

# U - Gas News Report

Unconventional Gas Activities in the World

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### *Main News*

#### **COALBED METHANE**

##### **China**

- China's 2014 unconventional gas output soars 42% on year to 4.9 Bcm.

#### **SHALE GAS**

##### **United Kingdom**

- Ineos slams MPs' call to ban shale gas.
- Scotland to impose moratorium on unconventional hydrocarbon activities.

##### **United States**

- BHP responds to oil price with shale cuts.

##### **Germany**

- Shale Gas debate prevents conventional projects in Germany.

##### **Algeria**

- Algeria to invest \$70bn in shale gas.

## CBM

### PRODUCTION

#### CHINA:

##### **China's 2014 unconventional gas output soars 42% on year to 4.9 Bcm**

China's production of unconventional gas in 2014 totaled **4.9 Bcm, soaring 42% year on year**, although this pace of increase will still fall short of official targets for 2015, data from the country's Ministry of Land and Resources showed Monday.

**Coalbed methane output rose 23.3% year on year in 2014 to 3.6 Bcm while shale gas production was 1.3 Bcm, expanding by over five times from 2013, the ministry said.**

The shale gas output is just under the 1.5 Bcm that the ministry expected in September would be reached in 2014.

China has **targeted shale gas output to hit 6.5 Bcm/year by this year**, the end of the current five-year economic plan.

This is largely expected to be reached because of significant efforts by state-owned Sinopec and PetroChina at a few key projects, including the former's Fuling facility in central Chongqing municipality. (January 14, 2015)

01/14/2015

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## SHALE GAS

### EXPLORATION

#### EGYPT:

##### **Egypt signs first gas fracking contract with Apache, Shell**

Egypt signed its first contract with foreign oil firms to extract gas using fracking, the same technique used in producing shale gas, a move that could unlock large reserves of energy.

Texas-based Apache Corp and Shell Egypt will drill three horizontal wells in the Abu El-Gharadiq region of the country's Western Desert with investments of up to \$40 million, said the Petroleum Ministry in a statement on Wednesday.

Egypt's technically recoverable reserves of unconventional gas are estimated at 100 trillion cubic feet (tcf), according to a 2013 report by the U.S. Energy Information Administration, higher than its reserves of conventional natural gas, which stand at 77 tcf. (December 17, 2014)

12/18/2014

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## UNITED KINGDOM:

### Ineos slams MPs' call to ban shale gas

**Ineos** has attacked politicians calling for a **ban on shale gas development in the UK**, describing a report published today as “partial” and “partisan”. The House of Commons’ Environmental Audit Committee (EAC) today published a report calling for a moratorium on all drilling for shale gas, claiming that development of shale reserves “cannot be compatible with our long-term commitments to cut climate changing emissions”.

This report follows similar calls for a shale gas ban being submitted as amendments to the Infrastructure Bill, which was debated in the House of Commons last week.

**Ineos plans to invest £640 million in shale gas development** in Scotland and the north of England, and today said that the EAC has overly focussed on the potential risks rather than the benefits of Shale gas extraction. “This was a missed opportunity,” said Ineos director Tom Crotty.

“The Committee deliberately sought out views that focussed on concerns about water quality, emissions and geological integrity and so produced a partisan and partial report. The Committee refused to see Ineos and didn’t look hard enough at the massive decline in the UK’s manufacturing base and the country’s desperate need for shale gas to reduce energy costs and revitalise industry.”

The EAC report claims that any **large scale extraction of shale gas in the UK is likely to be at least 10-15 years away**, and would be “unlikely to be able to compete against the extensive **renewable energy sector we should have by 2025-30**”. It also denies shale gas supporters’ claims that the gas could help lower CO2 emissions by replacing coal. (January 26, 2015)

*01/26/2015*

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## SAUDI ARABIA:

### Saudi Arabia Is Putting Aside Billions For Its Own Gas Fracking Revolution

Saudi Arabia wants its own gas fracking revolution. The country's colossal state-run oil firm, Saudi Aramco, is investing another **\$7 billion (£4.64 billion) in unconventional gas (shale)** drilling in the country. That's more than double what the company had previously planned.

That's at the same time that the plunging price of oil, widely accredited to Saudi Arabia's policies, is helping to stymie growth in US shale. Apparently while Saudi Arabia's got the shale reserves it needs, what it doesn't have is the water that's blasted into the earth to free up oil and gas. Saudi may have the world's fifth-largest shale reserves, adding to its already tremendous mineral wealth. (January 27, 2015)

*01/27/2015*

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## **SOUTH AFRICA:**

### **The hunt for Karoo shale gas begins**

Exploration of shale gas in South Africa is expected to commence as soon as **July this year**. Falling global energy prices have put oil companies under pressure to rethink investments, but exploratory drilling in the Karoo will almost certainly go ahead.

Timelines presented by the department of mineral resources to the National Council of Provinces in October indicate it is likely that regulations for shale gas exploration will be published in the Government Gazette in the next few weeks.

Exploration licences would then be granted – as early as July or August – and exploration could commence immediately thereafter.

Shale gas, should it be judged to be viable, will mainly be used to produce electricity and not fuel. It is for this reason the economics of investing in extracting shale gas remain favourable, energy experts told the Mail & Guardian.

#### **Shale gas reserves**

In 2013, the US Energy Information Administration (EIA) **estimated there were 390-trillion cubic feet of shale gas reserves in South Africa** – although there are a number of varying estimates.

The government says just 30-trillion cubic feet of shale gas is enough to meet half of the country's current electricity generation requirement for more than 20 years. (January 23, 2015)

01/23/2015

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## **PRODUCTION**

### **UNITED STATES:**

#### **BHP responds to oil price with shale cuts**

BHP Billiton has slashed oil and gas spending to protect its balance sheet and shareholder dividends in the face of diving commodity prices. Action had been expected after fellow US shale companies BP and Schlumberger laid off thousands of workers. The reduction of rigs in US onshore business by 40% and petroleum exploration spending by 20% is the latest in a mounting list of setbacks for BHP. However analysts did not view it as a sign of its shale foray failing.

BHP has spent more than **\$US30 billion (\$A32.46 billion) since 2011** buying and developing shale - or unconventional oil and gas - assets, but has since worn price falls, write-downs and put its US Fayetteville asset up for sale. BHP spent **\$US1.9 billion (\$A2.06 billion)** on US shale in the first half out of a planned **\$US4 billion (\$A4.33 billion)** for the full year and will reveal the extent of the cuts when it reports earnings results in February.

Expected exploration spending is down **20% to \$US600 million (\$A649.18 million)**.

The boom in US shale production has driven an energy revolution in the American economy, but current low prices are testing the financial viability of producers. (January 21, 2015)

01/21/2015

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**CHINA:**

**Jereh Group Completes China's First Shale Gas Liquefaction Plant**

Jereh Group has successfully finished China's **first shale gas liquefaction plant** in Sichuan, the Yantai based company said Sunday.

The plant will have a **capacity of 2,470,000 cubic feet of LNG per day** (2.47MMSCFD) in the first phase and the second phase capability will go up to 10,590,000 cf/d (10.59MMSCFD).

Work on the second phase will start this month, the company said.

The plant is located at Junlian County in Sichuan Province, covering an area of 718,000 sq ft. In 2014, the shale gas production in Junlian stood at 3,530,000 cf per day, the company said. (January 11, 2015)

01/12/2015

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**UNITED KINGDOM:**

**SCOTLAND TO IMPOSE MORATORIUM ON UNCONVENTIONAL HYDROCARBON ACTIVITIES**

Scotland is to impose a moratorium on unconventional hydrocarbon activities.

Speaking before Scottish Parliament, Energy Minister Fergus Ewing announced a halt on the granting of planning consents for all unconventional oil and gas developments, including fracking, until proper risk studies have been undertaken and appropriate regulation introduced.

The Scottish Government will tighten environmental regulations and planning guidance and will undertake a full public health assessment to assess safety issues. Wide ranging public consultation will be undertaken to gauge Scottish public opinion on fracking.

"The Scottish Government has taken a cautious, considered and evidence-based approach to unconventional oil and gas and fracking," said Minister Ewing.

"I have listened carefully to concerns raised by local communities and environmental campaigners. We have put in place robust environmental regulation, tougher planning rules and successfully opposed the UK Government's plans to end Scottish householders' rights to object to drilling under their homes." continued Ewing.

"We recognise that local communities are likely to bear the brunt of any unconventional oil and gas developments, particularly in terms of increased traffic and related emissions and noise impacts. These are issues that must be researched further."

No timetable was set for the completion on the new measures proposed today. (January 28, 2015)

01/29/2015

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## GERMANY:

### SHALE GAS DEBATE PREVENTS CONVENTIONAL PROJECTS IN GERMANY

The shale gas debate is a threat for domestic conventional explorations in Germany, said Wintershall on Tuesday, adding that local production posted a **6% decrease in 2014**.

"For more than three years now, the ongoing discussion on shale gas has prevented projects from being approved that require the use of fracking even for conventional gas production. This is therefore blocking established natural gas production" reads a note released by Wintershall. Lower Saxony is the German region that witnessed the majority of the exploration over the last years.

"The project backlog is not only threatening domestic supply security but is also putting jobs at risk, especially in Lower Saxony," Andreas Scheck, head of Wintershall's activities in Germany said on Tuesday.

According to the German company, this could pose a risk for the industry, endangering 20,000 jobs. Wintershall, subsidiary of BASF, also mentioned a recent study of the Association of German Crude Oil and Natural Gas Producers (WEG), which claimed that **1 billion € worth of investments are currently on hold**. According to Scheck, more than a third of conventional natural gas produced in Germany has been recovered with the use of fracking.

"The strengthening of Germany's supply security depends not just on the possible production of shale gas reserves in the future but above all on established, conventional production" Scheck added. (January 20, 2015)

01/21/2015

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## RESERVES

### CHINA:

#### China struggles to find prospective blocks for third shale auction

China is struggling to find attractive shale gas blocks to offer in a third auction of concessions, increasing the sense that the country's output potential may be overblown. Some 400 wells have been drilled and geological surveys conducted in blocks awarded in China's first two exploration auctions, yet the world's top energy user has only one large shale find and few international investors in the sector.

Last year, despite potentially holding the largest technically recoverable shale gas reserves, complex geology, water scarcity and high drilling costs led Beijing to more than **halve its 2020 output target to 30bcm, or 18 percent China's current demand**. Two years after the second auction, the 16 winning firms - none of which had any previous shale experience - have sunk just eight exploration wells across 19 blocks, and only four have completed or reached the stage of horizontal fracturing.

China's biggest shale strike so far lies in southwest China's Fuling field in the Chongqing municipality. **The find has a proven reserve of nearly 107bcm**, but experts say this success is hard to repeat due to higher costs and more challenging geology in other areas. Sinopec plans to produce **10bcm a year from Fuling by 2017**, still leaving a big gap to fill if annual output of **30bcm is to be reached by 2020**. (January 5, 2015)

01/05/2015

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18/19 MAY 2015  
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**POLAND:**

**Poland's new shale gas deposits estimate this year**

Poland will have a new assessment of the size of shale gas deposits this year, based on the information from investors conducting exploration works. Thanks to the fact that we have data from the new drillings, we will be able to narrow this very broad estimate (presented in 2012) down.

Environment Minister Maciej Grabowski would not specify when commercial production of shale gas could start. Poland's new hydrocarbons bill regulating exploration and extraction operations is to be sent to the standing committee of the council of ministers in the coming weeks.

According to a **March 2012 estimate** from the state geological institute, Poland could be sitting on **346-768 bcm** of potentially viable shale gas deposits. Companies looking for shale gas in **Poland drilled 15 wells in 2014 and 14 in 2013**. (January 26, 2015)

*01/26/2015*

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## SUPPLIES - IMPORTS - EXPORTS

### ALGERIA:

#### Algeria to invest \$70bn in shale gas

Algeria's state-owned energy giant Sonatrach plans to **invest at least \$70-billion over the next 20 years to exploit shale gas in the southern desert**, its managing director said on Sunday.

The firm intends to press ahead with its plans despite huge public opposition in the In Salah area of the central Sahara where successful test drilling was announced last month, Said Sahnoun told state radio.

Sonatrach hopes to produce some **20 billion cubic metres of shale gas per year from 200 drill sites**, Sahnoun said.

Algeria is the third largest supplier of natural gas to Europe but its hydrocarbons sector has suffered in the past decade from a lack of foreign investment. (January 12, 2015)

01/12/2015

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## ENVIRONMENT

### UNITED STATES:

#### New York State bans fracking amidst environmental concerns

New York State has become the first US state with **considerable natural gas reserves to ban the controversial extraction technique known as fracking**.

On Wednesday the administration of Governor Andrew M. Cuomo moved forward with plans to ban fracking across the state, citing excessive environmental and health concerns.

"I cannot support high volume hydraulic fracturing in the great state of New York," said Howard Zucker, the acting commissioner of health.

New York is the second state to ban fracking, after Vermont did so in 2012. But that decision was seen as simply symbolic as Vermont has no significant natural gas reserves. This is in comparison to New York, which has potentially large reserves thanks to its large share of the Marcellus shale formation in the south-west of the State. (December 18, 2014)

12/18/2014

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## GENERAL INFORMATION

### UNITED KINGDOM:

#### WM BUSINESSES WIN CASH FROM £2M FRACKING FUND

**Nineteen businesses, including two in the West Midlands, have been awarded funding from a £2m cash pot set up to boost innovation in the shale gas and oil industry.**

Innovate UK's competition ran for five months, with the successful bidders now set to receive development grants of up to £150,000 each.

The winners will test innovative ideas for shale gas and oil projects. These will explore at least three types of water treatment, new techniques for monitoring and technologies for well drilling and design.

The two successful West Midlands companies are Advanced Defence Materials in Southam, Warwickshire, and Wardell Armstrong in Stoke-on-Trent. Advanced Defence Materials is development wear-resistant titanium components for shale gas, while Wardell Armstrong is exploring non-intrusive geophysical techniques.

Business minister Matt Hancock said: "Shale gas and oil could transform the energy sector in the UK, but for that to happen it's vital that the public have confidence in the sustainability and above all, the safety of the industry.

"That is where innovation plays its role and the companies that have won the very competitive process we have run here are bringing considerable expertise to tackling this problem."

The fund includes £1m in contributions from the Department for Energy and Climate Change and a further £250,000 from the Natural Environment Research Council. (January 15, 2015)

01/15/2015

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