has been allocated 8.8-9.3 million cubic metres per day (MMcm/d) of gas to fuel a proposed 38,000 barrel per day GTL plant. The facility would produce synthetic diesel, naphtha and kerosene, as well as 50-80 MW of power. Yara International has been allocated 2.2-2.5 MMcm/d of gas for a 1.2-1.3 mtpa fertiliser plant that will also generate 30-50 MW of power.

"I think the National Petroleum Institute [INP] has made good choices with Shell and Yara, which are both reputable companies with the right technology and track record," said Anthony Williams, managing director of Citius Energy, which is involved in the development of energy projects in Mozambique.

Several other industry sources agreed. "We were all a bit worried, given the delay in making the announcement – but this is a positive sign," said a Maputo industry source involved in the development of the Rovuma Basin gas fields.

GL Africa Energy, however, is relatively unknown. The company, which will be allocated 1.2 MMcm/d of gas to build a 250 MW power plant, operates a 50 MW heavy fuel oil-fired plant in Ndola in Zambia, which it is in the process of expanding by 55 MW. However it appears to have no prior experience developing gas projects.

Although these three bids have been prioritised by the government as domestic gas projects, this is no guarantee that any of them will reach FID.

"It is still very early days in evaluating a possible project of building a fertiliser plant in Mozambique," a spokesperson for Yara told *Interfax Natural Gas Daily*. However, the provisional allocation of gas "is a necessary step to proceed with future negotiations about all other conditions for building and running a world-scale fertiliser plant", she added.

It is possible local partners could be added to the consortiums during these early discussions.

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"It will be interesting to see who the local partners will be, if any, given the suggestion in the INP's terms of reference that respondents include state participation and shareholding of national citizens and enterprises in the structuring of the project companies," said Williams. "If these inclusions have not already been made, it will no doubt be brought up in the negotiation phase."

A total of 14 bids were submitted under the tender, including seven from local companies or consortiums: state electricity company EDM; Maputo-based private equity investor Epsilon Investimentos; Gasnosu, a company planning to pipe gas from the Rovuma Basin to South Africa; and Autogás, a Mozambican company that supplies gas to fuel vehicles, including some of Maputo's public buses. There were also bids from three previously unknown Mozambican companies – the UNION-JNC-JSPDI-VBC-SAL Consortium, Muinvest and MOTSE.

Gas on offer

The domestic gas tender, launched on 26 August, offered bidders up to 2.8 MMcm/d of gas at $2.5/GJ ($2.6/MMBtu) from the Rovuma Basin, which will be available when Anadarko's 12 mtpa LNG project comes online around 2022. Bidders can negotiate up to an additional 8.5 MMcm/d directly with the Area 1 and Area 4 consortiums, putting a total of 11.3 MMcm/d on offer. However, the allocations announced by MIREME on Monday amount to 12.2-13.1 MMcm/d.

More domestic gas from the Rovuma Basin should become available if Anadarko, operator of Area 1, or Eni, operator of Area 4, decide to bring additional trains online.

Fresh exploration should also start offshore Mozambique later this year or in early 2017. The INP has said it expects to sign contracts with the winners of the fifth licensing round, which closed in October 2015, by June of this year. Should drilling by ExxonMobil, Sasol, Eni and Delonex yield new finds, 25% of this gas will need to be earmarked for the domestic market under Mozambique's petroleum law.

"The gas available now is only a small quantity compared to what it could be," Marco Morgado, managing director of pipeline operator Matola Gas Co., said on the sidelines of the African Influence Infra-Gas Projects Mozambique 2017 conference in Maputo on Tuesday.

"A north-south pipeline is key for Mozambique's development," he told delegates. Gasnosu will be ready to compete in subsequent domestic gas tenders – or it could also look to negotiate directly with the Area 1 and Area 4 shareholders for supplies, Morgado later told *Interfax Natural Gas Daily*. ■

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

Energy front-month futures

	Closing date	Close	High	Low	% change
Brent Crude, $/bbl	31 Jan	55.70	56.00	54.90	0.85
WTI Crude, $/bbl	31 Jan	52.81	53.56	52.24	0.34
Henry Hub, $/MMBtu	31 Jan	3.12	3.24	3.11	-3.56
NBP, p/th	31 Jan	55.19	56.00	54.70	2.03
TTF, €/MWh	31 Jan	20.73	20.73	20.73	3.11
Gaspool, €/MWh	31 Jan	20.34	–	–	1.81
NCG, €/MWh	31 Jan	20.65	–	–	0.73
CSX Coal, $/t	31 Jan	56.85	–	–	-0.70
Newcastle Coal, $/t	31 Jan	83.00	–	–	-0.66
South China Coal, $/t	31 Jan	69.10	–	–	-0.79

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

France drives towards single gas market

Two French TSOs have committed to addressing congestion in the country by building two new pipelines.

Wildcat's Pick of the Week

Wildcat gives you a head-start on the week and a round-up of what mattered last week.

Trending

1. Upstream deals rise in Asia as Shell sells Bongkot
2. Price tag slashed for Trans-Adriatic Pipeline
3. France drives towards single gas market
4. Chariot looking for partners in Namibia – CEO
5. Sound Energy keeps eyes on Moroccan prize

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Iveco hopes to boost development of NGV sector

Silvia Favasuli / London

Iveco's launch of a dual-fuel truck and the company's support for filling stations are part of its plan to speed up NGV development in Europe.

ITALIAN VEHICLE MANUFACTURER Iveco launched its Stralis NP long-haul truck in June last year – the first HGV able to run on CNG or LNG, or a blend of the two. The company is also looking at new ways to boost the use of gas in the road transport sector. Clément Chandon, Iveco's gas business development manager for HGVs in Europe, the Middle East and Africa, told *Interfax Natural Gas Daily* his company wants to be "a catalyst" in breaking the 'chicken and egg' situation currently facing the industry.

Interfax Natural Gas Daily: *What are Iveco's forecasts for gas-fuelled truck production in the European market for the next few years?*

Clément Chandon: At the moment, we are close to 800 heavy-duty LNG trucks across Europe. This figure includes the old Stralis model, released in 2012, and the new 2016 model, which has sold 150 LNG units so far. Stralis can run on LNG or CNG or a mixture of the two. Eighty percent of the Stralis we sell are LNG-fuelled, and by the end of this year we'll have more than 2,000 LNG Stralis across Europe. In 2015, [Iveco's] production of heavy-duty gas trucks (both CNG- and LNG-fuelled) was 350 per year. In 2016 we managed to take more 1,200 orders. We plan to have more than 2,000 orders in 2017 and in 2020 we think we'll be around 3,500 heavy-duty truck (both CNG and LNG) orders. As for the total of heavy duty trucks (from 18 tons to 44 tons) produced, our dedicated plant in Madrid produces 25,000 vehicles per year, both diesel and gas.

INGD: *How can Iveco help develop the use of gas in transport apart from manufacturing gas vehicles?*

CC: We work as a catalyst. We do not invest big money, but we do what it is necessary so that our customers – transporters – are able to find a solution to refuel their trucks. For example, we are making some of our own fields or our dealers' land available for free (or at reduced rent in case it's our dealers' land) for gas providers to build filling stations. Once we identify suitable terrain, we make a tender open to any gas supplier, which can invest in the construction of the station and manage it completely. What we do is to provide the best possible conditions for someone to invest, without making any direct money from it. We push, whenever possible, for the construction of [stations that can provide CNG and LNG] so that the station is able to serve any kind of truck – whether heavy-duty or medium-duty – as well as vans and passenger cars. Moreover, we have an important plan to switch 600 of the trucks we use for our own logistics from diesel to LNG in the next three years. This helps secure the flow of gas vehicles through the filling stations.

INGD: *What makes a country an interesting market for you to invest in?*

CC: At the moment, to start the market it is important that the risk for the customer [of having a gas vehicle] is compensated by the fact that they can [make] a saving. Take the UK, for example. The UK is an important market for gas trucks – not because the taxes on gas are particularly low but because the difference between the taxes on gas and [those] on diesel is consistent. This is the same reason why Italy and France are important markets too. Italy in particular has a long tradition of using gas vehicles, and people are less scared by the idea of using them because the idea is not new to them.

INGD: *Where are you planning to help build new LNG and CNG filling stations?*

CC: We already have made our land available for an LNG filling station in Ulm, Germany – which was the first one built in the country, more than two years ago – and one in Austria. We are planning to help build one in Austria, close to an Iveco production plant. We have plans to help build stations in France and Italy. We are targeting the entire route that goes from the south of Poland until the south of Italy, passing through countries on the eastern side of Austria, where the cost of gas is more convenient. In Italy in particular, we have seen that the market's demand for trucks is already high, but the speed at which

Clément Chandon. (Iveco)

the network is developing is too slow to completely fulfil the market demand. So here we have seen a potential for boosting the creation of stations.

INGD: *What kind of data do you use to see if a route is good for investments?*

CC: We target the flow [of vehicles] and we try to see if it is able to generate the need for stations. Then, together with gas suppliers, we start thinking where the stations should be [while] also looking at the economy of the area. We always want win-win solutions. When we push our carriers to go for gas, we want to make sure that we support them.

INGD: *Will the European Directive on Alternative Fuels (2014/94/EU) help boost the market?*

CC: It's a good signal that Europe is saying that there is need for infrastructure, but what is really important is if we have good market conditions. With heavy-duty trucks, it is not the directive that generated the need for new stations but the market. And the market at the moment seems to be going very fast: this is [happening in] the Netherlands, but also France. At the beginning of 2014, France had just one LNG station open. Now we have 16 stations for gas vehicles, and most of them are LNG and CNG. In 2017, we should see the opening of 20-25 new CNG and/or LNG stations for heavy-duty trucks in France. ■

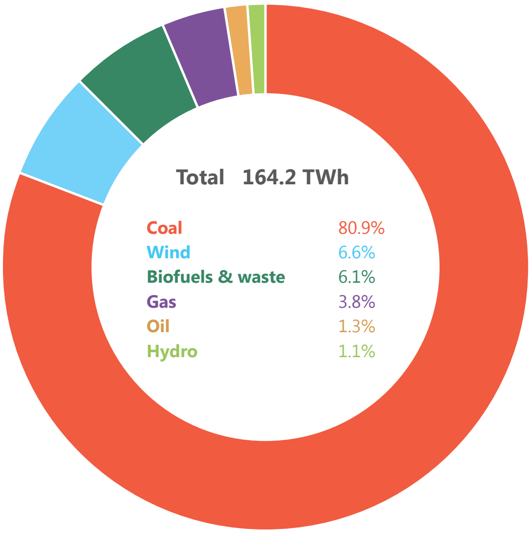
We welcome your comments. Email us at comments@interfax.co.uk.

Replacing Poland's ageing coal plants

Andreas Walstad / Brussels

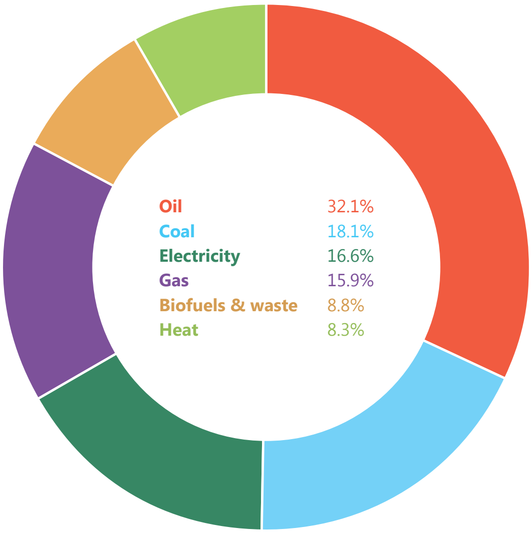
REPLACING POLAND'S AGEING and polluting coal-fired power plants with modern and efficient versions could help the country to substantially reduce carbon dioxide emissions and air pollutants, the International Energy Agency (IEA) highlighted in a recent report.

POLAND'S ELECTRICITY GENERATION MIX, 2015 ESTIMATE



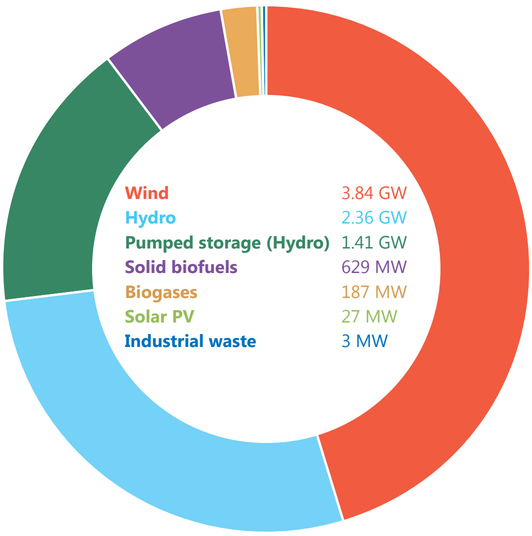
Source: International Energy Agency

POLAND'S TOTAL FINAL ENERGY CONSUMPTION, 2014



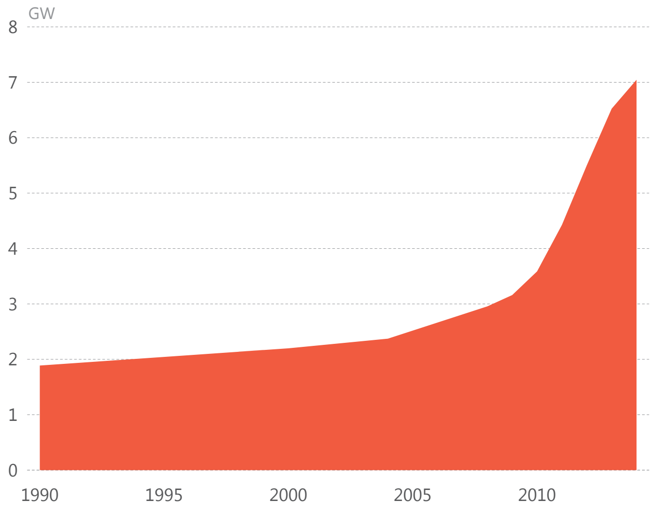
Source: International Energy Agency

POLAND'S RENEWABLE CAPACITY, 2014



Source: International Energy Agency

POLAND'S RENEWABLE ELECTRICITY GENERATION CAPACITY



Source: International Energy Agency

Poland has the second-largest share of fossil fuels in its electricity generation mix after Australia, the IEA said. However, coal's share has declined from 97% in 1995 to 81% in 2015, it noted. This decline in coal power has been compensated for by a rapid increase in renewable electricity generation, which contributed to 14% of the total generation in 2015 compared with 3% in 2005.

Nevertheless, Poland's power sector is dominated by coal-fired power plants that are old, inefficient and polluting: 62% of coal capacity is more than 30 years old and 13% is 26-30 years old, the IEA said.

"The replacement of these plants represents an economic challenge for the sector, but at the same time offers a good opportunity to reduce the air pollution and carbon footprint from power generation," said the report. "World-class power plants can reduce CO2 emissions by over 20% from the existing fleet, while air pollutant emissions can be reduced by 90% or even higher."

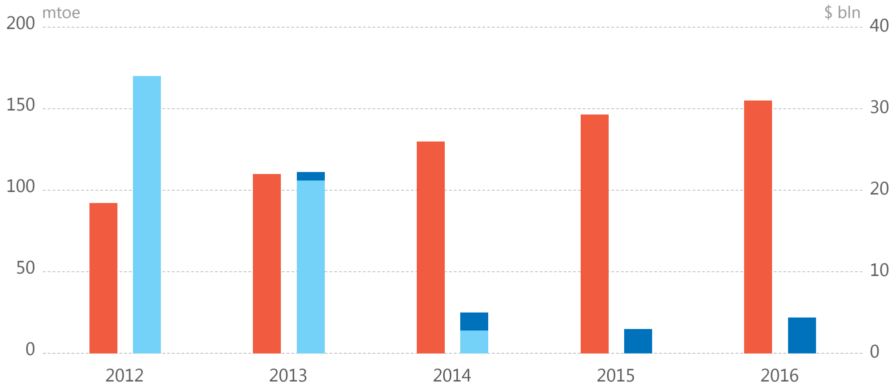
The IEA noted that hard coal plants under construction in Poland are much more efficient than existing ones. An update to Poland's long-term energy strategy is expected in 2017.

China's NOCs tipped for more M&A activity in 2017

Li Xin / Beijing

Recovering oil prices should provide breathing space for China's battered oil majors and could allow them to make acquisitions for future growth.

OVERSEAS ACTIVITY BY CHINESE COMPANIES



Source: CNPC ETRI

RESURGENT OIL PRICES have set up China's state energy giants for a return to overseas mergers and acquisitions this year, according to industry experts.

Crude prices have started to creep upwards after OPEC's landmark deal in September to limit production, and a sustained recovery from the brutal market downturn of 2014 is expected this year. This should improve balance sheets and free up cash for future deals, according to Wu Mouyuan, deputy director of overseas investment at China National Petroleum Corp.'s (CNPC's) Economics and Technology Research Institute (ETRI).

Wu told *Interfax Natural Gas Daily* he predicted an uptick in activity from the three Chinese majors this year, especially in countries that are part of China's 'One Belt, One Road' initiative. Wu Kang, vice president at Facts Global Energy, agreed, saying the NOCs may look to boost investment in Central Asia, the Middle East and Africa while curbing activity in former hotspots such as Venezuela.

The Chinese majors are likely to show a preference for projects supported by governments as the costs and barriers for such developments are relatively lower, a CNPC insider told *Interfax Natural Gas Daily.*

China's NOCs have been absent from the M&A market for two years and have focused on cutting costs and improving profitability in the meantime, the ETRI said in an annual report released last month.

The report estimated China's overseas oil and gas output inched up by just 3% year on year in 2016, to 155 mtoe. CNPC, Sinopec and China National Offshore Oil Corp. (CNOOC) produced 78 mtoe, 44 mtoe and 23 mtoe respectively, while the remaining 10 mtoe came from other companies.

The NOCs are still absorbing lessons from the slew of big-money M&A deals they struck when global energy prices were high. They now have to digest those acquisitions in the face of slowing Chinese energy demand and still-weak energy prices, which have made it harder to generate long-term value from the deals, said Wu Kang.

Wu noted the assumption that the Chinese majors would be tempted into deals during the two-year market downturn proved incorrect, because cheap oil made it difficult to agree on a price and close deals. The prolonged oil price crisis made it harder to finalise deals in some cases, said Wu Mouyuan.

CNPC walked away from "very good opportunities last year", a second company source told *Interfax Natural Gas Daily.* Middle Eastern companies contacted CNPC to do deals, but China's biggest oil company passed on the offers because of constraints in capital and personnel, said the source.

Balance sheet blues

The balance sheets of China's majors continued to deteriorate in the third quarter of 2016, and the ETRI has forecast CNPC will report a sharp drop in profit for 2016. It has also predicted slight growth for Sinopec and a loss for CNOOC.

Dumping assets to raise cash is not an option, however. As government-owned companies, the Chinese majors face scrutiny if they sell assets below their original valuation because regulators would regard this as a 'loss of state-owned asset' – which no company executive wants on their track record. Some of the previous deals completed by the NOCs have also come under scrutiny from anti-graft investigators, who have alleged that corruption has taken place and that price tags are excessive.

In contrast, their IOC rivals have the freedom to sell off mature, underperforming and non-strategic assets.

Private domestic companies continued to expand in 2016 and were joined by smaller state-owned players. Together, these companies spent a record $4.4 billion on M&A last year, according to the ETRI report.

Local government-owned Beijing Gas Group paid $1.1 billion to Russia's Rosneft in November for a 20% stake in its subsidiary Verkhnechonskneftegaz. Privately held ENN Group bought an 11.7% stake in Australia's Santos for $750 million in March.

Non-NOCs will continue to play a more prominent role in driving overseas M&A, said Wu Kang. Their acquisitions are commercially driven rather than government-directed, and it is easier for them to take advantage of weak oil prices to secure distressed assets, he added.

"Between 2010 and 2016, NOCs were the main buyers in Asia Pacific, acquiring over 2 [million barrels of oil equivalent] of commercial reserves," said Prasanth Kakaraparthi, Wood Mackenzie's senior upstream analyst, last month. "This year we expect to see more buying activity from local independents and private equity-backed players."

Wu Kang advised non-NOCs to tread cautiously as they still have relatively little experience in managing cross-border investments. Access to capital and finance also remains a constraint. ■

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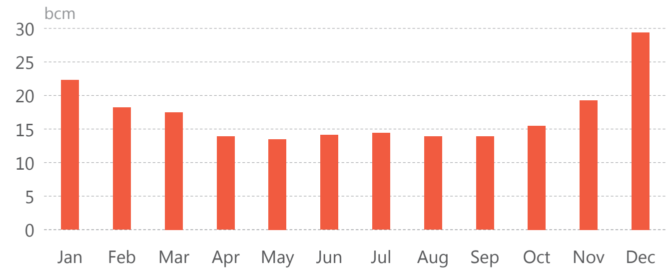
Chinese gas market growth beats official target

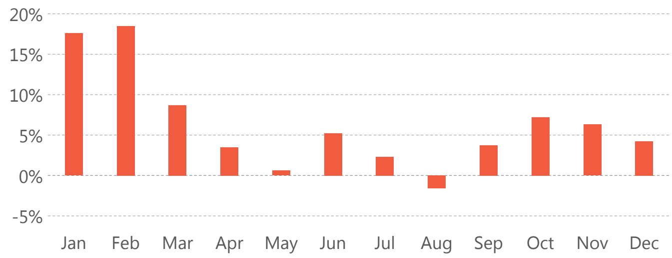
Tang Tian / Shanghai

CHINA'S GAS CONSUMPTION, 2016



Source: NDRC

CHINA'S GAS CONSUMPTION, YEAR-ON-YEAR CHANGE, 2015-2016

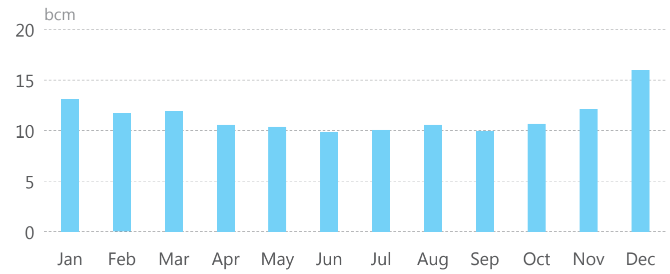


Source: NDRC

China's apparent gas consumption increased by 6.6% year on year in 2016, to 205.8 billion cubic metres, according to data from the National Development and Reform Commission (NDRC). This marks an acceleration from growth of 5.7% in 2015 and beats the official target of 205 bcm set by the National Energy Administration. Consumption reached 29.4 bcm in December, up by 4.3% year on year, according to *Interfax Natural Gas Daily* calculations based on NDRC figures.

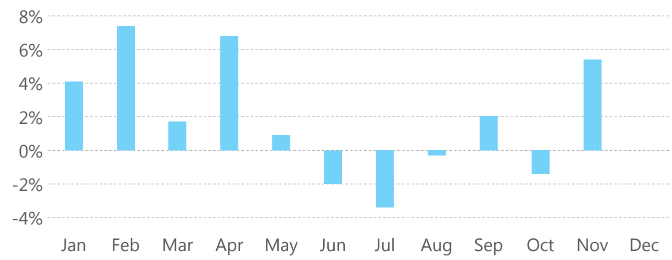
China National Petroleum Corp.'s (CNPC's) Economics & Technology Research Institute predicts apparent consumption will hit 216.2 bcm in 2017, while actual consumption will rise to 213 bcm. Of this second figure, 92.7 bcm will be used as city gas, 37.3 bcm for power generation, 24.1 bcm by the chemicals sector and 58.9 bcm by other industries.

CHINA'S GAS PRODUCTION, 2016



Source: NDRC

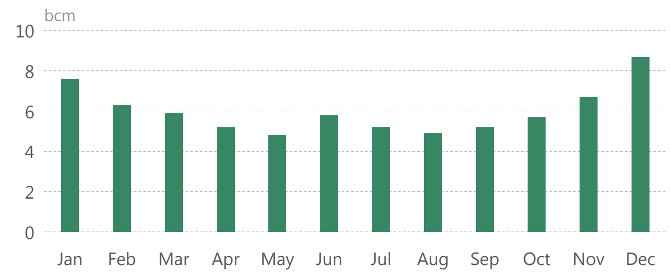
CHINA'S GAS PRODUCTION, YEAR-ON-YEAR CHANGE, 2015-2016



Source: NDRC

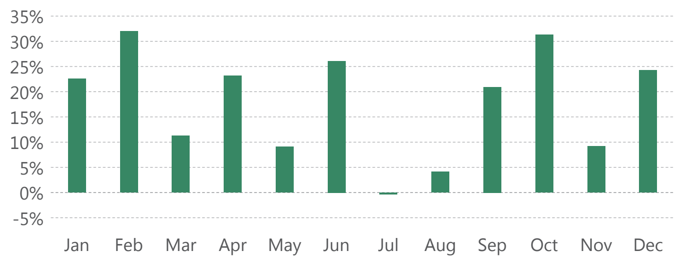
Domestic gas production inched up by 1.5% in 2016, to 137.1 bcm, slightly higher than the 136.8 bcm reported by the National Bureau of Statistics. China pumped 16.0 bcm in December, a fresh record as the country accelerated a shift towards the cleaner fuel and demand picked up in winter. CNPC expects gas output to reach 138 bcm this year.

CHINA'S GAS IMPORTS, 2016



Source: NDRC

CHINA'S GAS IMPORTS, YEAR-ON-YEAR CHANGE, 2015-2016



Source: NDRC

Imports for the year reached 72.1 bcm, up by 17.4%, while December imports surged by 24.3%, to 8.7 bcm. CNPC forecasts China will import 81.5 bcm of gas in 2017, with LNG imports to rise by 12.3% year on year, to 28 mt, and while pipeline imports to increase by 10.2%, to 42.5 bcm.

Futures traders appear to bet on higher oil, gas prices

Peter Stewart / Chief Energy Analyst at Global Gas Analytics

Although the evidence is still tentative, weekly data from the CFTC suggests oil and gas traders are betting on a price rebound in 2017.

THE WEEKLY COMMITMENTS of Traders data issued by the Commodity Futures Trading Commission is watched closely by oil and gas traders for signs of where oil and gas prices are heading.

The data provides an estimate of the number of contracts held in futures and options markets by four categories of participant: ‘swap dealers’, ‘managed money’, ‘producers and merchants’, and ‘other reportables’.

The number of contracts held by each category of participant is broken down into long and short positions on the New York Mercantile Exchange (NYMEX) and the Intercontinental Exchange (ICE) – the two leading energy futures exchanges.

Most closely watched by those seeking clues about market direction is the ‘managed money’ category, which tracks the activity of large speculative players such as investment and pension funds, hedge funds and other large financial players, including some banks. The theory is that these players are the experts, the so-called ‘smart money’, with an inside track on what will move prices in the weeks ahead.

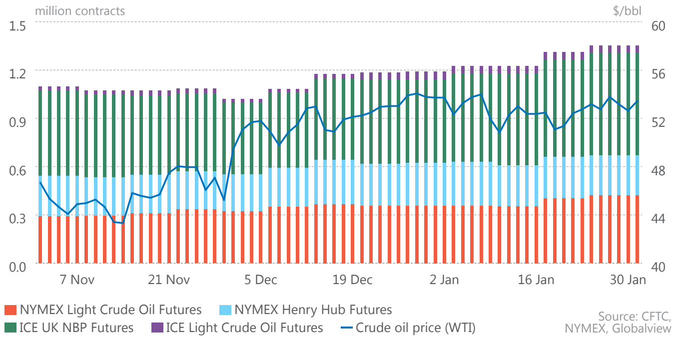
Going long

The weekly data released so far in January shows such big investors have sharply increased the number of long positions held in US crude oil and UK gas futures since December. They have also dramatically reduced the number of short positions held in the same contracts. This suggests the large funds may be gearing up for further price gains despite day-to-day market volatility caused by jitters over United States President Donald Trump’s first days in office and divergent views on whether OPEC will make good on its pledged production cuts.

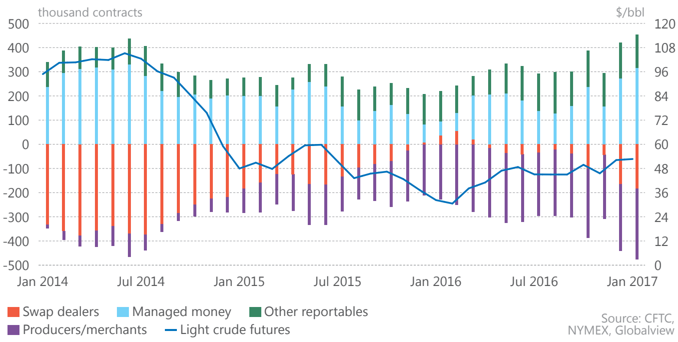
The number of long positions held by managed money in light crude oil futures rose by 7% in January on the NYMEX and 20% on the ICE compared with December. While long positions held in Henry Hub gas futures were little changed over this period, UK NBP futures saw a 16.5% increase in long positions held by managed money. The net length held by managed money – that is, the balance between long and short positions – also saw a sharp rise in crude oil and NBP futures. Net length rose by 16.7% between December and January in crude oil futures, and by 19.6% in UK NBP futures.

Oil and gas prices have been volatile in recent days. The international benchmark Brent crude oil has traded at \$53.50-58.50 per barrel on the ICE exchange, while US grade West Texas Intermediate has traded at \$50.70-55.25/bbl. Natural gas futures have been even more volatile, with ICE NBP futures trading at 45.85-57.50 p/th (\$5.80-7.22/MMBtu) while Henry Hub futures have traded at \$3.10-3.85/MMBtu.

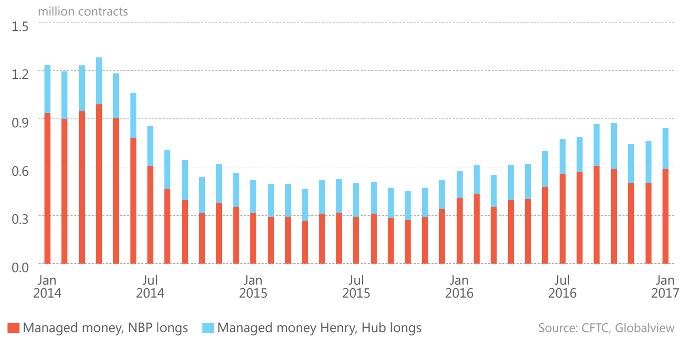
MANAGED MONEY FUTURES LONG POSITIONS



NET LENGTH ON US LIGHT CRUDE FUTURES



MANAGED MONEY LONG POSITIONS IN GAS FUTURES



It is still too early to determine whether the increase in long positions held by managed money in crude oil and UK natural gas futures will be sustained. Accounting practices in the US have historically given companies a fiscal incentive to wind down their energy trading positions in December and to buy in the new year because of what is known as the ‘last in, first out’ accounting standard. Nevertheless, the increase in oil net length compares with a drop of 23% in the same period a year earlier. However, the rise in the NBP futures length this year was less than that recorded last year, when unusual winter weather affected trading patterns. ■

interfax Global Gas Analytics

Global Gas Analytics is a monthly analytical publication by Interfax Global Energy providing fundamental analysis and forecasts of international gas markets. For more information about *Global Gas Analytics*, please email analytics@interfax.co.uk

Total to supply LNG and fuel oil to shipping group CMA CGM

Total has signed a three-year memorandum of understanding with French shipping company CMA CGM that will see it supply a range of low-sulphur shipping fuels, including LNG. The two companies will also combine their expertise to address stricter fuel regulations in the shipping industry, Total said in a statement on Wednesday.

Gazprom cuts Nord Stream flows but does not up Ukrainian transit

Gazprom had reduced gas flows via the Nord Stream and OPAL pipelines as of Wednesday following a court order sought by Polish state gas player PGNiG, data from European gas transport operators show. The monthly auction for February capacity on OPAL, scheduled for 16 January, was not held because of an injunction by the European Court of Justice. The OPAL pipeline company reconfirmed on Tuesday that new auctions have not been held, meaning Gazprom has to restrict gas supplies into Nord Stream. Data from OPAL showed the flow through Nord Stream was set to drop by more than 20% on Monday. However, Gazprom does not intend to increase transit shipments through Ukraine to make up the difference. The reservation for transit through Slovakia's Velké Kapušany gas metering station for Wednesday was exactly 153 million cubic metres (MMcm) compared with 153.861 MMcm on Tuesday. The precision of this number suggests it was set by order. Gazprom is reluctant to use the Ukrainian transit route; on the numerous days of record supplies to Europe since the start of the year, the company's use of the Ukrainian route has never reached 160 MMcm. Commenting on the prospect of a drop in supplies of Russian gas to Europe because of reduced use of OPAL, Gazprom Deputy Chief Executive Alexander Medvedev said: "Let Europe analyse this."

Rosatom to start building Hungary's Paks 2 nuclear plant

Russia's state nuclear company, Rosatom, expects to start building the Paks 2 nuclear power plant in Hungary in 2018 as planned, Chief Executive Alexei Likhachev said in an interview with Hungarian newspaper *Világgazdaság*. Rosatom expects to receive the necessary permits for the project from the European Commission, Likhachev said. Although the commission closed infringement proceedings over the award of the contract in November, the project remains controversial. The start date for the expansion, which was originally slated for 2015, has been regularly postponed by the Hungarian government. The reactor units are expected to enter commercial operation in 2025-2026.

Hungary's Paks nuclear power plant. Rosatom expects to start building the Paks 2 plant in 2018. (MVM)

India cuts basic customs duty

India's 2017-2018 budget includes a cut to basic customs duty from 5.0% to 2.5%. This will boost demand for gas, which has seen record growth over the past year as prices have plummeted. Demand for gas in India far outstrips supply and the country is keen to deliver more of the fuel to its fertiliser and petrochemical plants to boost output and reduce its reliance on imports.

India may merge state oil and gas firms – minister

India's state oil and gas companies could be merged to create an oil major to match the performance of IOCs, Indian Finance Minister Arun Jaitley announced on Wednesday. He suggested a single company would have the "capacity to bear higher risks, avail economies of scale, take higher investment decisions and create more value for the stakeholders". Jaitley suggested the government could merge other central public sector enterprises, but he singled out the oil and gas sector as an industry where a merger would have the biggest impact.

J-Power plans major gas power plant near Tokyo

Japan's J-Power is looking to build its first major gas-fired power plant near Tokyo and is considering building biomass-fired stations, according to *Bloomberg*. The Japanese government has adopted an efficiency target for thermal power producers to meet by 2031, and the company needs to diversify its portfolio of power plants to meet this target. J-Power has 8.7 GW of coal-fired capacity and just 450 MW of gas- and oil-fired capacity.

LNG Ltd agrees to further extend EPC contract

Australian project developer LNG Ltd agreed on Tuesday to a further extension of the EPC contract for Magnolia LNG, an 8 mtpa export project in Lake Charles, Louisiana. Magnolia and KSJV – a joint venture between United States-based contractor KBR and South Korea's SK E&C – had previously extended their EPC contract in April and December 2016, and they have now extended it until 30 June 2017. "This further extension, together with our Federal Energy Regulatory Commission final order and Department of Energy [non-free-trade agreement] export approval, further cements Magnolia LNG as construction-ready and the next US LNG export project that will move forward into construction and operation," LNG Ltd Chief Executive Greg Vesey said in a release.

Perry and Zinke approved by Senate committee

A Senate committee has approved Rick Perry to lead the United States Department of Energy and Ryan Zinke to be secretary of the interior, *The Hill* reported. Zinke's nomination

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was approved by the Senate Energy and Natural Resources Committee by a vote of 16-6, and the process will now move to the full Senate. Zinke has declared himself a supporter of conservation, saying at his confirmation hearing: "I want to be clear on this point: I am absolutely against transfer or sale of public land. I can't be any more clear." However, he also supports energy development on federal land, including coal mining, and said during the hearing he "believes the climate is changing but that efforts to combat that need to balance energy industry jobs as well." If approved by the full Senate, Perry will lead a department he once suggested should be shut down. "When the former governor ran for the 2012 presidency, during a debate, he famously forgot the name one of the three agencies he had pledged to eliminate," *CBS News* reported.

Trump signs order to slash regulations

United States President Donald Trump signed an order on Monday to substantially reduce federal regulations. Trump's executive action will require federal agencies to cut two existing regulations for every new rule introduced and has set an annual cap on the cost of new regulations, which should be completely offset by undoing existing rules. The Securities and Exchange Commission and the Commodity Futures Trading Commission are exempt from the order, the White House said. Congress could approve legislation this week to kill the Dodd-Frank regulation that requires energy companies to disclose payments they make to foreign governments for oil and gas fields, according to news reports. Congress also plans to vote this week to halt regulations to reduce methane emissions.

Eagle LNG files FERC application for 1 mtpa LNG plant

Florida-based Eagle LNG has filed an application with the United States Federal Energy Regulatory Commission (FERC) to construct and operate a three-train LNG plant in Jacksonville, Florida capable of producing up to 1 mtpa. The LNG will be delivered to the Caribbean and Latin America for power generation, as well to as local and regional US markets. "If Eagle LNG receives permission from FERC to begin construction by Q1 2018, we anticipate completion of the project in 2019," Dick Brown, Eagle's chief executive, said in a release. Eagle is building infrastructure across the US to supply the marine, remote power, rail, oil and gas, and trucking industries. The company is also constructing the Maxville LNG project, a domestic liquefaction plant west of Jacksonville.

Exxon posts 40% fall in Q4 earnings

ExxonMobil has posted sharply lower Q4 earnings, writing down more than $2 billion in United States assets as a result of low oil and gas prices. Exxon reported a 40% decline in Q4 earnings year on year and annual profit for 2016 of $7.8 billion – the company's lowest in 20 years. The US Securities and Exchange Commission started investigations last August into the company's accounting practices and how it values its future oil and gas reserves, *Dow Jones* reported. The commission has yet to comment on the investigation.

Gas could sink below $2/MMBtu if US-Mexico exports halted

Gas prices in the United States could fall below $2/MMBtu if pipeline exports to Mexico are halted, according to analysts cited by *Bloomberg* on Wednesday. Experts are concerned a potential trade war between the US and Mexico could end in disruption to US gas exports to its southern neighbour. US pipeline capacity for exporting gas to Mexico is set to double over the next three years, according to the Energy Information Administration.

Lima committed to southern gas pipeline project

Peru's government has reaffirmed its commitment to supplying gas to the country's southern regions after the collapse of the Gasoducto Sur Peruano gas pipeline project earlier this month. "We will meet our commitment to guarantee gas supply in better conditions in less than two years, so they [the southern regions] will have ccess to affordable fuel," Energy and Mines Minister Gonzalo Tamayo was quoted as saying by local press. Lima will re-tender the project after the former concessionaries missed a crucial financing deadline. Brazilian conglomerate Odebrecht failed to sell its 55% stake in the pipeline, which was a condition set by the banks financing the project. The Peruvian government collected a $262.5 million fine from the Odebrecht-led consortium last week. ■

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