

Oil and Gas News Briefs

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Analyst calls natural gas market ‘most challenging I’ve ever seen’

(Bloomberg; April 6) - The natural gas market’s delicate balance is crumbling, putting the global economy under further strain as nations struggle to secure enough fuel. War, energy transition, severe weather and surging demand are creating a time of upheaval that is tightening supply like never before. Nations and companies are grappling to buy enough gas amid a global power crunch as economies recover from the pandemic.

The competition for a finite supply of the fuel will only get worse if current conditions persist, with skyrocketing prices and supply gaps threatening to upend economies, boost inflation and grind supply chains to a halt. “The market of today is one of the most challenging I’ve ever seen,” said Susan L. Sakmar, a visiting assistant professor at the University of Houston Law Center. “The world needs a bigger energy pie to share.”

The world was already facing the risk of gas shortages this past winter as a post-pandemic rebound in demand outpaced supply. The crunch was years in the making: Countries became more dependent on gas as utilities curbed coal consumption and expanded intermittent renewable sources, while shutting nuclear reactors in the wake of the 2011 Fukushima disaster. Meanwhile, gas producers were slow to boost output.

And now the war has dealt an unexpected, devastating blow to such a fragile market. For cash-strapped emerging nations across South Asia and South America, the situation is dire, as governments may be forced to curb electricity or heating fuels to households. Argentina forked out roughly \$750 million for eight LNG shipments for May to June delivery in a tender last month. That’s about 20 times higher than the price they paid for similar shipments in 2020 and threatens to send electricity bills surging.

U.S. gas producers, LNG developers court European buyers

(Bloomberg; April 7) - From a barbecue lunch at an LNG terminal in Texas to commercial talks near Capitol Hill, American natural gas companies are making a multi-state push to woo potential European buyers. Energy ministers, diplomats and gas importers from across Europe met with executives from shale producers at a Houston hotel this week this week. They also met with LNG developers.

Europe has emerged as a key market for the fuel that’s key to replacing Russian gas following the country’s invasion of Ukraine. With roughly two-thirds of U.S. LNG cargoes heading to the continent, Europe is set to become the fastest-growing market for the

fuel, according to Bank of America. Germany, Latvia and Estonia, whose delegates participated in the meetings, are weighing or have already moved forward with new import terminals. But long-term supply deals necessary for the financing of new U.S. export projects have been elusive, with nations raising concerns about emissions.

The delegates, who also hailed from Bulgaria, France, Hungary and the United Kingdom, participated in commercial talks with LNG developers on the sidelines of the Transatlantic Energy Security Forum in Washington D.C. on April 5, followed by a tour of the Golden Pass LNG export terminal in Texas on April 6. More commercial talks occurred at the Houston Petroleum Club, according to trade group LNG Allies, which organized the events jointly with the American Exploration & Production Council.

[U.S. natural prices highest since 2010; storage lowest since 2019](#)

(Reuters; April 8) - U.S. gas prices have climbed to their highest level in more than a decade as strong demand from overseas has emptied storage and left inventories well below average for the time of year despite a mild winter. Front-month futures for gas delivered at Henry Hub in Louisiana have risen to \$6.40 per million Btu, the highest in real terms since 2010. Wholesale prices in the United States are still far below those for imported LNG prevailing in Northeast Asia (\$33) and Northwest Europe (\$34).

Full price convergence is prevented by the limited liquefaction capacity for exports from the United States and regasification capacity for imports into Asia and Europe. But shortages in other regions and fears of an interruption of supplies from Russia are pulling prices higher for U.S. buyers via increased demand and prices overseas for LNG. U.S. exports rose 13% in the three months from November to January compared with the same period a year earlier, while gas production was up by less than 5%.

As a result, LNG exports accounted for 12% of domestic dry gas production in January 2022, up from 8% in January 2020 and 3% in January 2018. Exports are likely to have accelerated even further in February and March after Russia's invasion of Ukraine sent gas prices surging in Europe. U.S. prices are still largely isolated from the rest of the world, but growing LNG exports are gradually forging closer links with Europe and Asia. U.S. gas inventories ended the winter at just 1.382 trillion cubic feet on April 1, the lowest for the time of year since 2019 and before that 2014.

[Another Asia-bound LNG tanker takes U-turn and heads to Europe](#)

(Bloomberg; April 8) - Hefty April premiums for natural gas in Europe prompted the LNG tanker British Listener to make an abrupt U-turn in the Pacific Ocean after spending two weeks at sea on a path to Asia. The BP-chartered ship left Freeport LNG in Texas on March 21, crossed the Panama Canal and was southwest of Mexico when it changed

course on April 1, ship tracking data compiled by Bloomberg shows. Since then, the tanker has gone back across the Panama Canal and is headed to Gibraltar.

Such tanker diversions are not common and require paying \$1 million in tolls to travel twice through the Panama Canal. But a similar turnaround happened earlier this winter when European natural gas prices began to command a large premium over more traditional markets in Asia. As war continues in Ukraine and concerns linger about Russian supplies, those economics have roughly two-thirds of all U.S. LNG cargoes heading to Europe.

Russian, Iranian, Venezuelan oil stacks up offshore China

(Bloomberg; April 6) - Tankers carrying 22 million barrels of Russian, Iranian and Venezuelan oil are piling up off China, waiting to tie up to offload, according to Kpler, as the country battles a virus outbreak that's sapping demand and causing logistics problems. China has been one of the only buyers of sanctioned Iranian and Venezuelan oil over the past few years. The world's largest crude importer is also still taking Russian supplies that are being largely shunned since the invasion of Ukraine.

The trade in the discounted oil is being disrupted by China's worsening virus outbreak, with waiting times to unload ships increasing. Kpler estimates daily oil demand will drop by at least 450,000 barrels in April, mainly due to falling consumption of gasoline and jet fuel, said Jane Xie, a senior oil analyst at the data and analytics firm in Singapore. "The ongoing lockdowns in China are definitely having a massive impact on the country's mobility and consequent oil demand," she said. "There are also logistical bottlenecks."

China's independent refiners are typically key oil buyers, in part due to cheap pricing and close proximity to Russia's eastern ports, but they've been hit hard by the huge market fluctuations following the COVID resurgence. Shrinking refining margins have forced them to cut operating rates and even resell some cargoes of crude. The current logjam compares with around 10 million barrels of oil from Russia, Iran and Venezuela that were sitting off the Chinese coast at the start of the year, according to Kpler.

Russia's Far East Sakhalin crude sold out for May deliveries

(Bloomberg; April 6) - Cargoes of Russian Sokol crude from the Far East have sold out for next month in a sign that shipments from the nation continue to find buyers despite Moscow facing sanctions for its war in Ukraine. May-loading cargoes from the Sakhalin-I project will be delivered to buyers in Japan, South Korea, China and India on a spot or term basis, said traders who asked not to be named because the information is private. Sokol can reach nations in north Asia within a week. The grade yields a lot of diesel.

Russian oil is still finding its way to willing buyers that either can't resist the temptation of cheaper crude, or are struggling to find replacement barrels to meet demand. Japan's Sakhalin Oil and Gas Development Co., known as SODECO, sold Sokol cargoes to a Japanese buyer as well as a South Korean refiner via a term deal, the traders said. India's ONGC Videsh sold shipments to two Indian state-run refiners, they added. Both are equity partners in Sakhalin-I, alongside Russia's Rosneft and operator ExxonMobil.

Trafigura, which Rosneft supplies with Sokol, sold cargoes to destinations including China's Shandong province, home to many of the nation's private refiners. Exxon will use its share of Sokol in its own refineries, sources said. The company is meeting its contractual commitments that were in place before any embargoes and Russian crude has been limited to pre-existing commitments, spokeswoman Julie King said by email.

U.S. Gulf projects pump a lot, but take a long time to develop

(Bloomberg; April 8) - Questioned by U.S. lawmakers this week, CEOs from the nation's biggest oil companies explained why they haven't raised production fast enough to tame skyrocketing energy prices. For Shell's highest-ranking U.S. manager, Gretchen Watkins, the answer was 1,600 miles away, in a shipyard near Corpus Christi, Texas. As lawmakers grilled Watkins and other executives about high gasoline prices, hundreds of workers were putting the finishing touches on the Vito offshore oil platform.

The 20-story production facility is expected to begin pumping the equivalent of up to 100,000 barrels daily from beneath the Gulf of Mexico later this year. By then, the multibillion-dollar project will have taken 13 years to evolve from the initial discovery to production, underscoring the challenges of bringing offshore crude to market. The Vito project was close to getting the go-ahead in 2014 when Saudi Arabia flooded the global market with cheap crude to hurt U.S. shale producers. The platform was redesigned in 2015 to slash the cost by 70%.

Unlike shale wells that cost \$10 million or \$15 million to drill and mere months to yield oil, offshore projects cost billions and rarely come online in less than a decade. "The 1.7 million barrels per day of production we have from the Gulf of Mexico right now is because of decisions made five, 10 years ago," said Erik Milito, of the National Ocean Industries Association, which represents offshore oil and wind industries.

Shell ready to launch newest Gulf offshore platform in June

(Houston Chronicle; April 8) - Construction equipment beeped and whirred on decks of Shell's new multibillion-dollar offshore oil platform, parked outside Corpus Christi, Texas, for its finishing touches. The semi-submersible facility is set for launch offshore Louisiana in June. Slated to produce oil by year-end, the new platform aims to be

among the world's most efficient. It's part of a new wave of reinvented offshore platforms engineered to be smaller, less-energy intensive and more sustainable.

Nicknamed Vito, the hub got its start in the years after the oil bust of 2014-16, as oil majors started devising ways to make pared-down versions of platforms to reduce costs. Now that's even more important as the energy transition accelerates and pressure mounts on producers to cut emissions. While Shell isn't revealing the project's cost, the company said it has cut Vito's cost by 70% from its initial design, helping it to remain profitable even if crude falls to near \$35 a barrel.

Vito will operate in a 4,000-foot-deep Gulf field some 150 miles southeast of New Orleans. Shell owns 63.1% of the project, set to produce 100,000 barrels of oil a day, while Norway-based Equinor owns the remaining 36.9%. The new platform and its pared-down peers come with a key tradeoff: They can't catch every molecule of hydrocarbon. "There are certain barrels you don't produce because they require too much energy," said project manager Kurt Shallenberger.

Coordinated U.S./IEA release totals 240 million barrels over 6 months

(Reuters; April 8) - The International Energy Agency has listed members' contributions to a 120-million-barrel release of crude and oil products from emergency stockpiles aimed at cooling global oil prices following Russia's invasion of Ukraine. The 50-50 release of stocks by the U.S. and allied members of the IEA — which is comprised of 31 mostly industrialized countries, but does not include Russia — would be their second coordinated release in a month and the fifth in the agency's history.

It is the largest release from non-U.S. IEA countries, and the biggest by the United States. The United States will match the 60 million barrels tapped by other IEA countries as part of its 180-million-barrel draw from the U.S. Strategic Petroleum Reserve announced in March. The total U.S./IEA member release of 240 million barrels will be made available to the global market within six months, the IEA said.

Global oil prices are headed for their second weekly drop since the United States announced its largest ever oil reserve release in late March, with Brent falling about \$10 to briefly edge below \$100 a barrel. The total U.S. and IEA releases this year, including a March 1 coordinated release of 60 million barrels, reduces by nearly 15% the nearly 2.1 billion barrels in storage the group controlled before Russia invaded Ukraine.

Shell will park two chartered Russian LNG carriers

(Bloomberg; April 7) - Shell decided to idle two liquefied natural gas carriers chartered from a Russian company, in the latest example of an energy giant seeking to avoid

future sanctions or public condemnation tied to the war in Ukraine. Shell decided last month to take the ships out of service and bear the economic cost, according to people with knowledge of the matter. The ships are primarily used to ferry LNG within Asia and aren't directly under sanctions, but the company decided to idle the ships as a precaution, said the sources, who requested anonymity to discuss private details.

The vessels have been anchored off the coast of Singapore for several weeks, according to ship-tracking data compiled by Bloomberg. The ships are owned by Sovcomflot — a Russian state-controlled company — and are under long-term charter by Shell. The move is the latest by an energy company to self-sanction in response to Russia's invasion of Ukraine. The situation is particularly touchy for Shell, as the company came under fire in early March for purchasing Russian crude at a steep discount. Since then, Shell said it won't make any new purchases of Russian oil or gas.

Belgian terminal operator continues to fulfill Yamal LNG contract

(S&P Global Platts; April 7) - Belgian gas infrastructure operator Fluxys will continue offering LNG transshipment services at its Zeebrugge terminal for cargoes from the Novatek-operated Yamal LNG facility in northern Russia, a spokesperson said April 7. Fluxys in 2015 signed a 20-year deal for the transshipment of up to 8 million tonnes per year of Yamal LNG and carried out the first loading under the contract in late 2019.

The arrangement allows for Russia's specialized, costly icebreaker LNG carriers to transfer Yamal cargoes at Zeebrugge onto conventional vessels to allow less expensive onward shipments to Asia-Pacific and Middle Eastern markets. "While currently no European sanctions have been imposed on the receipt of Russian gas, Fluxys — as a facilitator of an essential service — is obliged to respect contractual agreements with all customers, including Russian customers," the Fluxys spokesperson said.

"It goes without saying that as soon as sanctions are implemented regarding the LNG from Russian LNG carriers, Fluxys would comply and cooperate with the governments concerned," the spokesperson said. According to analysts at S&P Global Commodity Insights, almost 190 billion cubic feet of natural gas as LNG from Yamal was transshipped or reloaded to non-European markets from European terminals in 2021. Of that, an estimated 165 bcf of that was transshipped or reloaded at Zeebrugge.

Spain plans to open unused LNG import terminal to help Europe

(Reuters; April 8) - Spain plans to open a never-before-used liquefied natural gas plant on its northern coast and dedicate it to receiving and reexporting fuel to other European countries struggling to break their dependence on gas piped from Russia. Energy and Environment Minister Teresa Ribera told online newspaper El Diario that the El Musel

LNG receiving terminal would not be connected to the Spanish gas pipeline grid but would be used “to give more flexibility to the system.”

Russia’s invasion of Ukraine has sent the European Union searching for other ways to power its industries and households. One alternative to gas pumped through pipelines is imported LNG, which is more expensive. El Musel has the capacity to process and store about 350 billion cubic feet of natural gas as LNG per year.

The Spanish project is the latest of several — the Netherlands is looking at building more import facilities, and Germany has revived three LNG projects since the Nord Stream 2 gas pipeline from Siberia was abandoned. El Musel could start operating around the end of this year at the earliest. Spain has six functioning LNG terminals, but has limited pipeline capacity to pump it north to the continent’s major consumers.

Japan would look to Malaysia, Australia, U.S. if Russian gas cut off

(Financial Review; Australia; April 10) - Japanese gas companies are preparing plans to source liquefied natural gas from Malaysia, Australia and the U.S. in case of what they fear could be looming supply disruption from LNG projects that Japan jointly developed with Russia. The contingency plans could put the world’s third-largest economy in direct competition with Europe for gas supplies, highlighting Japan’s focus on meeting its own energy needs despite its desire to show solidarity with Russia’s western neighbors.

The Japanese power companies are concerned about the security of supplies from Russia, despite pledges by Tokyo not to pull out of the Sakhalin-2 LNG project and other joint developments with Russia on Sakhalin island north of Japan. “In case of difficulties in procuring gas from Sakhalin, we are considering tapping our Malaysian suppliers to increase volume or to ask them to deliver supplies in advance,” said Takayuki Yamane of Hiroshima Gas. The utility buys about 200,000 tonnes a year of LNG from Sakhalin-2 in a contract that runs through March 2028.

Japan’s gas utilities rely heavily on Russia to fuel some of the country’s largest cities, including half of annual supplies used in Hiroshima and about 10% in Tokyo. Russian LNG accounts for close to a tenth of Japanese gas imports. Japan increased its reliance on energy imports after the nation idled most of its nuclear reactors following meltdowns at the Fukushima plant in 2011. The Sakhalin-2 project was developed by Russia’s Gazprom and Shell, along with Japanese trading houses Mitsui and Mitsubishi. Shell last month abandoned the venture, putting pressure on the Japanese stakeholders.

Germany’s finance minister says it’s time for North Sea exploration

(Reuters; April 6) - Germany should explore its domestic oil and gas reserves in the North Sea, Finance Minister Christian Lindner was quoted as saying on April 6, as Europe's biggest economy looks for alternatives to cut its dependence on Russian fossil fuels. After years of prospering from Russian energy imports, Germany is convulsed by a debate over how to unwind a business relationship that critics say is financing Russia's invasion of Ukraine. Russia supplies 40% of Europe's natural gas needs.

"I think the coalition agreement stipulating that we no longer want to produce oil and gas in the North Sea and do not want to explore new fields is out of time," Lindner was quoted as saying in The European magazine. Lindner said Germany had unused reserves of raw materials and must "stand on its own feet" in terms of energy policy.

The government will systematically expand renewable energy to fill the energy supply gap but other alternatives must be considered, he said, adding that domestic oil and gas exploration now has a different economic perspective than previously assumed due to the increase in energy prices. "We have to look at what is actually going on in the North Sea," Lindner said, adding that Germany must talk with its European partners, especially the Netherlands, on the matter.

[Partner in Exxon Mozambique LNG says 2024 earliest for construction](#)

(Reuters; April 7) - Portugal's Galp Energia, a partner in an ExxonMobil-led gas consortium in Mozambique, said April 7 that it hopes to start building an onshore plant in the southern African country in 2024, but only if security has been guaranteed. The nation has been grappling with militants linked to the Islamic State in the province of Cabo Delgado since 2017, near liquefied natural gas projects worth over \$50 billion.

"A lot of people have lost their lives," Galp Energia CEO Andy Brown told a news conference. "Security has to be guaranteed. ... There are a lot of good signs but it will take some time," he said, adding 2024 would be the earliest the consortium could start construction. Due to the escalation of the attacks last year, the French group TotalEnergies suspended its \$20 billion LNG project in April 2021, and shortly after that the ExxonMobil consortium postponed a final decision whether to invest or not.

Galp holds a 10% stake in the ExxonMobil venture, whose estimated cost is \$30 billion. The other major partner is Italy's Eni. Brown said Total has been looking at "opportunities to go back" but was waiting for "normal life to resume." Total said in January it aimed to restart its project this year. "When we build there, we need to help the communities ... building a stable and vibrant community around the facilities is an important thing to do first before you bring people to construct the plants," Brown said.

[Argentina looking for pipeline gas from Bolivia to avoid costlier LNG](#)

(Reuters; April 6) - Argentina is in talks to sharply raise natural gas imports from Bolivia to some half-a-billion cubic feet per day over the Southern Hemisphere winter, four sources told Reuters, though neighbor Brazil may be an obstacle to the ramp-up in volumes. Argentina is looking for alternative gas supplies after being hit hard by rising costs for imported liquefied natural gas, which threaten to leave it mired a deep energy trade deficit. "Argentina is negotiating with Bolivia a very big gas import deal, as the country expects a colder winter than usual," one Argentine government source said.

Argentina's gas imports from Bolivia would be a more than double recent levels and far higher than the level of imports in the winter months last year. A source with indirect knowledge of the talks said it appeared Brazil was willing to allow some of its quota of Bolivian gas to be redirected to Argentina due to strong rains that were boosting its own hydroelectric energy output. A deal would be subject to negotiations with Brazil.

Argentina's domestic gas production has fallen short of demand, forcing the nation to import more LNG. The government has approved a new gas pipeline from its huge Vaca Muerta shale formation to boost domestic capacity, but that will not come online until late 2023-2024.

First Nations-owned LNG project in environmental review process

(Prince George Citizen, BC; April 7) - If a new C\$3 billion liquefied natural gas plant in Kitimat, British Columbia, now making its way through the environmental assessment process is approved by regulators and investors, it would be a world first. Cedar LNG would not only be the largest major industrial project built and owned by First Nations in Canada, it would also be the only Indigenous-owned LNG export facility in the world.

The Cedar LNG project is being developed by the Haisla First Nation on land owned by the Haisla on Douglas Channel, near the Rio Tinto aluminum smelter and Shell-led LNG Canada plant, which is under construction. "With Cedar LNG, we have more than a seat," Haisla chief Crystal Smith said last week at Globe Forum 2022. "We are owners, and we are setting the standards we believe in. One of the important decisions we made was to power the facility entirely with renewable energy."

Compared with LNG Canada, which would export 14 million tonnes of LNG a year, Cedar LNG's annual production capacity would be 3 million tonnes. Last year, the Haisla secured a partner in Pembina Pipelines, a \$25 billion midstream company that operates oil and gas pipelines and processing facilities in Western Canada. Should the project get the green light from federal and provincial regulators, the Haisla and Pembina expect a final investment decision in 2023, with exports starting in mid-2027.

States lining up for \$8 billion in federal money to boost hydrogen

(Bloomberg; April 8) - A hydrogen economy that runs factories and power plants on the clean-burning fuel may be years away, but that hasn't stopped states from jockeying for a share of the \$8 billion in federal funds earmarked for so-called hydrogen hubs. The president's infrastructure plan, which became law in November, includes funding to build at least four hydrogen hubs — places where the gas can be produced and used in a self-reinforcing cycle. Two must be in regions with abundant gas reserves. The hubs are intended to test different ways to produce and use the gas.

Hydrogen is emerging as one of the cleanest options to power industries that typically rely on fossil fuels, since burning hydrogen can generate electricity without spewing climate-warming carbon dioxide into the atmosphere. States are announcing their interest in the money — sometimes working together, sometimes on their own. They haven't filed applications, much less worked out the details of what they'd do with the money, but there are some potential heavy hitters in what could be a crowded field.

New York has formed an alliance with Massachusetts, New Jersey and Connecticut, focused squarely on “green” hydrogen — hydrogen stripped from water using renewable energy. Another partnership that includes Arkansas, Louisiana and Oklahoma would use existing infrastructure to form the basis of its hub. A third alliance involving Colorado, New Mexico, Utah and Wyoming also is underway. Some states are gearing up to compete on their own, at least for the moment. One example is West Virginia, though there is always the chance they'll join a partnership.