Oil and Gas News Briefs
Compiled by Larry Persily
October 4, 2021

Bank of America warns that $100 oil could spur economic crisis

(Bloomberg; Oct. 1) – The global energy crunch could help propel oil above $100 a barrel for the first time since 2014 and spur a global economic crisis, said Bank of America. Liquefied natural gas prices have surged to almost double that level in oil-equivalent terms, and the bank said a spike in demand for diesel could push crude into similar territory. With monetary policy stretched to the limit and energy costs rising as a share of economic output, higher oil prices could create a macro crisis, the bank said.

The boost to crude prices would be driven by three factors: gas-to-oil switching as a result of high natural gas prices, a jump in crude consumption over a cold winter, and higher aviation demand as the U.S. reopens its borders. "If all these factors come together, oil prices could spike and lead to a second round of inflationary pressures around the world," bank analysts including Francisco Blanch wrote in the Oct. 1 note. "Put differently, we may just be one storm away from the next macro hurricane."

As well as the cooler weather, the bank also said that underinvestment in new oil supply due to poor returns over the past years is set to fuel higher oil prices in the longer-term. "A multiyear run-up in crude oil prices is now in the cards," the bank said.

JP Morgan Chase forecasts $84 oil by end of the year

(Bloomberg; Oct. 1) - JP Morgan Chase is warning that worsening natural gas crises in Asia and Europe will spur so many power generators to switch to petroleum-based fuels that crude will reach $84 a barrel by the end of the year. The price outlook represents a 7.7% increase from the bank's previous forecast, and a team of analysts that includes Natasha Kaneva and Gregory Shearer noted that the price may shift even higher.

Brent futures, the international oil benchmark, have surged more than 50% this year as the world's biggest economies emerged from pandemic-driven lockdowns and crude supplies have been stretched. The futures traded close to $79 in London on Oct. 1, and are on pace for the best annual performance since 2009. But natural gas is so expensive in some places that switching to oil-based fuels could be cheaper and add over 900,000 barrels to daily demand, the JPMorgan analysts wrote in a note to clients.

Despite their bullish outlook, the JPMorgan team said significant downside risks remain. Chinese refiners appear to be reducing production or preparing to idle some equipment to perform repairs and maintenance — both of which would curb demand for crude. In response, they doubt OPEC and allied oil exporters will make any change to output targets when they gather on Oct. 4.

[OPEC+ has succeeded at bringing back oil prices]

(Bloomberg; Oct. 1) - When OPEC+ gathers Oct. 4, leader Saudi Arabia can savor a moment of triumph. Eighteen months after slashing production during the pandemic, Riyadh is set to pump at almost pre-COVID-19 levels of 9.8 million barrels a day this month as a recovering global economy clamors for crude. Furthermore, by bringing those shipments back slowly enough to avert a surplus, Saudi Energy Minister Prince Abdulaziz bin Salman has revived prices to $80 a barrel. That's swelled the kingdom's revenues to a three-year high, putting them on track for an even bigger payout in 2022.

"OPEC+ has had a very good year," said Ben Luckock, co-head of oil trading at commodities merchant Trafigura. "They have delivered: they have managed to thread the needle." That's a far cry from the tumult of last March, when the plunge in fuel demand briefly pitched OPEC and its partners into a vicious fight over customers. Those bitter memories seem very distant as the 23-nation network — jointly led by the Saudis and Russia — prepares to meet on Oct. 4.

If there's a threat to the delicate balance OPEC+ has achieved, it's that the market could overheat and prices rise too high. The alliance has signaled it will stick with its schedule of modest production increases by approving another 400,000 barrel-a-day increment for November. But anxiety among consuming nations is palpable, especially if they end up experiencing a cold winter. The Saudis themselves don't want to see prices spiral toward $100 a barrel, as excessive fuel costs would curtail demand and stimulate a revival in U.S. shale output, according to people familiar with the kingdom's thinking.

[OPEC warns lack of investment will lead to energy shortages]

(The Wall Street Journal; Oct. 1) - OPEC's secretary-general said consumers should brace for more energy shortages unless the world boosts investment in new oil and gas development, the cartel's first, full-throated response to increasing calls to limit such spending in the fight against climate change. "The energy crisis in Europe and many parts of the world is a wake-up call," Mohammed Barkindo said in an interview. "It all comes back to the issue of investment across the oil and gas industry."

In May, the International Energy Agency, an energy watchdog for richer countries, said investment in new fossil-fuel supply projects must immediately cease if the world is going to slash net carbon emissions to zero by 2050. Meanwhile, big oil companies have made moves to curb emissions and pivot toward renewable energies, spurred by pressure from investors, customers and in some cases governments and courts.

If that all results in lower investment in finding and pumping new deposits of oil and gas, the world risks more of the sort of energy-price volatility it is seeing now, Barkindo said. Past bouts of underinvestment in new fossil fuels, and today’s pressure to curb new investment even more, have exacerbated the volatility by sapping supplies, he added. OPEC said earlier this week that the world is projected to require $11.8 trillion in oil and gas investment through 2045 to meet growing demand.

[Natural gas prices climb to equivalent of $190 oil]

(Bloomberg; Oct. 1) - The deepening global energy crunch has pushed natural gas in Europe and Asia to the oil equivalent of about $190 a barrel, something the market has never seen. Both regions saw fresh records in the heating and power-generation fuel this week as utilities rush to restock lower-than-average gas inventories ahead of winter in the Northern Hemisphere, while alternatives — like coal — are also in short supply.

Dutch front-month gas hit 100 euros a megawatt-hour early Oct. 1, its highest ever, before retreating later. That’s about $190 per barrel of oil equivalent, more than double the value of the energy in a barrel of Brent crude the same day. On Sept. 30, the Japan-Korea Marker, North Asia’s benchmark for spot liquefied natural gas, surged to $34.47 per million Btu, the highest on record going back to 2009, according to price reporting agency S&P Global Platts. Converting that into oil also gives a price of about $190.

Energy prices are rising from the U.S. to Europe and Asia as economies recover from the pandemic while supply lags. Depleted storages after the past winter, colder and longer than usual, coupled with reduced field investments in some regions and heavy maintenance deferred from 2020 because of COVID limits, all contributed to the crisis.

[China buying LNG at above-market rates]

(Reuters; Oct. 1) - Chinese buyers are seeking more liquefied natural gas cargoes despite record prices, bidding above market rates as the winter season starts with the country's gas inventory low, several trade sources told Reuters. China, which has this year overtaken Japan as the world's top buyer of the fuel, is grappling with its worst power outages in years in the northeast, triggered by coal shortages.

This is pushing up demand for gas in power generation as Beijing orders energy and power companies to ensure sufficient supplies to avoid winter outages when heating supply is crucial, sources said. "Chinese buyers have been asking and buying cargoes for winter and have been indicating prices at above-market rates," a Singapore-based LNG trader said. "In this market, there is no choice except to pay up to secure cargoes."

Typically, when spot prices surge — as they have this week past $34 per million Btu — price-sensitive Chinese buyers would shun buying from the spot market. But last week, Unipec, the trading arm of China's Sinopec, sought 11 LNG cargoes for winter and likely bought more than it required, traders said. The state energy firm said on Sept. 30 that it planned to import about 9% more gas than last winter. With import prices about double domestic prices, firms risk taking huge losses when they sell to domestic consumers.

China orders energy companies to buy fuel — at all costs

(Bloomberg; Sept. 30) - China's central government has ordered the country's top state-owned energy companies — from coal to electricity and oil — to secure supplies for this winter at all costs, according to people familiar with the matter. The order came directly from Vice Premier Han Zheng, who supervises the nation's energy sector and industrial production, and was delivered during an emergency meeting this week with officials from Beijing's state-owned assets regulator and economic planning agency, the people said. Blackouts won't be tolerated, they said.

The emergency meeting underscores the critical situation in China. A severe energy crisis has gripped the country and several regions have had to curtail power to the industrial sector, while some residential areas have even faced sudden blackouts. China's power crunch is unleashing turmoil in the global commodities markets, fueling rallies in everything from fertilizer to silicon.

Volatility in the energy markets is poised to intensify on the order from the government, said Bjarne Schieldrop, chief commodities analyst at SEB, a Stockholm-based financial group. China's statement "to me implies that we are in no way on a verge of a cool-off. Rather it looks like it is going get even more crazy," he said. "They will bid whatever it takes to win a bidding war for a cargo of coal" or liquefied natural gas.

LNG spot sales in Asia reach new record of $34.47

(Bloomberg; Sept. 30) - Asian liquefied natural gas prices surged to a record high as global competition for the fuel intensified amid low inventories and coal shortages. The Japan-Korea Marker, North Asia's benchmark for spot LNG shipments, surged to $34.47 per million Btu, the highest on records going back to 2009, according to price reporting agency S&P Global Platts. European gas prices, which Asian rates have closely followed this year, also broke records on Sept. 30.

Prices for the heating and power-generation fuel are surging around the world as utilities rush to restock lower-than-average inventories ahead of winter in the Northern Hemisphere, while alternatives — like coal — are in short supply. Export constraints from Norway to Malaysia, coupled with robust Asian demand, have left little of the fuel available. The price rally has brought gas close to $190 a barrel of oil equivalent.

Unlike previous record-breaking price spikes, this one is happening while temperatures are still relatively mild, illustrating the extent of the supply crunch. Frigid winter weather could send Asian LNG prices surging threefold from current levels, according to Citigroup. China's state-owned importers are boosting efforts to secure LNG for the winter, putting them in direct competition with gas-starved Europe for exports. Traders expect China to continue spot LNG purchases over the next few weeks, which will likely push prices even higher as the market continues to tighten.

Japanese utilities resell surplus LNG at hefty profit

(Bloomberg; Sept. 30) – Japan's utilities are stepping in to help ease China's fuel crisis, selling excess liquefied natural gas at sky-high prices as Beijing orders its top energy companies to secure supplies at all costs. Vessels typically chartered by Japanese companies including JERA, Tokyo Gas and Kyushu Electric delivered as many as six spot cargoes to Chinese ports in September, said BloombergNEF analyst Lujia Cao.

China is facing a shortage of everything from natural gas to coal, as supplies have struggled to keep up with a rebound in economic activity. That's providing lucrative profits for the Japanese companies amid a scorching price rally. North Asia's LNG spot benchmark has surged to a record high $34.47 per million Btu amid intensifying global competition between China and Europe for the fuel. Faced with a shrinking population and increased nuclear power, Japan has seen declining demand for natural gas.

Japan's importers also have been facing slower demand than usual as the weather has been milder than expected. That's left them with seasonally high gas inventories even as they maximize supplies. The result is a perfect scenario for taking advantage of the rally in prices. The utilities have purchased a surplus of LNG cargoes on long-term contracts linked to oil prices that are almost $25 per million Btu below the price of spot LNG shipments. Reselling oil-linked cargoes into the spot market — as with the China deals — is a lucrative opportunity as the spread is near a record high.

COVID and complacency helped lead to natural gas shortage

(Reuters; Oct. 1) - In less than a year and a half, liquefied natural gas prices have lurched from record lows to record highs, with the market first reeling from the impact of the pandemic and now unable to keep up with a global recovery in demand. Demand jumped on economic growth plus a cold Northern Hemisphere winter followed by a hot summer, while supplies have been stymied by production problems. Recent power curbs and outages across China due to coal shortages have only exacerbated competition between Asia and Europe in securing sources of energy.

That's led to LNG prices hitting $34 per million Btu this week. Spot LNG had fallen to a record low of $1.85 in May 2020, when coronavirus containment measures snuffed out power demand just as new supplies from major producers including Qatar, Australia and the U.S. flowed onto the market. LNG producers cut production, reducing cargoes through the 2020 summer, which had an impact on global gas inventories. The 2020/21 winter freeze then caught many power providers short, sparking a surge in spot demand and tightening gas stockpiles further just as logistics constraints slowed delivery times.

Apart from COVID-19-related project delays, the energy sector's pivot away from fossil fuels toward greener energy supplies has slowed investment in LNG infrastructure. That has hindered the ability of producers to quickly deliver more supply to market, said Charif Souki, co-founder of U.S. LNG developer Tellurian. "The world was kind of lulled to complacency because prices were low for five years so no one felt an urge to plan and everyone got very religious on environmental protection and it is wonderful … but we should look at what things actually work rather than simply what we hope for."

Natural gas in a rough spot as a transition fuel

(The Wall Street Journal; Sept. 29) - Gas is the relatively clean fossil fuel many hoped would smooth the transition to low-carbon energy. Instead, it is turning out to have its own transition problems. Natural gas prices around the world have jumped in recent months, lifting energy bills, stoking worries about inflation and even prompting factory shutdowns. The European benchmark rose more than 30% this week to a record. The tight market can be attributed mainly to unexpectedly extreme weather, maintenance catch-up following the pandemic, supply bottlenecks and a dash of geopolitics.

The good news is that conditions could look different next year: Spring will arrive and a wave of new gas supply will come onstream. The bad news is that gas prices are likely to get only more volatile as the world bumbles its way toward a low-carbon energy system by 2050 or thereabouts. The gas market has a low tolerance for imbalances of supply and demand, as a history price volatility shows. But mismatches are becoming harder to avoid. Increasingly uncertain demand raises the risk profile of investments in new supply, likely making supply adjustments even slower and more erratic than today.

Gas is at the heart of the energy transition, as a cleaner-burning substitute for coal and oil, a fuel for backup electricity plants to bridge the gaps from renewables, and possibly even a low-carbon fuel paired with carbon capture and storage. But predicting demand is challenging and becoming more so. Heat waves and frigid weather often cause demand spikes, and weather is getting more extreme and unpredictable. No global cartel coordinates gas as it does oil production, adding to the challenges, and it can take years to build the pipelines or liquefied natural gas facilities that deliver the fuel.

Energy conservation may be inevitable in Europe

(Reuters column; Oct. 1) - Europe's increasingly expensive gas and electricity prices are sending a strong signal to manufacturers to consider temporary plant closures and to home and office owners to turn down thermostats to conserve fuel. Front-month gas futures are now six times more expensive than at this point last year, as the region struggles to import enough gas to refill its depleted storage ahead of the winter peak.

Regional storage sites are still only 74.7% full, the lowest for more than a decade, according to Gas Infrastructure Europe. In the short term, Europe is unlikely to attract significantly more gas because production is fixed and there is already a worldwide shortage, which also is pushing up prices in Northeast Asia and North America.

Rising prices will find the path of least-resistance to cut consumption — with the most price-sensitive and least politically sensitive customers forced to reduce gas and electricity use first and most deeply. In theory, the crisis could be resolved easily by homes, offices, schools and factories turning down thermostats by 0.5 to 1 degrees; the result would be an enormous fuel saving with only a minimal impact on comfort.

But European governments are instead trying to shield residential and small business customers from the full force of increasing energy prices on utility bills through price caps, rebates and tax cuts. If the crisis continues to worsen, however, and especially if the winter proves colder than normal, shielding residential customers could prove unsustainable and calls for energy conservation may become inevitable.

European energy costs raise concerns of climate change agenda

(Bloomberg; Sept. 29) - The unprecedented spike in European Union energy prices is amplifying concerns about public support for the world’s most ambitious climate reform and reshaping agendas for key political meetings. The crisis is set to be debated by environment ministers on Oct. 6 following Poland’s call to carefully consider its impact on a planned green economic overhaul, according to two diplomats with knowledge of the matter. The energy crunch hijacked a gathering of energy ministers last week and is expected to be discussed at a summit of EU heads of government next month.

“Energy prices are currently soaring across the EU and putting unprecedented pressure on both energy companies and on our citizens,” the Polish government said in a note obtained by Bloomberg News. “When designing energy and climate policies, we have to ensure their socially acceptability, otherwise we risk their failure.” The surging costs of electricity, natural gas and carbon-emission permits are threatening to inflict double-digit increases on consumer electricity bills, prompting EU member states to employ unorthodox measures to blunt the impact.

The debate on immediate actions to tackle the crisis comes as European lawmakers start negotiations on steps to reach the region's binding goal of reducing greenhouse gases by at least 55% by 2030 from 1990 levels. In the draft laws known as "Fit for 55," the European Commission proposed measures from putting a price on emissions from heating and transport fuels to banning new combustion-engine cars as soon as 2035.

Short on gas, Europe finds it hard to get its hands on coal too

(Bloomberg; Sept. 30) - It's not just extra natural gas that Europe's struggling energy markets are finding tough to get from Russia. Power producers in the continent are being forced to ask Russia for more coal to ease an energy crunch with winter approaching and record-high gas prices denting profitability, according to officials at two Russian coal companies. But they may be left stranded as any increase in coal exports from the country won't be substantial, they said.

Having largely turned away from coal for years in an attempt to green its electricity generation, Europe is in a conundrum. The region's gas storage sites are only partially full, liquefied natural gas suppliers are favoring Asia, and intermittent renewables aren't able to fully meet demand. With winter heating season approaching, the dependence on Russia to keep the lights on is growing. "If all the European utilities switch to coal, it will result in a huge spike in coal demand that Russia alone cannot provide for on such a short notice," said Natasha Tyrina, a research analyst at Wood Mackenzie in Houston.

European utilities are desperate to get their hands on more coal, a strategist at a European utility said. But Russia, the world's third-biggest exporter of the fuel, is mainly targeting sales to the largest buyers in Asia. "Russia has been cutting coal exports to Europe for years as the European Union was closing thermal coal power stations," said Kirill Chuyko, head of research at BCS Global Markets. Also complicating matters is Europe's stringent environmental standards, making it much more difficult and time-consuming for Russia to prepare coal supplies that meet the quality requirements.

China pays record prices for dirtiest coal

(Bloomberg; Oct. 1) - China is paying the most on record for the dirtiest type of coal, showing how the power crisis is turbo-charging Asia's energy markets. The price of a variety of lignite coal from Indonesia surged to $110 to $120 a ton this week due to rising demand from China and falling production from mines in Kalimantan, said traders who buy and sell the grade. That's up from last year when shipments sold for as little as $20 to $25 per ton.

The increase in demand for what's regarded as one of the world's most polluting and energy-inefficient fuels is raising concerns about a jump in carbon emissions from China this winter. The grade is usually mixed with more energy-efficient coal. Chinese buyers were out in full force earlier this week to bid for shipments of the Indonesian coal grade, the traders said. Beijing's order for state-owned companies to secure energy supplies for the winter at all costs is likely to see buying activity intensify.

Many of India's coal-powered utilities down to 3-day supply

(Reuters; Oct. 1) - Indian utilities are scrambling to secure coal supplies as inventories hit critical lows after a surge in power demand from industries and sluggish imports due to record global prices push power plants to the brink. Over half of India's 135 coal-fired power plants have fuel stocks of less than three days, government data shows, far short of federal guidelines recommending supplies of at least two weeks.

Prices of power-generation fuels are surging globally as electricity demand rebounds with industrial growth, tightening supplies of coal and liquefied natural gas. India is competing against buyers such as China, the world's largest coal consumer, which is under pressure to ramp up imports amid a severe power crunch. Rising oil, gas, coal and power prices are feeding inflationary pressures worldwide and slowing the economic recovery from the COVID-19 pandemic.

Indian power producers locked into long-term agreements with distribution utilities cannot pass on higher fuel costs unless a clause to pass on such expenses is written into the contract. State-run Coal India said this week that higher global prices of coal and freight rates have pushed utilities dependent on imported coal to curtail power production, resulting in higher dependence on domestic coal-fired plants. India is the world's second largest importer of coal despite having the fourth-largest reserves.

Canada's second-largest pension fund will get out of oil

(Reuters; Sept. 28) - Canada's No. 2 pension fund, Caisse de depot et placement du Quebec, said Sept. 28 it will shed all of its oil production assets, valued at C$3.9 billion ($3.08 billion), by the end of 2022 and reduce carbon intensity by 60% by 2030. It said it would be the first institutional investor in Canada to exit oil assets. In an effort to reach net-zero emissions by 2050, Montreal-based Caisse plans to hold green assets worth C$54 billion by 2025 and dedicate C$10 billion to decarbonize carbon-emitting sectors.

Pension funds globally are under pressure to act on climate change, with several announcing divestments from fossil fuel companies this year. The new emissions targets for Caisse, which has C$390 billion in assets, follow the Ontario Teachers Pension Plan Board's Sept. 16 announcement of interim plans to cut emissions. Oil production assets currently make up just 1% of Caisse's portfolio, but the fund said it wants to avoid contributing to growth in global oil supply.

It aims to boost the supply of renewable energy, sustainable transportation and real estate and invest in green hydrogen, batteries, electrification of transport and carbon capture. Caisse plans to move toward net-zero emissions through investments in less-carbon-intense assets, carbon budgets for each investment team and bonuses tied to climate targets. “We believe this is in the interests of our depositors, our portfolio companies and the communities we invest in,” Charles Emond, president

BP, Eni look to raise as much as $2 billion for Angola venture

(Reuters; Oct. 1) - BP and Eni are seeking to raise up to $2 billion for their emerging oil and gas joint venture in Angola as they look to reduce debt to help build up their renewables businesses, banking and industry sources said. BP and Eni announced in May that they had entered into talks to merge their oil, gas and liquefied natural gas operations in Angola to form one of Africa's largest energy companies.

Spinning off oil and gas assets is seen as a way for them to squeeze more out of such assets as they try to reduce their greenhouse gas emissions and shift toward renewable energy. It is also seen as a way to move debt from the parent company to the independent joint venture, making it easier for the parent companies to raise money for low-carbon businesses.

BP and Eni have in recent weeks contacted a number of leading Western banks to request proposals to raise $1.5 billion to $2 billion for the joint venture, four sources said. "They … want to raise cash for the joint-venture's upstream operations," one of the sources said. "The idea is not just to cut debt but to invest more in Angola and faster," a second source said. BP and Eni declined to comment.

Enbridge ready to start up Canada-to-U.S. replacement oil line

(Reuters; Sept. 29) - Enbridge said on Sept. 29 that its Line 3 pipeline replacement project will begin operating Oct. 1, the first successful major expansion of Canadian crude export capacity in six years, clearing hurdles that other projects were unable to overcome. Its completion is welcome news for the Canadian energy sector after a number of proposed pipelines, including TC Energy's Keystone XL, were scrapped due to environmental and political opposition and regulatory delays.

The $8.2 billion project allows Enbridge to roughly double its capacity to 760,000 barrels per day on the 1,097-mile pipeline. Line 3, built in the 1960s, carries oil from Edmonton, Alberta, to refineries in the U.S. Midwest, but for years was transporting less than its capacity because of age and corrosion. The project was opposed by environmental and Native American groups, particularly in Minnesota, the last stage of the expansion.

Construction in both the United States and Canada took more than seven years to finish, but the project succeeded where other projects have run aground because it was replacing an old line, rather than one starting from scratch, Leo Golden, Enbridge’s vice president of Line 3 Project Execution, told Reuters in an interview. "This was a safety driven project about replacing existing, aging infrastructure so that set it apart from some of those other projects," Golden said.

Qatar signs another long-term contract for LNG sales to China

(Natural Gas Intelligence; Sept. 29) - Qatar Petroleum is set to supply even more liquefied natural gas to China starting next year under an agreement announced Sept. 29. Under the agreement, QP would supply 3.5 million tonnes per year over a 15-year term starting in January 2022 to the marketing subsidiary of China National Offshore Oil Corp. (CNOOC). Financial details were not disclosed.

The deal is the third long-term agreement QP has signed this year to supply LNG to China. In July, it signed an agreement with Shell to provide 1 million tonnes over 10 years starting in January. Shell would then market the cargoes to China. In March, Qatar agreed to supply China Petroleum & Chemical Corp., aka Sinopec, with 2 million tonnes of LNG annually for a term of 10 years. It has also signed similar deals with buyers in Bangladesh and Pakistan this year.

QP’s deal with CNOOC comes as Asian spot prices continue to skyrocket, pushing buyers to lock in lower prices with long-term contracts. The agreement also comes amid a broader push to solidify Qatar’s dominance in the export market after having signed other recent supply agreements and securing the bulk of the world’s LNG shipbuilding capacity to serve its $30 billion North Field East expansion project — the largest LNG development ever sanctioned — to boost Qatar’s export capacity by more than 40%.

PetroChina plans billions to accelerate drilling in shale field

(Reuters; Sept. 30) – PetroChina will be spending billions of dollars to accelerate drilling of shale formations in Northeast China that could be pivotal to sustaining oil output in the world's largest consumer. The state-run oil and gas producer aims to kick off production at its unconventional oil project in 2025 and double its capacity by the end of this decade, company officials and analysts said. If successful, the technologies could be replicated elsewhere to unlock China's vast untapped shale reserves.

Gulong, in the sprawling Songliao Basin, lies within the area of PetroChina's flagship Daqing field, China's biggest oil field which has been pumping for over six decades but where output is diminishing. The oil major's plans would help arrest China's declining oil production. "With the breakthrough in Gulong along with the successful testing of the pilot well, China could hopefully develop its vast proven yet undeveloped resource," said Palzor Shenga, vice president of upstream research at Rystad Energy.

China produces only 35,000 barrels per day of shale oil, mostly in the northern Ordos Basin and northwestern Jungar Basin, less than 1% of the country's total output. But Gulong is touted as a more prospective project, with lower cost and higher and better quality output. "Gulong shale is a thick mud-level lacustrine shale which contains high quality light oil," Shenga said, adding the firm was aiming for break-even cost below $55 a barrel. The success of Gulong could hold the key to sustaining China's oil production at 4 million barrels per day, nearly 30% of its consumption, analysts said.

Russia boosts oil production in September

(Bloomberg; Oct. 1) - Russia's oil production resumed growth in September, rising the most in 13 months, as companies ramped up output under the OPEC+ deal and while Gazprom's condensate supply rebounded after a fire. The nation pumped an average 10.716 million barrels of crude and condensate per day last month, according to data from the Energy Ministry's CDU-TEK unit — 2.6% above August, when Gazprom capped output at its largest condensate-treatment plant in West Siberia after the fire.

Under the agreement between the Organization of the Petroleum Exporting Countries and its allies, the group can increase crude oil supply by 400,000 barrels a day each month starting in August, of which about a quarter is Russia's share. The hikes are set to continue until all of the output curbs from the depth of the pandemic are rolled back. All major producers, excluding Rosneft and Gazprom Neft, increased output last month compared with August.

Delay in Iranian deal puts more pressure on oil prices

(Bloomberg; Sept. 30) - Wall Street is turning more bullish on oil prices the longer Iran delays a resumption of nuclear talks. Strategists and traders from Goldman Sachs to Citigroup and Vitol say the stalling has reduced the chances of millions of Iranian barrels returning to global markets this year. Goldman said this week a deal between Tehran and world powers including the U.S. isn't likely to happen until April.

Iran's obfuscation promises to exacerbate the oil market's tightness over the coming months. Energy traders had mostly expected a deal and easing of U.S. sanctions on Iran this year. As that becomes less likely, some are calling on OPEC+ to announce faster-than-planned production increases when the cartel meets Oct. 4. “The prospect of 1 million daily Iranian barrels expeditiously returning to the market has faded,” said Helima Croft, chief commodities strategist at RBC Capital Markets in New York.

The nuclear negotiations in Vienna, designed to revive an accord from 2015, have been held up since hardline judge Ebrahim Raisi won Iran’s presidential election in June. While Raisi’s government has said it wants a deal and that talks can restart “soon,” officials have yet to set a date for a seventh round. Tehran’s crude exports have plummeted from around 2 million barrels a day since mid-2018. Iranian officials have said they can ramp up production quickly if sanctions are lifted.