

# MIDSTREAM

## Monitor

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## Limber But Not Yet Liquid

*By Brian Mothersole, Hart Energy*



HOUSTON—In the past 50 years the LNG industry has grown more flexible, but it isn't quite liquid yet. Speaking at last week's Benposium 2015, orchestrated by Platts, BG Group Vice President of Global LNG Andrew Walker described the way he saw the LNG industry changing, especially with the influx of U.S. supply over the next couple of years. He expects to see continued growth from the globalization of the natural gas trade, what LNG represents.

The LNG trade has grown at about 8% per year since its inception. According to the International Group of LNG Importers (GIIGNL), about 240 million tonnes of LNG was traded last year from 19 exporting countries to 30 importing countries, representing about 10% of all gas consumed worldwide and about

30% of all internationally traded gas. In terms of worldwide liquefaction capacity, 135 million tonnes per annum (mtpa) is under construction at the moment, and Walker thinks that will move us beyond our current “supply hiatus.” Asia, the predominant consumer of natural gas, will continue to “be a big deal.” India has potential for growth and awaits interior infrastructure buildup. China will emerge as the second biggest market after Japan. According to seven consultancies BG has worked with, as much as another 100 mtpa may be needed by 2025.

Moreover, the market is metamorphosing from a series of regional markets to a truly international trade. Walker chuckled as he remembered when he first got into the industry in the early 1990s, when he was excited to see a cargo make its way from Australia to Spain. That cargo overcame what they then called the “tyranny of distance.” It seems as if that phrase is almost gone from the industry’s vocabulary now.

### **A Different Model**

The U.S. tolling model, Walker thinks, is both complementing and accentuating an industry in flux. Offtakers are looking for a more responsive supply because they have an uncertain demand. Japan faces mystification as to how fast its 48 remaining nuclear facilities will switch back on. Across Asia more generally, there’s hesitation over fuel policies, carbon pricing schemes and potential substitutes such as coal, nuclear or renewables.

“The buyers are saying, look, the days of those bilateral agreements, those inflexible agreements, they’re gone,” Walker said. “We need more responsiveness in terms of LNG as a supply. There’s an increasing cost focus for countries like Japan.”

Still, according to Walker, about 72% of the 50 mtpa from U.S. liquefaction projects has been sold to end users in Asia. The remaining 28% is held by buyers in Europe or Latin America.

Walker emphasized two key aspects of the U.S. LNG industry that are driving change. The first is the latent, available supply with a clear cost marker: Henry Hub plus a toll and shipping.

“And so the U.S., even before it’s exported its first cargo from the lower ’48, which should be toward the end of this year, has already changed the industry. It’s changing the industry in one sense: it has offered a different product into the industry; it’s going to continue driving change in this industry as we move forward.”

That clear price marker means a lot for the LNG world.

“That’s kind of a different thing for this industry, in terms of how the industry develops its projects. You can’t really escape that. And in terms of other projects, that kind of sets the cost benchmark for you.”

### **Flexible But Not Liquid—Yet**

The second key point Walker emphasized was the growing liquidity in the market that will accompany U.S. supply.

“There’s also going to be growing liquidity. Recall that I said this is a flexible industry; it’s actually not a very liquid industry.”

He referred to GIIGNL’s annual report that showed about 30% of global trade last year was spot or short-term trade.

“On a ‘short-term’ basis, they mean, ‘four years or less.’ That’s hardly a kind of liquidity.”

He also alluded to recent absence of statistics from the Ministry of Economy, Trade and Industry (METI) of Japan about May’s imported LNG spot price. According to a statement, METI will not publish spot prices if there are fewer than two reporters.

“So actually we’re still not very liquid, but the U.S. is going to change that. The amount of product that is announced in the Gulf [of Mexico], the number of cargos—there’s going to be some creation of liquidity there. I’m not saying we’re going to evolve overnight and become the oil industry, where there’s a single global price, and commoditize, but we are certainly moving in that direction.”

This growing liquidity will force the market and its actors to evolve.

“And that evolution as we move toward that more flexible, more liquid future is going to create a wider menu or array of options for strategies and business models.”

He think we’ll see more company integration, both vertical and horizontal; alliances; economies of scale; mergers and acquisitions; and companies carving out their niches, whether they be geographical, technological or commercial.

“Really, I think the key is that U.S. is going to create more liquidity in this industry; that’s going to give you a wider playbook in how you may want to play in this industry.”

Also, not only will the players change; the projects themselves might look different.

“You no longer have to deal with 15 million tonne projects. You’ll actually see that you can build a 1 million tonne project in this marketplace. The U.S., when it has an idea, tends to innovate around that idea, and already there are some mid-scale projects proposed. You’ll start to see LNG as a transport fuel, shipping, and roads start to emerge. It’s slightly harder with oil prices coming down; it was slightly easier when oil prices were at \$110 and gas was heavily discounted. But you’ll still see this sector move forward; you’ll start to see shipping in particular, for reasons of emissions, start to look at LNG as a fuel.”

Walker admitted, though, that even as U.S. LNG exports grow, not all projects that are currently proposed will make it to production. Still, what does get built will have a lasting effect.

“In a decade’s time, this is an industry that is going to look much different than what we have today; it’s going to look more commoditized. I don’t think it will be fully commoditized, but I think it’s going to look much more commoditized and be a more globally efficient industry at that point.”

Give it a few more years to stretch and bend, and that industry might fold itself into a single, liquid global acrobat.

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## NEXUS Project Secures Customer Commitments

*By Frank Nieto, Hart Energy*



Spectra Energy Corp. and DTE Energy Co. recently released a resource report detailing their proposed 250-mile NEXUS gas transmission pipeline in Ohio. The report follows eight open houses hosted by Spectra Energy and six open houses hosted by the Federal Energy Regulatory Commission (FERC) since January 2015.

The company announced it had reached agreements with the following utilities and producers: Enbridge Gas Distribution Inc., DTE Gas Co., DTE Electric Co., Union Gas Ltd., Chesapeake Energy Marketing Inc., CNX Gas Co. LLC, and Noble Energy Inc. for a proposed Nov. 1, 2017 in-service date.

Spectra stated it remains in negotiations with other companies for additional capacity on the system.

According to the report, the NEXUS system will have a capacity of 1.5 billion cubic feet per day (Bcf/d) with plans to deliver up to 1.5Bcf/d of natural gas into Ohio, 1.5Bcf/d into Michigan, and 500 MMcf/d into the Dawn Hub in Ontario, Canada.

In addition, shippers on the system will have the right to serve Chicago as a secondary market. Further announcements are expected to be made in November 2015 regarding customer agreements in the Lake Erie market.

Plans for the system call for the construction of 200 miles of new pipeline to connect the Kensington gas processing plant in Columbiana County, Ohio, to the DTE Gas system at Willow Run in Ypsilanti, Mich.

The project will also install a 52,000 horsepower (hp) station in Columbiana County, Ohio, and an additional three 26,000 hp stations in Medina, Sandusky, and Lucas counties, Ohio.

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## Out Of Options, Gas MLP Sells Itself For 220% Premium

*By Darren Barbee, Hart Energy*



Niska Gas Storage has a working capacity of 250.5 Bcf and is one of the largest operators in North America, but the company struggled after its unit price took a nosedive.

Niska Gas Storage Partners' (NKA) options to recover from an 88% plummet in unit price finally came down to one: sell.

But the MLP pulled off a 222% premium on its low price in a transaction worth \$911.9 million, including the assumption of debt. The deal's value was nearly what the company had lost over the course of a year.

Brookfield Infrastructure, a Niska competitor, paid \$4.225 per Niska unit, a sizeable markup on Niska's closing price of \$1.31 on June 12. The transaction will require regulatory approvals, including the OK of the California Public Utilities Commission. The deal is expected to be finalized in the second half of 2016.

Brookfield has been increasing its liquidity in recent months and had \$3 billion after an equity issuance in April.

Niska, based in Radnor, Pa., is the largest independent owner and operator of natural gas storage in North America with a total working gas capacity of 250.5 billion cubic feet (Bcf).

Niska North American Operations	
Operations	Capacity
Wild Goose (Calif.)	75 Bcf
Salt Plains (Okla.)	13 Bcf
NGPL Capacity	8.5 Bcf
<b>U.S.</b>	<b>96.5 Bcf</b>
Countess (Alberta)	70.5 Bcf
Suffield (Alberta)	83.5 Bcf
Canada (AECO Hub)	154 Bcf
<i>Source: Niska Gas Storage Partners LLC</i>	

Bill Shea, president, CEO and chairman of Niska Gas Storage Partners LLC, said that when he joined the company his strategy was to diversify the company from being solely dependent on the gas storage business.

"It's probably in today's world not the best thing to be 100% reliant on any one business segment," he said in a February conference call. "Our idea at the time was to diversify into other gas gathering processing transportation types of businesses."

But that didn't work out after a rapid decline in the gas storage markets.

In April, the company said it was considering a sale along with other options. At the time, Niska's price had slid to \$1.90 from a 52-week high of \$16.43. In August, the company estimated its enterprise value at \$1.1 billion.

In a sign of Niska's capital weakness since then, Shea said Brookfield will lend the MLP \$50 million as part of the deal.

Brookfield Infrastructure Partners LP (BIP) is a partnership that owns and operates utility, transport, energy, and communications infrastructure businesses in North America, South America, Europe and Australia, said Darren Horowitz, analyst, Raymond James.

The acquisition expands Brookfield's gas storage portfolio in Alberta, where the partnership currently owns 5% of the available gas storage.

Niska's board and Riverstone Investment Group LLC collectively own 53% of Niska's outstanding units. The boards have approved the deal and no shareholder voting is required, Horowitz said.

Evercore Partners Inc. is acting as exclusive financial advisor to Niska and Riverstone, and Vinson & Elkins LLP and Stikeman Elliot LLP are acting as legal advisers. Norton Rose Fulbright is acting as legal adviser to Brookfield.

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## Too Much Of An Advantage To Waste

*By Mike Madere, Hart Energy*



The abundance and low cost of unconventional gas and oil resources provide a once-in-a-generation opportunity to change the nation's economic and energy prospects, and a recent paper recommends a specific action plan to maximize the potential.

A joint project of the Harvard Business School and the Boston Consulting Group is recommending what it calls a win-win strategy. According to the project's findings, "The U.S. now has a global energy

advantage, with wholesale natural gas prices averaging about one-third of those in most other industrial countries, and industrial electricity prices 30–50% lower than in other major export nations. That means major benefits for industry, households, governments and communities, while reducing America’s trade deficit and geopolitical risks.”

In summary, the strategy makes the following broad suggestions:

- Capitalize on America’s new energy advantage, boosted by shale production, to enhance U.S. competitiveness and the prosperity of the average citizen;
- Minimize the local environmental health and community impacts of developing new energy resources at competitive cost; and
- Utilize un conventionals to accelerate a practical and cost-efficient transition to a lower-carbon, cleaner-energy future.

More specifically, the report offers an 11-point plan to address issues of the future:

- 1 **Continue timely development of energy infrastructure:** To move unconventional gas and oil across the country, additional pipelines, gathering, and processing infrastructure are needed.
- 2 **Develop a skilled workforce:** Many more trained workers with the appropriate skills are needed to fill good-paying jobs.
- 3 **Eliminate outdated restrictions on gas and oil exports:** Restrictions on exports created in response to the 1970s’ energy crises are no longer needed. Exports would boost U.S. economic and job growth and would benefit friendly nations.
- 4 **Develop transparent and consistent environmental performance data:** This would create a foundation for monitoring compliance and stimulating innovation. State governments, industry and NGOs would all have roles to play.
- 5 **Set robust regulatory standards:** Better guidelines are needed to speed adoption of industry-leading practices and to encourage innovation.
- 6 **Achieve universal regulatory compliance:** Industry and regulators need to strengthen regulatory enforcement and producer compliance.
- 7 **Strengthen best-practice sharing:** Speed up the dissemination of best practices in operator performance, regulations and enforcement through more proactive stakeholder outreach.
- 8 **Work to contain methane leakage:** Uncontrolled leakage can offset the climate benefits of natural gas. Cost-effective methods to contain leakage are available and need to be deployed throughout the natural gas value chain.
- 9 **Set policies that encourage cost-effective emissions reductions:** Climate regulations and policies should be market-based to encourage cost-effective carbon reductions.



**10 Move toward clean-energy technologies:** The U.S. needs to encourage ongoing private- and public-sector research investments in cost-effective, low-carbon energy technologies and applications. This includes broader uses of unconventional natural gas.

**11 Build a smart, efficient energy grid:** The long-term transition to a low-carbon energy system will require a power-grid that can embrace renewable power sources. The U.S. must invest now in these grid improvements to enable renewables to scale over the long run.

“To move these steps to action, we need to change the discussion, move beyond ideology and break the gridlock,” the authors of the recommendations said. “Industry, NGOs, governments and academics must transcend their traditional positions, let go of the exaggerated rhetoric, and start overcoming historic skepticism and distrust that have led to the current, zero-sum mindsets and halting progress.

“The U.S. needs to achieve a rational middle ground to capitalize on this historic opportunity. The stakes are too high to fail. Long-entrenched opposition and antagonism will not dissipate overnight. But we must get started.”

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## Frac Spread: Propane Struggles Continue

*By Frank Nieto, Hart Energy*



Tropical storm Bill may not have reached hurricane status, but it did provide yet another headwind to an already struggling U.S. propane market. The necessary shutdown of the Houston Ship Channel reduced

LPG exports at a time when they are providing an important relief valve to propane and butane producers.

In addition, rain water from the storm reduced storage flexibility along the Gulf Coast as freshwater levels increased in brine ponds. This reduced the ability of storage facilities from accepting volumes from other regions. It is likely that propane will continue to trade at current levels, which represent its lowest value in 13 years, until the start of the winter heating season.

Although propane prices are heading down a similar path that ethane took three years ago, the hope is that they won't stay at this level for as long as ethane prices. Unlike ethane, propane has multiple outlets: petrochemical, heating and commercial. Ethane only has the North American petrochemical market as a demand center with exports coming on soon.

This isn't to say that there will be a quick turnaround in the propane market. Short of another polar vortex this winter, prices are likely to improve on an incremental basis as the large storage levels are worked off. It is possible that propane burning will help restore balance in much the same way that ethane rejection is beginning to restore that market.

Indeed, En\*Vantage reported in its June 18 *Weekly Energy Report* that there are indications that ethane inventory levels fell in April and May after increasing for much of the past 36 months. Beginning next month, the advisory and energy investment firm anticipates ethane frac spread margins improving in order to attract volumes to Mont Belvieu that are currently being rejected. "If some NGL fractionators are affected at Mont Belvieu due to the oversupply of propane, it is likely to accelerate the tightening of ethane balances," according to the report. Though improvements are expected in the near-term, so far positive signs are limited at best as current ethane prices are only marginally improving.

In a similar fashion, heavy NGL prices have yet to really benefit from improvements in West Texas Intermediate (WTI) crude markets. Despite WTI trading at a consistent \$60 per barrel (/bbl) threshold for the past month, heavy NGL hasn't improved at a similar rate. The hope is that as WTI improves throughout the summer that butane, isobutane and C5+ follow suit. That may be too much to depend upon given that refiners are blending summer-grade gasoline, thus diminishing demand for butane and isobutane.

The theoretical NGL bbl improved by 2% at both hubs with the Conway price rising 2% to \$18.73/bbl with a 4% gain in margin to \$8.83/bbl and the Mont Belvieu price improving to \$20.17/bbl with a 6% gain in margin to \$9.94/bbl.

Natural gas prices are also sending mixed messages as the Conway price rose 2% to \$2.71 per million Btu (/MMBtu) and the Mont Belvieu price dipped at a similar rate to \$2.80/MMBtu. This caused margins to tell a correspondingly mixed story at both hubs.

The most profitable NGL to make at both hubs was C5+ at 95 cents per gallon (/gal) at both hubs. This was followed, in order, by isobutane at 20 cents/gal at Conway and 25 cents/gal at Mont Belvieu; butane at 18 cents/gal at Conway and 24 cents/gal at Mont Belvieu; propane at 8 cents/gal at Conway

and 13 cents/gal at Mont Belvieu; and ethane at negative 2 cents/gal at Conway and negative 1 cent/gal at Mont Belvieu.

Cooling demand is beginning to have an impact on the build of natural gas storage levels as the U.S. Energy Information Administration reported that storage rose by 89 billion cubic feet the week of June 12 to 2.433 trillion cubic feet (Tcf). This was 43% greater than the 1.703 Tcf posted last year at the same time and 2% greater than the five-year average of 2.387 Tcf.

<b>CURRENT FRAC SPREAD (CENTS/GAL)</b>				
<b>June 19, 2015</b>	<b>Conway</b>	<b>Change from Start of Week</b>	<b>Mont Belvieu</b>	<b>Last Week</b>
Ethane	16.10		18.04	
Shrink	17.97		18.56	
<b>Margin</b>	-1.87	24.47%	-0.52	58.39%
Propane	32.98		38.88	
Shrink	24.82		25.65	
<b>Margin</b>	8.16	12.61%	13.23	20.67%
Normal Butane	46.28		52.86	
Shrink	28.10		29.04	
<b>Margin</b>	18.18	-1.91%	23.82	3.90%
Isobutane	47.06		53.10	
Shrink	26.99		27.89	
<b>Margin</b>	20.07	-13.97%	25.21	-1.03%
Pentane+	124.80		126.22	
Shrink	30.05		31.05	
<b>Margin</b>	94.75	3.11%	95.17	2.68%
NGL \$/Bbl	18.73	2.44%	20.17	2.25%
Shrink	9.90		10.23	
<b>Margin</b>	8.83	3.51%	9.94	6.32%
Gas (\$/mmBtu)	2.71	1.50%	2.80	-1.41%
Gross Bbl Margin (in cents/gal)	18.74	3.75%	21.86	6.99%
<b>NGL Value in \$/mmBtu (Basket Value)</b>				
Ethane	0.89	5.71%	0.99	2.68%
Propane	1.14	4.04%	1.35	5.14%
Normal Butane	0.50	0.13%	0.57	0.92%
Isobutane	0.29	-5.73%	0.33	-1.23%
Pentane+	1.61	2.72%	1.63	1.64%
Total Barrel Value in \$/mmbtu	4.43	2.73%	4.87	2.51%
<b>Margin</b>	1.72	4.72%	2.07	8.32%

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 NGPL Midcontinent zone, Mont Belvieu based on Houston Ship Channel.

<b>NGL PRICES</b>						
<b>Mont Belvieu</b>	<b>Eth</b>	<b>Pro</b>	<b>Norm</b>	<b>Iso</b>	<b>Pen+</b>	<b>NGL Bbl</b>
June 10 - 16, '15	18.04	38.88	52.86	53.10	126.22	<b>\$20.17</b>
June 3 - 9, '15	17.57	36.98	52.38	53.76	124.18	<b>\$19.73</b>
May 27 - June 2, '15	17.87	40.40	54.42	56.28	122.72	<b>\$20.25</b>
May 20 - 26, '15	18.81	41.58	53.74	55.30	124.60	<b>\$20.60</b>
May '15	18.69	46.42	58.02	59.80	127.69	<b>\$21.72</b>
April '15	17.06	54.84	64.36	66.38	127.64	<b>\$22.97</b>
4th Qtr '14	20.22	76.90	96.73	98.28	149.25	<b>\$30.10</b>
3rd Qtr '14	23.19	103.92	123.69	128.39	212.20	<b>\$40.27</b>
2nd Qtr '14	29.26	106.55	124.12	130.23	222.81	<b>\$42.31</b>
1st Qtr '14	34.50	129.51	137.62	141.49	212.60	<b>\$46.16</b>
June 11 - 17, '14	29.48	102.84	124.02	132.12	224.94	<b>\$42.09</b>
<b>Conway, Group 140</b>	<b>Eth</b>	<b>Pro</b>	<b>Norm</b>	<b>Iso</b>	<b>Pen+</b>	<b>NGL Bbl</b>
June 10 - 16, '15	16.10	32.98	46.28	47.06	124.80	<b>\$18.73</b>
June 3 - 9, '15	15.23	31.70	46.22	49.92	121.50	<b>\$18.28</b>
May 27 - June 2, '15	15.43	37.16	49.26	54.80	119.62	<b>\$19.13</b>
May 20 - 26, '15	15.00	37.64	48.04	54.60	119.84	<b>\$19.06</b>
May '15	15.15	40.99	51.78	58.32	122.34	<b>\$19.95</b>
April '15	15.75	48.18	59.30	63.67	119.72	<b>\$21.26</b>
4th Qtr '14	18.69	78.64	102.72	113.19	146.37	<b>\$30.77</b>
3rd Qtr '14	20.38	104.99	123.51	140.07	207.90	<b>\$40.18</b>
2nd Qtr '14	26.26	105.44	121.26	163.00	221.62	<b>\$42.62</b>
1st Qtr '14	25.46	169.48	132.08	147.10	216.86	<b>\$49.93</b>
June 11 - 17, '14	26.32	102.26	121.70	134.80	223.38	<b>\$41.64</b>

**RESIN PRICES – MARKET UPDATE – JUNE 19, 2015**

<b>TOTAL OFFERS: 21,034,992 lbs</b>		<b>SPOT</b>		<b>CONTRACT</b>	
<b>Resin</b>	<b>Total lbs</b>	<b>Low</b>	<b>High</b>	<b>Bid</b>	<b>Offer</b>
LLDPE - Film	4,917,808	0.63	0.75	0.625	0.665
HDPE - Blow Mold	4,095,072	0.61	0.72	0.605	0.645
HDPE - Inj	3,834,348	0.635	0.74	0.615	0.655
LDPE - Film	1,976,300	0.68	0.78	0.645	0.685
PP Homopolymer - Inj	1,725,840	0.61	0.73	0.62	0.66
HMWPE - Film	1,438,208	0.64	0.76	0.635	0.675
LDPE - Inj	1,085,472	0.6	0.77	0.645	0.685
LLDPE - Inj	1,058,208	0.71	0.76	0.625	0.665
PP Copolymer - Inj	903,736	0.65	0.73	0.64	0.68

Source: Plastics Exchange – [www.theplasticsexchange.com](http://www.theplasticsexchange.com)

## **KMI Starts Open Season For Utica Marcellus Texas Pipeline**

### *Business Wire*

Kinder Morgan Inc. began the binding open season for the proposed Utica Marcellus Texas Pipeline (UMTP), the company said June 17. The pipeline would carry butane, propane, natural gas, y-grade and condensate from the Utica and Marcellus shales to Texas Gulf Coast delivery points, including connectivity to a KMI dock.

About 200 miles of new pipeline from Louisiana to Texas would be built, while 964 miles of natural gas service on KMI's Tennessee Gas Pipeline (TGP) would be abandoned and converted. In Ohio, new storage would be built, and 120 miles of new laterals would provide basin connectivity.

Up to 430,000 barrels per day of the liquids could be handled, KMI said. UMTF is scheduled to be in service by 2018's fourth quarter, pending regulatory approvals. The open season is scheduled to end Sept. 15.

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## **Hydrostatic Tests On Enbridge's Line 9B Required**

Enbridge Inc. will have to conduct hydrostatic testing on Line 9B to determine the pipeline's safe operation, Canada's National Energy Board (NEB) said June 18. NEB, an independent federal regulator, must approve testing results of three segments around Hilton, Ontario; between Kingston and Brockville, Ontario; and Mirabel, Quebec.

The pipeline in the heavily urban area is near waterways which would receive any released material, NEB said. Through MO-045-2015, NEB is requiring Enbridge to conduct biweekly ground patrols to inspect for pipeline leaks during the first two years of operations. The company must also conduct quarterly integrity testing for the first two years, and submit requested results to NEB. Enbridge must conduct an additional internal inspection in the first year of operation and submit results to NEB.

"With each project we regulate, and at each step of the process, public safety and the protection of the environment are our greatest priorities," said Peter Watson, chair and CEO of NEB. "The public dialogue surrounding this project reiterates the necessity for the NEB to deliver on those priorities. Our expectation of companies is zero incidents and an unwavering commitment to safety."

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## **FTC Gives Shell-BG Group Deal Approval**

Royal Dutch Shell Plc (RDS-A) and BG Group plc announced June 16 they received U.S. Federal Trade Commission (FTC) antitrust clearance for their proposed \$70 billion deal—one of the biggest energy tie-ups in years.

Shell's acquisition of BG, scheduled to close in early 2016, requires further regulatory reviews from several foreign agencies—including the EU, Australia, China and Brazil—due to the international scope of the two giant firms' operations. But the FTC ruling might serve as a model for further regulatory reviews.

“Securing early termination of the U.S. antitrust waiting period from the FTC at this early stage is a clear demonstration of the good progress we’re making on the deal. We’re well under way with the antitrust and regulatory filing processes in relevant jurisdictions around the world and we’re confident that, following the usual thorough and professional review by the relevant authorities, the deal will receive the necessary approvals,” Shell CEO Ben van Beurden said in a statement. “We remain on track for completion in early 2016.”

Industry observers expect the megamerger to spur additional oil and gas combines following the sharp drop in commodity prices in the past year. It would rank as the third-biggest oil and gas deal ever by enterprise value. The combined group is expected to offer numerous deals on noncore operations following closure. Press reports indicated such sales could total \$30 billion in value.

In April, the two companies agreed to a \$70 billion cash-and-share merger. BG shareholders will get 383 U.K. pence in cash; and 0.4454 Shell B shares for each share held, giving them 19% of the enlarged Shell/BG organization.

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## Wood Group Secures KPOC Pipeline Contract

Wood Group Kenny (WGK) will support the Keababangan Petroleum Operating Co. (KPOC) in pipeline engineering and flow assurance engineering studies for the Kamansu East (KME) Field offshore Sabah, Malaysia, a news release said.

The scope of work will include concept select studies and definition engineering on subsea heating options, preventing hydrates, for the 30-km gas pipeline which runs from the KME field in 750 m of water to the Keababangan platform.

The pipeline heating technology could be the first application for deepwater gas development in Malaysia, WGK said in the release.

The KME field and Keababangan Northern Hub Project are part of the Keababangan Cluster, which is owned by Petronas Carigali Sdn. Bhd. (40%), ConocoPhillips (Sabah Gas) Ltd (30%) and Shell Energy Asia Ltd. (30%). KPOC is a joint venture company which was established to act as the cluster operator. The first gas from the field is expected to be required in the early 2020s, the release said.



# Analysts: Fewer Rail Cars Will Be Manufactured This Year

*Bloomberg*

Greenbrier Cos. fell the most in almost seven months after Stifel Financial Corp. analysts estimated that railcar demand will be hurt by a decline in oil prices, Bloomberg said June 16.

Stifel estimated production will be 84,000 railcars this year, less than transportation consultant FTR Associates' outlook of 86,000. Decreased demand for cars that carry oil and coal will more than offset sales of other units, according to Michael Baudendistel, a Stifel analyst.

"The company's shares are approaching our fair value estimate, considering 2015 may be the peak year for production," said Baudendistel, who cut his rating on the stock to hold from buy.

Railroad companies -- Greenbrier's customers -- are struggling with a widening fallout from the global rout in crude prices, which is eroding oil-train shipments faster than forecast. Utilities are switching from coal to natural gas, which is now lower priced and burns cleaner, hurting demand for coal cars.

Greenbrier, based in Lake Oswego, Oregon, fell 8.7 percent to \$54.40 at 11:02 a.m. in New York, after declining to \$53.94 in the biggest intraday drop since Dec. 1. The shares had gained 11 percent this year through Monday.

Stifel raised the rating on FreightCar America Inc. to buy from hold, saying that the railcar maker's diversification strategy should help it

overcome the lower demand for coal carriers. FreightCar rose 3.7 percent to \$22.78.

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