Oil and Gas News Briefs
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Exxon and Chevron each will shut in 400,00 barrels per day

(Reuters; May 1) - ExxonMobil and Chevron are slamming the brakes on output as the top two U.S. producers plan for combined global shut-ins of 800,000 barrels per day of oil and gas equivalent in response to plunging crude prices and fuel demand. The companies May 1 outlined deep cuts in investments in the Permian shale basin, where growth has made the U.S. the world's top oil producer and a net exporter for the first time in decades. Each announced shut-ins of up to 400,000 barrels per day this quarter.

Exxon and Chevron have been sidelining Permian drilling equipment since the market started crashing in March. U.S. crude has plunged nearly 70% this year to under $20 a barrel. The two majors spent heavily in the past two years to expand in the Permian. Oil and gas output at both producers rose in the first quarter as each raced to produce 1 million barrels per day in the Permian. Then fuel demand sank nearly a third due to travel and business lockdowns, while a flood of Russian and Saudi oil hit the market.

"We would intend to bring activity back to the Permian when we see prices recover," Chevron Chief Financial Officer Pierre Breber said. Exxon's biggest cuts will come in the Permian, "where the short-cycle investments are more readily adjusted," said CEO Darren Woods. Exxon will sideline 75% of its Permian rigs, keeping 15 working. Both companies will slash spending 30% this year. Chevron cut its capital spending budget to $14 billion and Exxon has set 2020 spending at $23 billion, the lowest in four years.

Small U.S. producers shutting in production faster than anticipated

(The Wall Street Journal; April 30) - Small U.S. oil companies are shutting off wells faster than expected, as prices fall below what it costs them to pump the crude. The collapse that sent U.S. benchmark prices into negative territory last week persuaded many smaller, privately held drillers to shut many of their wells until the economy revs up and demand recovers. These drillers — in places like West Texas, New Mexico, North Dakota, Wyoming, and Louisiana — account for about 25% of U.S. production.

The pullback means that a sizable amount of U.S. production could stay in the ground for months, while refiners burn through a glut in storage. Consequently, some observers have sharply revised forecasts for U.S. 2020 production with faster and deeper cuts than previously expected. Ken Waits, CEO of Mewbourne Oil, one of the largest private producers in the Permian Basin of Texas and New Mexico, said many companies are receiving less for their crude than needed to cover costs. By next month the company expects to shut in over half of the approximately 100,000 barrels a day it pumps.

The motivation behind shutting in wells is simple: Better to keep oil in the ground than lose money selling it at low prices. The bet is that prices will recover enough to cover restart costs and boost sales within a few months. “I don’t want to see our production sold for a loss,” said Brent Allen, a managing director at Texas-based Alpar Energy. It has nonoperating interests in several Texas wells that will be shut off over the next two months. The shut-ins by smaller companies are a major reason U.S. oil production, which has recently led the world, is now projected to fall substantially in coming months.

Tankers hauling 43 million barrels of Saudi crude headed to U.S.

(Bloomberg; April 30) - A fleet of tankers carrying Saudi oil will add to the growing crowd at U.S. ports in coming weeks at the same time as U.S. producers are shutting in output as they run out of space to store unwanted crude. A total of 43 million barrels of Saudi oil is set to arrive on the Gulf and West coasts by May 24, according to Rystad Energy. The flotilla of 28 tankers, including 14 very large crude carriers, will join a long line of tankers waiting to unload in U.S. ports as the greatest oil glut in history plays out.

Dozens of tankers are lined up off the two coasts with demand for motor and jet fuel destroyed by the COVID-19 pandemic. There are 34 tankers already waiting in line to offload about 25 million barrels on the West Coast, and 31 tankers lined up off the U.S. Gulf Coast. “The congestion at U.S. ports has reached new highs,” Paola Rodriguez-Masiu, Rystad Energy’s senior oil markets analyst, said in a statement.

The growing glut of oil has caused futures prices for oil to plunge 75% this year as available storage filled up in Cushing, Oklahoma, the delivery point for West Texas Intermediate futures. If the Saudi tankers can unload, their cargoes will offset almost all of the U.S. production cutbacks from March levels, according to Rystad. That will maintain the high volume of oil in storage, potentially keeping prices low. Because onshore oil tanks are less numerous on the West Coast than on the Gulf, tankers are a key storage alternative, said oil market analyst Emmanuel Belostrino.

Spare production capacity will delay any recovery in oil prices

(Bloomberg commentary; May 2) - Who knows what the new normal for oil demand will be once COVID-19 is firmly in the rearview mirror. It is likely to be lower than it was in 2019, and it could be that way for many years. That’s going to create overcapacity and weigh on prices. While signs are emerging that we might have passed the worst of this historic oil demand rout, they’re very tentative. No one is predicting a swift recovery to where we were before the pandemic struck. Some, including Shell's Chief Executive Officer Ben van Beurden, suggest that global oil demand may never recover fully.

Citigroup analysts don't see jet fuel consumption back at last year's level until well into 2022, and they're at the optimistic end of the spectrum. Boeing's CEO suggests passenger traffic might not get back to 2019 levels for three years, and even when the flying public does return, airlines will use their newest and most fuel-efficient planes. And many people will gladly give up their daily commute to work from home more.

With a permanent loss in fuel demand, there will be too many unused oil wells. That overhang of spare production capacity will put an effective cap on oil prices, just as it did throughout the 1990s. No amount of Saudi-led supply management or U.S. presidential bullying of foreign oil producers will be able to remove that spare capacity. Every time oil prices rise, producers will rush to use their idled capacity, undermining the recovery. After the oil-price slump of the mid-1980s, it took two decades for prices to return to their previous levels. This time the wait could be even more protracted.

Oil trader speculates 'we have seen the bottom' of demand loss

(Bloomberg; May 3) - Few have a better watchtower over oil demand than Joe Gorder, CEO of major U.S. refiner Valero Energy. But this week Gorder didn't need his business insight to know that fuel consumption was starting to recover. He only needed to look at the streets of San Antonio, the Texas city where he's based, to see traffic emerging after weeks of lockdown. "People are starting to get out more," Gorder said. "I think there probably is a pent-up demand for folks to get out of their houses and get mobile."

From the streets of San Antonio to Barcelona and Beijing, traffic data, sales at fuel stations, and pipeline flows all suggest that the slump in oil demand probably bottomed out around the middle of April, and has now started a modest — and very tentative — recovery. The signs matter beyond the petroleum industry as they provide a glimmer of hope after a flood of lousy economic data and losing about 30% of global oil demand.

"I believe we have seen the bottom," said Marco Dunand, co-founder of Mercuria Energy Group, one of the world's top-five oil trading houses. But the recovery is extremely slow. Traders believe it's likely to take more than a year, and perhaps much longer, before global demand reaches the pre-pandemic levels of 100 million barrels a day. A growing minority even speculate it may never get there again. Ed Morse, a veteran oil watcher at Citigroup, calls it "the winding, bumpy road to an oil recovery."

World running short of tankers to move refinery output

(The Wall Street Journal; May 3) - The cost to ship gasoline, diesel and jet fuel around the world has soared to record highs, as traders look to dodge the commodity price crash by stashing refined oil at sea. Charter prices for vessels that transport refined oil products have tripled since the start of March, according to the Baltic Clean Tanker Index, a gauge of freight rates along 11 shipping routes. The index, calculated daily from estimates submitted by shipbrokers, hit its highest level on record early last week.

"The lack of on-land storage, surplus of supply and collapse of demand globally means the oil is on the water, and it's moving long haul," said Claire Grierson, head of tanker research at shipbroker Simpson Spence Young. "We're seeing record levels on some of the routes," she said of freight rates. Last week it cost just under $170,000 a day to charter a vessel from the Persian Gulf to Japan, according to Grierson. That is a high for Simpson Spence Young's records and 10 times the rate in early March of $17,000.

A race is under way to store the surplus gasoline, diesel and jet fuel at sea. The number of available "clean tankers," smaller ships that move refined petroleum products, has plummeted. "Dirty tankers" transport unrefined crude. London-based Signal Ocean tracks the location of tankers and where they could travel to if needed. As of April 30, no Long Range 2 vessels, the largest kind of clean tanker, were in a 15-day range of Jubail, a port city on Saudi Arabia's East Coast that is home to a major refinery run by Saudi Aramco and Total. At the beginning of March there were 21 of the tankers available.

Use of tankers for oil storage will keep charter rates high

(Bloomberg; April 30) - Oil tanker rates are crashing as a pact to limit global crude production takes effect May 1, but don't bet on the rout enduring. Normally, huge curbs such as those implemented by OPEC+ to stem the global oversupply of crude would have destroyed the tanker market almost as soon as they were announced a few weeks ago. But these aren't normal times. With so much oil still in surplus and still in need of buyers, the glut must be stashed some place. And that place is often on supertankers.

"OPEC+ cuts would have led to rates crashing" down to about $9,000 a day, a level that just covers the ships' running costs, said Frode Morkedal, an analyst at Clarksons Platou, a unit of the world's largest shipbroker. Instead, the drop in cargo deliveries will mostly just free up more tankers to act as storage vessels — for which demand remains strong — propping up freight rates far beyond the minimum to cover operating costs.

Rates to China from Saudi Arabia stood at just over $100,000 a day April 30, according to the Baltic Exchange. That represents a fall of more than 50% in the space of a week. But tanker owners, and analysts who follow them, remain confident there won't be the kind of wipeout that normally accompanies deep oil production cuts. There are now 143 million barrels of oil in floating storage, according the most recent data on Bloomberg from Vortexa, an oil and shipping analytics firm. That’s quite possibly an all-time record.

Norway proposes temporary tax savings to help oil and gas industry

(The Maritime Executive; May 2) – Norway's Prime Minister Erna Solberg has presented a package of measures intended to help the oil and gas industry maintain activity during the COVID-19 pandemic and plunging oil prices. The petroleum industry is Norway’s largest and most important industry, and investments are grinding to a halt. On the Norwegian shelf, both planned developments and ordinary maintenance are being postponed. Orders are not materializing, and there is a great deal of uncertainty.

Norway has decided to cut oil output by 250,000 barrels per day in June and by 134,000 barrels per day in the second half of 2020. In addition, the start-up of production of several fields will be delayed until 2021. Consequently, total Norwegian production in December 2020 will be 300,000 barrels less per day than originally planned by the companies. The government is proposing temporary amendments to its petroleum tax system that, in practice, will mean that tax bills are postponed.

Oil and gas companies will be allowed to deduct some investments immediately. Uplift — an annual boost in tax-reducing depreciation — will be increased in the first year for investment costs incurred in 2020 and 2021 and for investments in new developments submitted by the end of 2021 and approved by Dec. 31, 2022. Companies will be able to have the tax value of losses in 2020 and 2021 refunded instead of applied to future earnings. The liquidity effect of the changes is anticipated to free up as much as NOK 100 billion ($10 billion) for investments in 2020 and 2021.

China’s 3 largest oil producers cut spending by $19 billion

(Bloomberg; April 29) - Despite marching orders from China’s top leader Xi Jinping to maximize oil and gas production, the country’s energy sector is bending to the reality of the pandemic-fueled market collapse. The nation’s three biggest state producers will slash their spending plans this year by a combined $19 billion with PetroChina’s 32% chop leading the way.

China National Offshore Oil Corp. will cut its spending about 11%, targeting its investments in Canada’s oil sands and North American shale fields. PetroChina’s capital spending cuts, announced April 29, are among the drastic steps that companies are taking to weather the crash in demand and low oil prices amid the coronavirus fight. They come one year after China’s state firms boosted spending to satisfy calls by President Xi to reverse the decline in output that raised the nation’s import dependency.

China’s drillers are particularly sensitive to lower prices because their domestic fields are older and require more work to sustain production, according to Rystad Energy. The consultancy estimates the country needs oil at $41 a barrel to break even, compared with $13 for Saudi Arabia and $11 for Iraq. PetroChina plans to lower capex this year to 200 billion yuan ($28 billion), from 295 billion yuan approved earlier this year, the company said on a call with analysts, according to a research note from Sanford C. Bernstein & Co. Sinopec will cut its spending by 20% to 25%, Bernstein said.

Conoco CEO says company ‘on the lookout’ for acquisitions

(CNBC; April 30) - ConocoPhillips CEO Ryan Lance said April 30 that the energy industry needs to consolidate and that his company is looking at possible acquisitions. “It is in need of consolidation. There’s too much fixed costs, investors have too many choices, your market cap’s not relevant anymore. So absolutely we’re on the lookout,” Lance said on CNBC. “It’s got to be accretive, can’t destroy our financial framework. But we’re watching it very closely,” Lance said about potential deals.

Lance said the historic price drop showed that the futures market was “disconnected” from the physical market, but said ConocoPhillips is cutting production until oil prices rebound. “We’re choosing to store our oil down in the reservoir. We’re choosing not to produce it. We’ve voluntarily curtailed for the month of June 460,000 barrels a day, which really represents about a third of our company’s production,” Lance said. That includes a reduction in Alaska North Slope production of 100,000 barrels a day in June.

Global oil demand may drop only 6% this year, if economies recover

(S&P Global Platts; April 30) - Global oil demand could fall much less than expected in 2020 if lockdowns ease quickly and the world rebounds from the worst hit to energy demand since World War II, the International Energy Agency said on April 30. A reduced lockdown period and a strong economic recovery in the second half of 2020 could limit the full-year decline in oil demand to 6.5 million barrels per day, or 6%, from 2019, the IEA said, better than its mid-range forecast of 9.3 million barrels for the year.

"Gasoline demand, in particular, could be supported by unwillingness to use public transport as recent trends show in China," the IEA said in a review of the impact of the pandemic on major fuels. Under the IEA's current base-case scenario, the economic and social lockdowns implemented around the world in response to the coronavirus pandemic are progressively eased in most countries in the coming months, accompanied by a "gradual" economic recovery.

Oil demand is not expected to reach pre-crisis levels before the end of the year with December demand still forecast to be 2.7 million barrels per day lower than December 2019 levels. The report projects renewables as the only energy source likely to experience demand growth this year. But the IEA also cautioned that the damage to oil demand could be even greater than expected if a second wave of infections occurs later this year, forcing governments to reinstate containment measures.

Chesapeake Energy prepares potential bankruptcy filing

(Reuters; April 30) - Chesapeake Energy, the exploration and production company at the forefront of the U.S. shale boom, is preparing a potential bankruptcy filing as it grapples with an unprecedented rout in energy prices, people familiar with the matter said April 29. The Oklahoma City-based company, cofounded by late wildcatter and outspoken gas proponent Aubrey McClendon, has discussed with creditors a possible loan for operations while it navigates bankruptcy proceedings, the sources said.

The loan could total about $1 billion, though the size remains in flux, one of the sources said. Such loans, referred to as debtor-in-possession financing, are key to companies seeking Chapter 11 bankruptcy protection because they help them sustain as much of their business as possible during court proceedings. Chesapeake's discussions about possibly obtaining bankruptcy financing are in early stages, and the company has made no final decisions about how it plans to address its debts, the sources cautioned.

The company could attempt to persuade creditors to restructure its debt outside of bankruptcy, said the sources. Chesapeake was trying to pivot from gas to a greater emphasis on oil production when a Saudi-Russian oil-price war earlier this year upended its plans. The company was dealt another blow by the coronavirus outbreak, which caused energy demand to dwindle by shutting large swaths of the global economy. Chesapeake, which employed about 2,300 people as of the end of last year, faces significant payments due this year on portions of its $9 billion debt pile.

New Brunswick refinery plans to take Western Canadian oil by tanker

(CBC News; Canada; May 1) - Irving Oil, operator of Canada's largest refinery, wants to process more crude from Western Canada — delivered by tankers to its refinery in New Brunswick — starting this summer. The privately held refiner applied to the Canadian Transportation Agency to use foreign tankers to increase the volume of domestic crude it gets from offshore Newfoundland production and onshore fields in Western Canada.

Irving's application included a proposal for the tankers to transport oil from a terminal in Burnaby, B.C., through the Panama Canal and on to Irving's refinery in Saint John, N.B. A company official on May 1 confirmed the applications had been approved and said the company is working through the details of federal approval of individual vessels. Irving hopes to receive the first barrels from Western Canada in late June or early July, said Kevin Scott, chief refining and supply officer for Irving Oil.

The company wants to boost its use of Canadian crude, currently in the range of 20%. Increasing the amount of domestic oil would displace imports the company gets from around the world, but it's not clear which shipments might be affected. Scott said the refinery uses a "significant" amount of U.S. oil. Irving's Saint John refinery is the largest in Canada, with capacity of 320,000 barrels of oil per day. Western Canadian producers have been looking for new markets for their crude in hopes of earning better prices.

Canadian producers look at temporary holding tanks for oil

(Financial Post; Canada; April 29) - The scenario that many oil executives feared is starting to play out: Storage space is filling up and there's nowhere to put their oil. "It's not like milk, you can't dump it into the fields," said Elias Foscolos, a Calgary-based analyst with Industrial Alliance Securities. "There are people looking at doing anything possible … somebody's probably calling up every single independent closed service station and saying, 'Hey is there a storage tank there? We'll pay you."

Even as oil producers dial back output, there is excess supply. In Canada there are already reports of oil producers searching for creative solutions as the amount of oil in tanks moves closer to the rims, including using railcars that normally transport crude or setting up temporary storage facilities in fields and using tanks that would otherwise hold fracking fluids. Dan Halyk, chief executive of Total Energy, said the situation has provided an opportunity for his company to "make some lemonade out of lemons."

While companies have cut back budgets for drilling and other work he would normally do, Halyk said oil producers a month ago started asking about the cost of using his company's tanks, which usually hold fracking fluids. Companies are attempting to set up temporary storage facilities. "Nowadays, a tank is a tank," Halyk said. Each of his tanks only holds about 400 barrels, but he said the company can set up a system with 200 or 300 tanks within a temporary berm in a matter of days. Meanwhile, the regulatory and construction process to build a permanent storage facility can take more than a year.

Crude sellers in Asia add new clause that blocks negative prices

(Reuters; April 30) - Companies selling crude and condensate in Asia have added a new clause in contracts that prevents prices of their oil from falling below $0, sources told Reuters on April 30. Oil markets were stunned on April 20 when U.S. crude futures collapsed into negative territory for the first time in history, as a coronavirus-induced supply glut and lack of storage saw desperate traders paying to get rid of oil.

The new clause comes as sellers in Asia seek to protect their interests, as prices of some physical crude grades sold in the region have fallen to close to $10 a barrel due to heavy discounts, sources said. The crudes involve a range of oils from Asia's regional low-sulfur crude, to ultra-light condensate, and to Russian and Mideast high-sulfur crude.

The zero-dollar clause was first used in North America as oil companies and those involved in U.S. shale earlier this month introduced the provision to avoid having to pay buyers to take oil away. Most Asian buyers have shown high acceptance of the new clause that protects sellers. While every company's legal language differs, the point is that "dollar per barrel of oil will not be lower than zero under any circumstance," said a source, who works with an oil producer. The cargoes will still be delivered — even if it is $0. "No one wants to pay the buyer to lift their barrels," said a source with an oil major.

Nigeria and Angola share in oil production cuts

(Reuters; April 29) – OPEC members Nigeria and Angola have revised down their crude oil export programs for May and June to align themselves with the global production deal. The Organization of Petroleum Exporting Countries and its allies, OPEC +, agreed to cut their combined output by 9.7 million barrels per day, or 23% in May and June, from an agreed baseline. The deal is to support prices as global demand has plunged by as much as 30% due to lockdowns to halt the spread of the coronavirus.

Angola's May program was revised down to 41 cargoes, or 1.27 million barrels per day, from 45 cargoes initially published in its preliminary schedule. This translates to a production cut of around 10% versus its pre-deal March volume. The final June schedule was reduced to 39 cargoes or 1.25 million barrels per day.

The emergence of Nigeria's June loading programs was delayed due to wrangling between producers and the state oil company on how cuts should be implemented. ExxonMobil operates production for one of Nigeria's key grades, Qua Iboe, which has seen planned exports slashed in June to 95,000 barrels per day compared with an original May plan of 215,000. In addition, two May cargoes have been deferred to June.

Oil companies negotiate production cutbacks with host nations

(The Wall Street Journal; April 30) - The world's largest energy companies are negotiating production cuts with oil-rich nations ahead of the May 1 deadline for OPEC and the Group of 20 countries to sharply reduce output — reductions that will limit the firms' options. Earlier in April, Saudi Arabia, and Russia ended a price war and joined forces with the Organization of the Petroleum Exporting Countries and other oil-producing nations, agreeing to cut global output by about 13 million barrels a day.

Big oil companies that produce in these countries, including BP, Chevron, Occidental Petroleum, and Shell, will have to shoulder some of those cuts. Nigeria has reached out to Chevron and Shell, according to Nigerian oil officials. Oman has ordered Occidental to reduce its output at each of its fields by a total of 58,000 barrels a day. BP has been asked to reduce production in locations including the Middle East, Angola and Azerbaijan. About half of the annual barrels that BP pumps come from Africa and Asia.

Algeria, the United Arab Emirate,s and Kazakhstan have also reached out to foreign oil companies to reduce production, officials in these countries and other sources said. Chevron, Eni, Occidental, Shell, and France's Total are among the companies operating in these nations, including through joint-ventures. Norway's decision to curtail output by 250,000 barrels a day in June — the first country outside the OPEC+ alliance to announce compulsory curbs — will affect Equinor, Total, Shell, and ConocoPhillips.

More LNG cargoes floating offshore, waiting for buyers

(Reuters; April 30) - Liquefied natural gas cargoes are piling up off the shores of Europe as the coronavirus pandemic severely disrupts gas demand, leading to delays in tanker offloads and a rise in the number of ships used as floating storage, analysts said. Lockdowns due to the virus have led to a slump in industrial gas consumption worldwide, reducing demand for LNG and causing cargo deferrals, delays, and cancellations reflected by a build-up of floating cargoes in the Far East and India.

Despite some vessels managing to unload as lockdowns ease, LNG demand in Asia remains subdued with prices at a record low, leaving cargoes unwanted elsewhere heading for Europe and creating a new bottleneck there. A total of 11 LNG tankers are floating near Europe, waiting to deliver their cargoes, out of 15 floating LNG vessels globally, Nathalie Leconte, market analyst at data intelligence firm Kpler told Reuters.

"Because of oversupply and low prices in Asia, Europe has been a destination of last resort," Leconte said. Most of the floating cargoes were loaded in Nigeria, four in Qatar and three vessels are on a long-term charter to Shell, Leconte said. Kaleem Asghar, director of LNG analytics at ClipperData, said he counted 20 tankers floating globally. Gas prices this year in Europe have fallen to an all-time low for some contracts. About 20 U.S. cargoes have already been cancelled by buyers in Europe and Asia for June.

Buyer likely to pay fee rather than take contracted U.S. LNG cargoes

(Australian Financial Review; May 1) - Woodside Petroleum CEO Peter Coleman has signaled the company is unlikely to take some U.S. LNG cargoes that it is due to start receiving this year as oil and gas producers around the world respond to the glut in supplies that has caused prices to tank. Coleman said Woodside had no flexibility to reduce its liquefied natural gas production in Australia because of obligations to supply contract customers at specified times, but it could cut back on U.S. LNG supplies.

LNG spot-market prices have recently sunk to a record low below $US2 per million Btu, ruining the economics of selling gas not obligated under term contracts. Unlike its Australia production, Woodside has more flexibility in the U.S., where a deal inked several years ago to start taking cargoes this year from Cheniere Energy's Corpus Christi export terminal in Texas gives it the option not to take the LNG and instead pay a fee for the unused reserved capacity at the liquefaction terminal.

"Today those cargoes are out of the money," Coleman said of U.S. LNG. He said he couldn't specifically comment on Woodside's intentions for its own U.S. LNG cargoes, but pointed to the industry more broadly, where players are typically opting not to take unwanted gas. "What I can tell you in general, industry at the moment in the U.S. is not taking cargoes out of any of those plants for on-sale into Europe," he said.

Spanish gas importer wants to renegotiate contract prices

(S&P Global Platts; April 30) - Spain's largest gas group Naturgy is ready for arbitration as it attempts to renegotiate a number of its pipeline gas and liquefied natural gas supply contracts amid falling energy prices and demand. The company will not hesitate to seek arbitration to revise or renegotiate supply contracts, CEO Francisco Reynes told analysts on a conference call April 29, adding that such discussions were necessary amid the volatile market environment and are covered by the contracts with suppliers.

"We are currently making use of the ordinary and extraordinary price-review clauses included in most of our gas procurement contracts in order to make them competitive as soon as possible," Reynes said. "The best case is a negotiated outcome, but it could eventually evolve into an arbitration process," he said. The company did not say which contracts were under discussion, but said it expects to see some results by the summer.

The company holds a supply portfolio of more than 1 trillion cubic feet of gas per year, with a range of mostly Atlantic Basin suppliers as well as a fleet of 11 LNG tankers and capacity in several European regasification plants. While its more recent contracts with U.S. LNG producer Cheniere Energy are based on the U.S. benchmark natural gas price, most other supplies are linked to Brent crude. Naturgy was able to cancel some Cheniere cargoes but had to pay fees for the unused liquefaction capacity, Reynes said.