Oil and Gas News Briefs
Compiled by Larry Persily
March 30, 2020

Goldman Sachs expects global oil demand down 25% this week

(Bloomberg; March 30) – Global oil demand is getting hammered at a faster pace than anyone had predicted and landlocked crude in the U.S., Russia, and Canada is most vulnerable, according to Goldman Sachs. Consumption will drop by 26 million barrels, or 25%, this week as social-distancing measures to contain the coronavirus now impact 92% of global GDP, analysts including Jeff Currie and Damien Courvalin said in a note.

At least 900,000 barrels a day of shut-ins at the wellhead have been announced, with the true number likely higher and growing by the hour, they said. "The ultimate magnitude of these shut-ins, which is still unknown, will likely permanently alter the energy industry and its geopolitics," the analysts said. Landlocked crude prices are heading into negative territory and will eventually create an inflationary oil-supply shock because so much production will have been halted, they said.

Brent crude will likely stay near cash costs of $20 a barrel with temporary downward spikes as waterborne varieties are better positioned compared with landlocked oil in the U.S., Canada, and Russia that's sitting behind pipelines, the Goldman analysts said. Shut-ins will be not be based upon where wells sit on the cost curve but rather on logistics and access, it said. The oil crisis will see the energy industry finally achieve the restructuring it so badly needs, although a push for decarbonization from capital markets may hamper the broad investment required for a recovery, the analysts said.

Global oversupply could test oil storage limits

(New York Times; March 26) - The world is awash in crude and running out of places to put it. Massive storage tanks in places like Trieste, Italy, and the United Arab Emirates are filling up. Vast caves in Louisiana and Texas that hold the U.S. Strategic Petroleum Reserve are being topped up. More than 80 huge tankers, each holding up to 2 million barrels, are anchored off Texas, Scotland and elsewhere. The fact that oil is being put on ships, more costly than storage on land, implies that the world is running out of room.

The world doesn't need all this oil. The coronavirus pandemic has strangled the world's economies, cutting the need for fuel. But Saudi Arabia, the world's largest producer, is locked in a price war with Russia and is determined to keep raising production. "For the first time in history we are seeing the likelihood that the market will test storage capacity limits within the near future," said Antoine Halff, with Kayrros, a market research firm.

It's been a field day for anyone eager to buy cheap oil, store it, and wait for a day when it'll be worth more. That's where Ernie Barsamian comes in. His business, which finds places to park unwanted fuel, is thriving. "We usually do about two storage deals a day," said Barsamian, who runs a company in Princeton, N.J., called the Tank Tiger, a nod to the local university's mascot. "We have done about 120 in the last couple of weeks." He matches clients like commodity traders or refiners that have oil to store with tank farm owners and others who have places to put it, earning a fee of 1 cent per barrel a month.

Several OPEC members push for emergency meeting

(Bloomberg; March 27) - With no end in sight to the oil-price war between Saudi Arabia and Russia, their former OPEC+ partners are pleading for mercy as the damage gets worse. Algeria and Iraq have urged the Organization of Petroleum Exporting Countries to hold emergency consultations as the market buckles under a flood of crude. Nigeria is openly wondering how much more of the brutal contest for market share it can stand.

There's little sign that their howls will be heeded in Moscow and Riyadh, where political leaders are digging in for a long conflict. It's also questionable whether the cartel — even if its two leaders managed to resolve their differences — could staunch oil's losses as demand goes into freefall. "It's in our interests, collective interests, to ensure that we are able to stabilize the market," Nigeria's Oil Minister Timipre Sylva said. "I cannot say for now if there's any truce in sight."

The cause of producers' anguish is crude's plunge to the lowest prices since 2003. The slump has been mostly driven by the coronavirus pandemic and ensuing lockdowns that have crushed global oil demand by about 20%, about equivalent to the combined output of the Saudis and Russia before the OPEC+ alliance collapsed earlier this month, pitching the two countries into an all-out competition for customers. Other nations in the now-splintered OPEC+ coalition hope an end to hostilities could help boost prices.

Saudis hold firm on position in price war

(Bloomberg; March 27) - Saudi Arabia held firm on its position in the price war with Russia, saying on March 27 that the kingdom hasn't had any contacts with Moscow about oil production cuts or enlarging the OPEC+ alliance. The Saudi Energy Ministry's comments dispelled speculation that Riyadh and Moscow may be seeking diplomatic talks. They came hours after Russian Deputy Oil Minister Pavel Sorokin said OPEC+ alone couldn't fix the market and "more countries should participate in rebalancing."

The kingdom's statement suggests that both Saudi Arabia and Russia are prepared for a long price war — despite protests from other Organization of Petroleum Exporting

Countries. The dispute threatens to turn the industry into a Darwinian survival of the fittest that could put rivals and allies out of business, including U.S. shale oil producers. "There have been no contacts between Saudi Arabia and Russia energy ministers over any increase in the number of OPEC+ countries, nor any discussion of a joint agreement to balance oil markets," the Saudi Ministry of Energy said in the statement.

Brent crude dipped below $25 a barrel on March 27 as the coronavirus pandemic threatens to wipe out a fifth of global oil demand. Crude prices have fallen more than 60% since the beginning of the year. Despite a strong appeal by the U.S. government to Saudi Arabia to end the price war, Riyadh has so far kept firm on its position. Earlier this week, U.S. Secretary of State Michael Pompeo urged the kingdom to "rise to the occasion and reassure" energy markets at a time of economic uncertainty.

Russian oil companies push back against production increase

(Wall Street Journal; March 25) - The deepening coronavirus crisis is upending the Kremlin's plan to ramp up oil production in its price war with Saudi Arabia — and prompting a backlash among the leaders of some of Russia's largest energy companies, people familiar with the matter said. After Russia's abrupt exit from its four-year oil-market collaboration with OPEC earlier this month, Moscow said it was planning to open up its taps, upping the ante in its market-share battle with the Saudis.

The spat has contributed to a 43% drop in crude prices since the beginning of the month. At the same time, the coronavirus crisis has led to unprecedented oil-demand destruction around the globe. At a March 23 meeting of top domestic oil companies convened by Russian Energy Minister Alexander Novak, most participants argued against a production increase starting in April, the people said. Some companies also favor returning to the negotiating table with Saudi Arabia.

"If there was no coronavirus, there would surely be economic sense [to increasing production]," said Nail Maganov, head of oil and gas producer Tatneft. Still not everyone is backtracking. Igor Sechin, head of Russia's largest oil producer, state-controlled Rosneft, continues to support pumping more oil. Widely considered a staunch nationalist in President Vladimir Putin's inner circle, Sechin was a key driver of Moscow's exit from the OPEC pact. He argued that Russia's past cooperation with OPEC to limit production had allowed U.S. drillers to gain market share.

Russia says other countries need to help balance oil market

(Reuters; March 27) - A new OPEC+ deal to balance oil markets might be possible if other countries join in, Kirill Dmitriev, head of Russia's sovereign wealth fund said, adding that countries should also cooperate to cushion the economic fallout from the coronavirus. A pact between the Organization of the Petroleum Exporting Countries and other producers, including Russia (known as OPEC+), to curb oil production to support prices fell apart earlier this month, sending global oil prices into a tailspin.

“Joint actions by countries are needed to restore the economy,” said Dmitriev, head of the Russian Direct Investment Fund. Dmitriev and Energy Minister Alexander Novak were Russia’s top negotiators in the 2017 production deal with OPEC. The deal expires March 31. “We are in contact with Saudi Arabia and a number of other countries,” Dmitriev said. “We see that if the number of OPEC+ members will increase and other countries will join there is a possibility of a joint agreement to balance oil markets.”

Dmitriev declined to say who the new deal’s members should or could be. U.S. President Donald Trump said last week he would get involved in the oil-price war between Saudi Arabia and Russia at the appropriate time.

Oil price continues dive to the bottom; down 65% this quarter

(Bloomberg; March 27) - Oil declined for a fifth straight week amid a one-two punch from collapsing demand due to the coronavirus crisis and oversupply from producers vying for market share. Futures in New York slumped 4.8% on March 27 and are poised for the biggest quarterly drop on record. Refineries across the globe are curbing consumption as fuel use declines with people staying home. Meanwhile, major trader Trafigura Group expects as much as 1 billion barrels to be sent into storage tanks.

More oil is headed into stockpiles as the Russia-Saudi war for market share that exacerbated crude’s crash this month shows no sign of abating. “There’s no doubt this is the swiftest and largest shock to oil since it was discovered in the 1800s,” said Leo Mariani, equity analyst at KeyBanc Capital Markets. “There’s no good playbook for investors on how to handle this.” West Texas Intermediate traded near $21 March 27.

U.S. crude has tumbled about 65% so far this quarter. The International Energy Agency this week warned that global demand was in “freefall” amid coronavirus lockdowns. “Demand destruction exacerbates the shock of a massive amount of barrels hitting the market,” said Peter McGinn, market strategist at RJ O’Brien & Associates in Chicago. “OPEC needs to get back to the negotiation table and hammer out an agreement.”

Saudis finding it hard to get customers for all its extra crude

(Middle East Eye; March 27) - Saudi Arabia is struggling to find customers for its extra oil as demand plummets due to the coronavirus and as freight rates surge, industry sources said, undermining the kingdom’s bid to seize market share from rivals by expanding production. Shell and U.S. refiners were taking less Saudi crude, Finland’s

Neste was not taking any in April, and Indian refiners have sought delayed deliveries, sources told Reuters. Polish refiners were also easing up on purchases.

Unipec, the trading arm of Asia's largest refiner Sinopec, has also decided against lifting more Saudi crude in April after freight rates surged, the sources said. With demand tumbling because of global measures to contain the coronavirus outbreak, oil companies have been reducing refinery processing rates and are in no rush to buy extra Saudi barrels, sources said. Global oil demand is expected to fall by 20 percent in the coming months, International Energy Agency President Fatih Birol said on March 26.

Alongside fallout from the coronavirus, trade sources said higher freight costs were also taking a toll as oil tanker charter rates have skyrocketed since Saudi Arabia started signing up extra capacity to move its crude. One source said oil companies were seeking to cut April allocations of Saudi crude by as much as 25 percent.

Refiners refuse to take more Saudi crude, even at low prices

(Wall Street Journal; March 26) - Many refiners in Europe and the U.S. are refusing to take more Saudi crude being offered at cut-rate prices, according to Saudi officials and oil traders, threatening the sustainability of a price war and battle for market share started by Riyadh. Saudi Arabian Oil Co. said earlier this month it was cutting most of its prices and planned to boost its production by 2.5 million barrels a day next month. It acted after Russia refused to join a proposed output cut by Saudi-led OPEC.

Waning demand from falling economic activity — first in China, now in the rest of the world — has sent crude prices tumbling. Amid softened demand, Saudi Arabia is struggling to find buyers for its crude. Buyers are already struggling with a lack of storage capacity, making new purchases more difficult. Traders said Saudi Arabia is also facing diminishing demand in India after the world's second most populous country was largely put on lockdown this week to stem the spread of the coronavirus.

Saudi crude isn't the only oil being turned away. One Japanese trading house in Europe is offering to resell an allocation of oil it bought from the United Arab Emirates for a 10% discount because it can't find any buyers, a European trader said. "It's a deathly spiral," he said. The Saudi price cuts were aimed directly at winning market share from Russia, particularly in parts of Europe. But traders say Russia has been able to redirect its European sales to China — where demand is slowly recovering.

Some crude selling far below Brent prices

(Bloomberg; March 25) - As oil crashes, it's easy to overlook a dismal reality for producers: The real prices they're getting for their barrels are worse still. Having fallen by about 60% this year, Brent and West Texas Intermediate crude have stabilized at about $25 a barrel, but the price rout is far deeper for actual cargoes that are changing hands at large and widening discounts to the benchmarks. The discounts mean that in the physical market, some crude is trading at $15, $10 and even as little as $8 a barrel.

Crude oil in the physical market trades at a premium or discount to Brent, WTI and other benchmarks. At times of surplus, premiums narrow and discounts widen. But the current situation is almost unprecedented, with discounts in some cases at multi-decade highs. Examples abound from Africa to the Middle East to Latin America. Nigeria, the biggest oil producer in Africa, is selling its flagship Qua Iboe crude at a discount of $3.10 per barrel below the dated Brent benchmark, the largest in at least two decades.

Colombia is selling its Vasconia crude at a discount $7.75 a barrel to Brent, a 4 1/2-year low. “The physical oil market looks horrific,” said Kit Haines, an analyst at Energy Aspects. Prices in the physical market are falling as the global economy weakens. Consumption is down by as much as 20 million barrels a day, trader Vitol Group said March 25. With refiners scaling back, traders are buying cargoes to store them. The oil market has flipped into what the industry calls a contango: Spot prices are lower than forward prices, which allows traders to buy crude, store it and profit by selling it forward.

Single-digit oil prices threaten shut-ins around the world

(Bloomberg; March 27) - Only the old hands at the Coffeyville oil refinery could remember anything like the prices posted this month. The small Kansas plant in the heart of rural America was offering just $1.75 a barrel for Wyoming sweet crude. With more than two billion people on virus lockdown from India to California, energy demand has plunged and oil prices are collapsing under the weight of an unprecedented glut.

“I have never seen anything like this,” said Torbjorn Tornqvist, co-founder of commodity trader Gunvor Group. “We’ve never seen anything even close.” The consequences are brutal: prices are now low enough to force a widespread suspension of production, or a shut-in as it is known. Though U.S. and global trading benchmarks are in the low $20s, in many cases the prices where actual barrels change hands are much lower.

Wyoming Sweet, a landlocked crude with few outlets, is one example. There are others: North Dakota Light Sweet has traded at $9.97; Western Canadian Select has plunged to $6.45; and Russian crude in Siberia has changed hands for less than $10. At such low prices, producers are cutting back. Brazil’s state-run Petrobras is cutting output by 100,000 barrels a day from high-cost offshore platforms. Glencore, the commodity giant, is shutting down oil fields in Chad. Suncor Energy has cut back in the Alberta oil sands.

The last time the oil industry faced widespread shut-ins was in 1986, when Saudi Arabia also ravaged the market in a price war. Put simply, the world cannot continue pumping at the current level of about 100 million barrels a day while demand is as much as 20% lower. The surplus would overwhelm storage capacity within weeks.

Price crash to $4.58 could push oil sands to shut in production

(Financial Post; Canada; March 27) - Canadian heavy oil prices plunged to a new low on March 27 that could force the oil sands sector to shut in production to survive the historic collapse, said a March 27 report from Wood Mackenzie. The price of Western Canada Select, the domestic heavy oil benchmark, followed up a brutal 30% plunge on March 26 with a 28% fall March 27 to reach US$4.58 per barrel — just a fraction of U.S. benchmark West Texas Intermediate at $21.46 and global benchmark Brent at $24.39. Analysts have started to joke that Canadian heavy oil is worth less than a pint of beer.

These prices are well below the breakeven cost for the Canadian oil sands producers, which risks posting massive losses this year as low prices persist. "Canada's oil sands are at the upper end of the (cost) curve, even in a benign price environment," said Fraser McKay, vice president of upstream at Wood Mackenzie. Even if Brent returns to $35 over the course of 2020, "we would expect corporate cash flow from the sector to be US$17 billion in the red," and Alberta to forego $2 billion in royalties, McKay said.

But it's difficult to shut in or suspend oil sands operations as steam-based producers are concerned that letting a formation go cold would damage the reservoirs. "The sector will do everything it can to trim costs first," McKay said. "Prices are so low there's no point in transporting if you don't have to. If you can move it into storage, you will," said RS Energy Group senior associate Stephanie Kainz. But storage is a problem. "Canada is full. … The reality is that Canadian producers will store in the U.S.," where more space is available, said Kevin Birn, IHS Markit vice president for North American oil markets.

High-cost, low-volume U.S. stripper wells at risk of shutdown

(Bloomberg; March 27) - The oil market turmoil sparked by Saudi Arabia and Russia is threatening U.S. jobs even in Cut Bank, Montana, and Magnolia, Arkansas — obscure communities in the world of energy. In such places, mom-and-pop outfits run so-called stripper wells, which generate no more than 15 barrels a day. After crude's crash in 2014, they were forced to reduce jobs and shrink costs just to keep afloat. Now as prices plunge to 18-year lows, they're doing it again, but this time there's little left to cut, said Darlene Wallace, who heads Columbus Oil in Oklahoma, the operator of 21 wells.

"Many of us have been in the business and have seen more than one shock like this. But none of us dreamed it would fall so far," said Wallace, who is also the chairman of the National Stripper Well Association. While America's shale boom over the past few years decreased the importance of such stripper wells, they still account for 6%, or about 850,000 barrels a day, of U.S. output, according to data provider Enverus.

While not all stripper wells will go off-line, over 500,000 barrels a day of output could be at stake if low prices continue to persist with most in the Permian and Anadarko basins, RBC Capital Markets said in a report. Shut-ins could begin soon, according to the March 18 note. Additionally, there's a risk of job losses, with over 400,000 stripper wells employing about 143,000 workers across the U.S. Operating and transportation costs for stripper wells generally run between $15 and $30 per barrel. With oil selling for less than $24 a barrel, that means many could be producing at a loss, according to RBC.

Traders add more charters to store oil at sea

(Reuters; March 27) - Traders have chartered at least five supertankers in the past day with options to store oil at sea as global stockpiles mount after the U.S. ditched plans to purchase oil for its emergency reserve, shipping sources said Mach 27. The sources said the vessels — each with capacity for 2 million barrels — were booked for storage options of at least three months to take advantage of a widening contango market structure, when cargoes for short-term delivery are cheaper than those for later delivery.

In such instances, oil majors and trading houses charter ships to store oil they produce or buy cheaply from the market, betting they can resell at a profit when prices recover. The U.S. Department of Energy said March 26 it had ditched plans to purchase crude for the nation's emergency reserve due to a lack of funding from Congress. The purchases were seen as a way to absorb some of the global oversupply in markets.

The latest charters add to earlier bookings this month for storage at sea, sources said. "Activity is back, and owners are asking for much higher rates," broker Clarksons Platou Securities said in a note March 27. "The driving force is the contango play soaking up tonnage." Tanker rates have shot up to record highs of $200,000 a day on some routes the past two weeks, such as the Middle East to China. Charters for storage were running less, reportedly around $120,000 a day, triple the rate at the start of March.

Venezuela oil production down about 38% from February

(Bloomberg; March 25) - High inventories of oil and low prices are forcing Venezuela to consider shutting wells, adding a dire context for President Nicolas Maduro's handling of an economy already under stress. Overall production plummeted to 464,000 barrels of oil a day last week, according to two people with access to the data who asked not to be named because the information is private. That's down about 38% from February. The nation's crude output peaked near 3.5 million barrels per day in 1997.

Meanwhile, about 30.9 million barrels are sitting with no buyers along the coasts of Venezuela, Togo, Singapore, Malaysia, India, and China. That's forcing the government to consider shutting wells, one person said. The decision could come as ventures that supply more than half of Venezuela's output have dwindled in recent weeks. According to sources, state-controlled Petroleos de Venezuela and Chevron's Petropiar was at 50,000 barrels a day last week, down from 120,000 in January, while Rosneft's main venture, Petromonagas, fell to 20,000 barrels a day last week, down 75% from January.

Adding to the country's problems, expatriates and local employees at international oil companies including Chevron and Repsol were sent home in compliance with Maduro's nationwide quarantine measures on March 12, according to sources.

West Coast Mexico LNG export project looks to decision in 2021

(S&P Global Platts; March 25) - During any other market cycle, Mexico Pacific Ltd.'s (MPL) proposal to build a 12-million-tonne-per-year gas liquefaction terminal would seem a no-brainer. Its proposed location on Mexico's West Coast allows for a shorter shipping route to Asia than from the U.S. Gulf Coast and the ability for tankers to avoid the congested Panama Canal. Existing pipeline infrastructure in the region can access cheap Texas shale gas. But this is not a normal market cycle.

Low international LNG prices, a continuing global supply glut, and a coronavirus pandemic further weakening demand have put North American developers in a bind. Because of delays in advancing other export projects that should have been under construction by now, there is more competition for buyers of LNG supplies to be delivered around the middle of the decade when forecasts call for a possible shortage.

Backed by venture-capital firm Avio Capital and developer DKRW Energy, MPL is now targeting a final investment decision in 2021 on its first phase at 4 million tonnes a year. The project would use smaller, modular liquefaction units. It has preliminary agreements with offtakers for its first phase, but the deals are not final. Front-end engineering has been assigned and it has most permits in hand, although it still needs export approval.

LNG producers look to sell excess supply; prices fall under $3

(Reuters; March 27) - Liquefied natural gas suppliers are flooding the market with excess spot cargoes, generating fresh headwinds for prices as demand crumbles globally due to the coronavirus pandemic that has disrupted industrial output and people's movement. Spot supply has increased partly because of a big drop in demand from countries like India in Asia as well as Italy and Spain in southern Europe that have imposed lockdowns and strict travel curbs to slow the spread of the virus.

The LNG supply glut is pushing down Asian spot prices toward February's record low when demand sank in China, where the coronavirus originated late last year. Spot LNG prices were already at seasonal lows before the virus crisis due to a warm winter and the fallout from the U.S.-China trade war. Amid the uncertainty, buyers in North Asia had opted for a "downward quantity tolerance" when negotiating their annual delivery schedules. Some buyers are now exercising the clause that allows them to cut volumes up to 10%, driving sellers to offer unsold cargoes in the spot market, traders said.

Qatargas approached buyers in Asia and Europe this week to offer cargoes for delivery or loading in April, sources said. Traders said it had likely been forced to seek buyers for its excess cargoes after being issued with a force majeure notice by Petronet LNG, the top gas importer for India, which has the world's second-highest population at 1.3 billion. Qatar is India's biggest LNG supplier. Asian spot LNG prices dropped below $3 per million Btu this week, after rising for three consecutive weeks, traders said.

Fully loaded LNG carriers idle offshore India as market dries up

(Reuters; March 27) - At least five fully laden liquefied natural gas tankers are idling offshore India, as yet unable to discharge their cargoes, after importers there declared force majeure earlier this week, according to an analyst and shipping sources. Gas demand is falling globally amid the fast-spreading coronavirus which has capped industrial output, forcing LNG tankers in several regions to remain at sea fully laden with no immediate destination, the sources said.

At least three major buyers in India, the world's fourth-largest LNG importing country, issued force majeure notices to suppliers earlier this week as domestic gas demand slumped and port operations were affected by a nationwide lockdown to curb the spread of the virus. Five LNG tankers have been flagged as floating storage off the western India coast, said Rebecca Chia, an analyst at intelligence firm Kpler. Another eight loaded tankers are due to head to India, a Singapore-based shipbroker said.

Tankers are also building up outside Ras Laffan, in Qatar, the world's top exporter of the fuel, according to Chia and energy data provider Clipperdata. Four LNG tankers with cargoes from Qatar are hovering around the region with one originally bound for India, Chia added. Qatar has approached several buyers in Asia and Europe offering cargoes in the spot market for either loading or delivery in April, several sources told Reuters.

Liquidation possible for developer of proposed Louisiana LNG project

(S&P Global Platts; March 27) - Bridge financing needed to keep LNG Ltd. operating long enough to close a deal to be taken over by a Singapore investor has fallen through, amid a further deterioration in market conditions due to the coronavirus pandemic, the Australian company said. The development raises the potential for liquidation, which would imperil the company's proposed Magnolia LNG export project in Louisiana.

LNG Ltd. has enough cash to stay afloat until late April but doesn't expect the takeover to be closed until May 28 at the earliest, CEO Greg Vesey said in a statement posted on the developer's website March 27. The company is working with its suitor to help it secure new financing, but can't be assured that effort will be successful, Vesey said.

When the $75 million takeover offer from an energy investor with ties to floating regasification facilities in Asia and Europe was announced Feb. 28, LNG Ltd. said the deal was critical to saving Magnolia LNG. The alternative was the risk of administration — akin to bankruptcy — or liquidation, it said at the time. Magnolia LNG already has approval from U.S. regulators and a fully wrapped engineering, procurement and construction contract. What it does not have, to date, are any firm offtake deals.

PetroChina lost $4.34 billion on gas imports last year

(Reuters; March 26) - PetroChina, China's top natural gas importer, will seek to renegotiate prices with suppliers to control costs and curb losses at its gas import business, executives said March 26. Efforts to contain the coronavirus have destroyed demand worldwide while oil and gas supplies have swollen, driving down prices. Earlier this month, PetroChina canceled some contracts with gas suppliers, including piped gas from Central Asia and liquefied natural gas from Qatar and Australia.

"Our gas import costs will trend lower with falling oil prices, but we're not going to pin hope on that to cut losses," Lin Xiao, a vice president at PetroChina, said during an annual earnings briefing. "We'll actively engage in price renegotiations ... and keep optimizing the pace in imports and adjust the import volume where contracts allow." PetroChina, also China's second-largest refiner, cut refinery operations significantly in February after China became the first country to suffer from the coronavirus outbreak.

PetroChina on March 26 reported a 13.9% fall in 2019 net profit, while its natural gas import business recorded a 30.71 billion yuan (US$4.34 billion) net loss last year, 5.803 billion yuan deeper than the previous year's loss because of slower demand growth at home and as gas import costs exceeded what it could charge domestic customers.

Australia could face potential gas shortage by 2024

(Reuters; March 27) - Australia will need to import liquefied natural gas by 2024 for its southern states to avoid shortfalls, unless more gas fields are developed locally and pipelines are expanded, the country's energy market operator said March 27. Despite an increase in committed gas developments over the past year, southern gas supply is expected to drop by more than 35% over the next five years, the Australian Energy Market Operator (AEMO) said in its annual gas outlook.

“Unless additional southern supply sources are developed, LNG import terminals are progressed, or pipeline limitations are addressed, gas supply restrictions and curtailment of gas-powered generation ... may be necessary on peak winter days in southern states from 2024,” AEMO said. Three LNG import projects are on the drawing board, with AGL Energy aiming to open its terminal in Victoria state in 2022 pending environmental approvals. Rival projects in New South Wales state are further behind.

The need is acute in Victoria state, dependent on gas for homes and manufacturers, where several offshore gas fields are forecast to stop producing between mid-2023 and mid-2024. “If production ceases earlier, this could create peak winter day supply gaps in Victoria in 2023,” AEMO said. Over the past three years — under pressure from the federal government and thanks to a global supply glut — three LNG export plants in Queensland state have boosted local supply by diverting gas from their export plants.