

MIDSTREAM

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FEATURES



Exports, LNG Expected To Crank Up Gas Prices

By **JOSEPH MARKMAN**, Hart Energy

Natural gas prices are primed for a recovery as LNG plants are commissioned and exports to Mexico ramp up, **Sidley Austin LLP** partners said at a roundtable discussion on Jan. 10.

“Sometime by 2020, we’ll have up-and-running LNG export capacity from the United States of something on the order of 15 Bcf [billion cubic feet], 18 Bcf, maybe 20 Bcf a day, which is a significant number,” said Jim Rice, co-managing partner of the global law firm’s Houston office, whose clients operate several plants in various stages of construction and operation. “It would support my

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One if by sea, Three if to Mexico

MidstreamBusiness.com explores how the Panama Canal expansion and Mexico's energy reform are creating an export revolution and ways that U.S. shippers of oil, gas and NGL can take advantage.

OVERVIEW



The Panama Canal's expansion creates economics that will allow U.S. exporters to compete globally.

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VIDEO



KPMG's Regina Mayor offers insight into the potential for U.S. companies to succeed in Mexico

AUDIO



Two attorneys offer guidance in navigating the legal terrain of Mexico's energy reform.

REPORT



How Howard Energy's natural gas pipeline projects from Texas define success in Mexico.

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thesis that maybe we're in for a recovery in gas prices within the next few years, a recovery for real."

Partner Irv Rotter, co-leader of the firm's global energy practice, agreed, but noted that long-term success of U.S. LNG would depend on the quality of off-takers as well as trade policy.

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this story online.



"If you're looking at long-term off-takers, the capital markets have generally been looking at single-A credits or above," Rotter said. "One of two things is going to have to happen. Either there is going to be an increase in demand so that those off-takers continue to have needs that they need to satisfy, or there has to be development of an emergent market."

But Rotter also expressed concern about protectionist sentiment that popped up during the presidential election.

"The incoming administration has talked about the fact that they would like to expand exports and one the key areas is fossil fuels, either LNG or oil," he said. "To the extent that we increase production and we are able to generate those exports, they will be able to implement that policy."

"The countervailing issue is going to be, to the extent that the incoming administration has talked about having protectionist policies, whether there will be some action taken against U.S. exports as it relates to energy products. That remains to be seen." ■

Texas Lt. Gov.: With New Administration, Help On The Way



Source: Hart Energy

Texas Lt. Gov. Dan Patrick addresses members of the Texas Pipeline Association in Houston on Jan. 6.

Patrick was particularly optimistic about the president-elect's nominations of E. Scott Pruitt, Oklahoma's attorney general, to head the U.S. Environmental Protection Agency (EPA), and former Texas Gov. Rick Perry as secretary of energy.

Pruitt "will do what we in Texas would like for [the EPA] to do and that is, stay out of our way and let us go about our business and grow our economy," he said. The state filed 46 lawsuits against the federal government during the eight years of the Obama administration, Patrick said, with 25 of those suits against the EPA, according to a *Texas Tribune* **analysis**.

Of those 25 suits, brought by former Attorney General Greg Abbott (now the governor) and current Attorney General Ken Paxton, the state won four and lost 10. Nine of the suits are still pending and two were withdrawn, the *Tribune* said. —**JOSEPH MARKMAN**, Hart Energy

The Trump administration will be loaded with allies of the oil and gas industry and of Texas, the state's lieutenant governor, Dan Patrick, told an industry trade group on Jan. 6.

"Putting partisan politics aside, the good news for Texas is we no longer have an enemy in the White House," Patrick told members of the Texas Pipeline Association at its annual meeting just one day after

garnering national attention for his support of Senate Bill 6, the Texas Privacy Act, commonly referred to as the "bathroom bill."

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Study: Renewables Boost Gas Storage

The wind doesn't always blow nor does the sun always shine, yet renewable energy sources remain in high demand by an environmentally aware public. What can take up the slack, since asking the public to quickly switch off air conditioners and clothes dryers on short notice is impractical?

Power companies are turning to natural gas to make up the difference to keep the lights on, according to a recently published study by Black & Veatch. Entitled "A Bridge to the Future," the white paper prepared for Houston-based **Midstream Energy Holdings LLC** analyzes what renewables mean to the gas business in general and gas storage providers—like Midstream Energy—in particular. Black & Veatch found there is an "underappreciated role" for gas "in making renewable power usable."

Rather than replacing gas as a fuel source, renewables actually stimulate new gas demand, it emphasized. Renewables add to the value of gas storage, which for decades has matched the yin and yang of gas supply and gas demand.

"Emergence of solar, wind and other renewable power sources will modify the role of natural gas but is not expected to replace either gas or its storage assets for many decades to come," the study said.

—PAUL HART, Hart Energy

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FRAC SPREAD

NGL Prices Stumble, But Outlook Appears Rosy

By JOSEPH MARKMAN, Hart Energy

NGL prices will rise 32% in 2017, joining the upswing in crude oil (27%) and natural gas (34%).

Sound good? It's not just wishful thinking, but the outlook for the year from **Mizuho Securities USA Inc.** The forecast is based on assumptions of higher oil prices and rising ethane demand growth from the

CURRENT FRAC SPREAD (CENTS/GAL)				
JANUARY 13, 2017	Conway	Change from Start of Week	Mont Belvieu	Last Week
Ethane	22.03		23.95	
Shrink	21.72		20.94	
Margin	0.31	-62.28%	3.01	-11.74%
Propane	68.73		70.38	
Shrink	30.01		28.93	
Margin	38.72	7.26%	41.45	9.34%
Normal Butane	110.18		100.16	
Shrink	33.97		32.75	
Margin	76.21	6.71%	67.41	-11.94%
Isobutane	109.88		97.11	
Shrink	32.63		31.46	
Margin	77.25	-0.21%	65.65	-3.48%
Pentane+	118.45		116.73	
Shrink	36.33		35.03	
Margin	82.12	3.67%	81.70	8.49%
NGL \$/Bbl	28.54	-2.27%	27.83	-3.89%
Shrink	11.97		11.54	
Margin	16.58	4.02%	16.29	1.54%
Gas (\$/mmBtu)	3.28	-9.83%	3.16	-10.63%
Gross Bbl Margin (in cents/gal)	37.50	4.43%	37.58	1.96%
NGL Value in \$/mmBtu (Basket Value)				
Ethane	1.21	-11.56%	1.32	-10.77%
Propane	2.39	-0.94%	2.44	0.14%
Normal Butane	1.19	1.00%	1.08	-11.51%
Isobutane	0.68	-3.27%	0.60	-5.92%
Pentane+	1.53	-0.88%	1.51	1.95%
Total Barrel Value in \$/mmBtu	7.00	-2.86%	6.95	-4.21%
Margin	3.72	4.23%	3.79	1.88%

Price, Shrink of 42-gal NGL barrel based on following: Ethane, 36.5%; Propane, 31.8%; Normal Butane, 11.2%; Isobutane, 6.2%; Pentane+, 14.3%. Fuel, frac, transport costs not included. Conway gas based on Midwest region, Mont Belvieu based on Houston region. Shrink is defined as Btus that are removed from natural gas through the gathering and processing operation.

week. At Mont Belvieu, the drop was 11%; at Conway, the price fell almost 12%. The yoy change was 53% higher at Mont Belvieu and 50% higher at Conway.

Propane rose just 0.1 cent per gallon (gal) at Mont Belvieu, but it still carried the hub's rally to a sixth week. At Conway, the price of propane slipped for the first time in six weeks. ■

petrochemical sector. Mizuho cites S&P Global Platts analytics, which projects ethane demand growth to increase 15% year-over-year (yoy) to 1.2 million barrels per day (MMbbl/d).

In its recent report, "Top 10 Upstream & Midstream Energy Themes in 2017," Mizuho mentions five Gulf Coast petrochemical plants expected to be in service in late-2016 and through 2017 that will add 333

Mbbl/d of

ethane

consumption.

Through 2022, a total of 11 plants

will boost demand by 763 Mbbl/d.

That echoes the optimism voiced this week by partners at the international law firm **Sidley Austin LLP**, who expect LNG plant completions and increased export opportunities, especially to Mexico, to **propel natural gas prices.**

On a more short-term basis, the price of the hypothetical NGL barrel fell 4% in the past week at Mont Belvieu, Texas, and 2.3% at Conway, Kan. The barrel remains a sturdy 74% higher than its price during the same week in 2016 at Mont Belvieu and 87% higher at Conway.

Natural gas prices slipped 8% to below \$3 per million British thermal units at the Houston Ship Channel during the week before recovering. At Chicago Citygate, the descent reached 13% before sneaking back up.

Ethane tumbled at both hubs in the past

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North American Oil Infrastructure Developments 4Q 2016

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This excerpt is from a report that is available to subscribers of Stratas Advisors' North America and North American Oil services.

- We had two updates related to crude and condensate infrastructure projects in the **PADD I** region. Both projects were completion announcements.
- **PADD II** had five projects related to crude oil infrastructure and two projects related to crude oil processing.
- **PADD III** had a total of 20 projects. Twelve of the 20 projects were related to crude oil pipeline infrastructure, five were related to crude oil storage and three were related to liquids logistics infrastructure projects.

TOP STORIES

Wisconsin Tribe Votes Against Renewing Enbridge Line 5 Agreements

A Native American tribe in Wisconsin has voted against renewing agreements allowing Enbridge Inc to use their land for a major crude oil pipeline, the latest sign of increasing opposition to North American energy infrastructure.

The Bad River Band of the Lake Superior Tribe of Chippewa Indians decided not to renew easements on Enbridge's Line 5 pipeline during the week of Jan. 2 because of concerns about the risk of oil spills, and called for the 64-year-old pipeline to be decommissioned and removed. Line 5 carries 540,000 barrel per day of light crude and NGL from Superior, Wis., to Sarnia, Ontario, Canada.

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Enbridge said the pipeline traverses 12.3 miles of the Bad River reservation and there are 15 tracts of land with expired easements, making up about 20% of the right-of-way within the reservation. The tribe has partial ownership in 11 of those. The

other 80% of tracts within the reservation have easements that expire in 2043 or never expire. —REUTERS

Blackstone Ends Talks For \$5 Billion Energy Transfer Stake

The Blackstone Group LP (NYSE: **BX**) is no longer looking at buying a \$5 billion stake in Energy Transfer Partners LP (NYSE: **ETP**), a source familiar with the matter confirmed Jan. 9.

In December, private-equity firm Blackstone was said to be looking at a stake in Energy Transfer, the company building the controversial Dakota Access pipeline. Energy Transfer shares fell 2.4% on Jan. 9 to close at \$36.53 a share after the news, first reported by *Bloomberg*. —REUTERS

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