Oil and Gas News Briefs
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Amid rush for LNG, world is short of tankers to move the fuel

(The Wall Street Journal; Aug. 22) - Europe's energy crisis has unleashed a global battle over liquefied natural gas tankers, leading to a shortage of ships and further boosting the fuel's record prices. European nations ramped up their purchases of LNG from the U.S., Qatar and other sources this year as Russia cut supplies to the continent. They are competing with peers in South Korea and Japan — where gas demand has surged during a heat wave — for a finite supply ferried by a limited number of vessels.

The jostling has increased orders for new tankers transporting LNG — specialized ships the length of three football fields — as well as their price. Rates to charter existing tankers have jumped too, which has helped push gas prices to records in Europe and Asia. Traders expect gas prices and tanker rates to zoom even higher if China, where demand has been curtailed by COVID lockdowns, steps back into the market for winter.

Just one tanker is available to be chartered for a single voyage in Asia two months or more from now, said Jason Feer, head of business intelligence at Poten & Partners, a shipbroker. None are available in the Atlantic. Daily charter rates for tankers that traders will take hold of this fall have risen to $105,250 a day, up from about $47,000 a year ago for vessels heading from the U.S. to Europe, according to Spark Commodities.

To avoid getting caught out in the future, traders are going on a buying spree for ships. Customers have shelled out $24.1 billion on orders for new LNG tankers so far in 2022, according to Stephen Gordon, at London-based shipping firm Clarkson. They have already blown past the full-year record of $15.6 billion from 2021. Currently, 257 vessels are on the order book globally, according to consulting firm Rystad Energy. Shipbuilders in South Korea don't have free capacity for new orders until 2027, Rystad estimates.

U.S. natural gas futures top $10 per million Btu; highest in 14 years

(The Wall Street Journal; Aug. 23) - The 14-year highs reached this week by U.S. natural gas futures show the unceasing demand for U.S. gas across the Atlantic — and likely point to higher prices ahead. The latest price spike came in response to Russia's plans to shut down one of Europe's main fuel arteries for a few days at the end of the month. Surging prices in Europe, hotter weather than normal in much of the U.S. and the heart of hurricane season, when storms can knock out production platforms in the Gulf of Mexico, threaten to send natural gas prices higher, analysts and traders said.

“Virtually all of our fundamental and technical indicators continue to flash green lights toward higher price levels,” trading firm Ritterbusch & Associates told clients on Aug. 22, predicting that near-term prices could climb to as high as $11.90. On Aug. 22, U.S. gas futures for delivery in November, December and January each topped $10 per million Btu. Prices haven’t been that high since 2008, which was back before the shale-drilling boom flooded the domestic market with cheap gas and the U.S. flipped from importing the power-plant fuel to becoming the world’s leading exporter.

Front-month futures aren’t far behind winter prices. Gas for September delivery hit above $10 early Aug. 23, up more than 20% this month and more than twice the price a year ago. Meanwhile, exports are set to rise this fall when one of the country’s biggest liquefied natural gas terminals resumes operations. Freeport LNG’s facility in Texas has been shut down since a fire in early June, reducing U.S. export capacity by about one-sixth, or about 2 billion cubic feet a day, and keeping that gas for domestic use.

Speed is important for which new U.S. LNG projects will proceed

(RBN Energy; Aug. 21) - The momentum for U.S. LNG is powerful. With Europe trying to wean itself off Russian natural gas and Asian consumption expected to grow even further, there has been a strong push for new LNG projects in North America. That has helped propel two U.S. projects, Venture Global’s Plaquemines LNG in Louisiana and Cheniere’s Corpus Christi Stage 3 in Texas, to recent final investment decisions.

With these two projects getting a green light, total export capacity in the U.S. will be at least 130 million tonnes per year — or 17.3 billion cubic feet per day — by mid-decade. That could be much higher, however. There are currently eight U.S. Gulf Coast pre-FID projects with binding sales agreements, and a handful of projects that are fully subscribed in credible non-binding deals. If all those projects go forward, it would add a staggering 86 million tonnes (11.4 bcf per day) of additional export capacity to the U.S.

The U.S. now has 90.85 million tonnes per year of operational capacity for LNG exports. In addition, there are three more projects under construction along the U.S. Gulf Coast — Plaquemines and Corpus Christi Stage 3 both recently got their go-aheads, and ExxonMobil and Qatar's Golden Pass, which took FID in 2019 and is expected online in 2024. There is also one project each under construction in Canada and Mexico.

With so many strong projects out there, two factors are becoming increasingly important to LNG development. The first is speed. While the market is showing no signs of slowing, it eventually will with the coming supply-side buildout, and if a project doesn’t move forward in this third wave of LNG development, it might not ever. Speed also applies to how fast a project can come online, which is of particular concern for Europe.

[North American LNG export developers sign up new customers]

(Reuters; Aug. 23) - North American liquefied natural gas developers and producers this year have struck deals to sell 48 million tonnes of LNG, which will eventually pump up exports 60% from current levels, although much of the output from new plants remains years away. LNG demand is soaring as the conflict in Ukraine pushes global prices to their highest in at least 14 years. Buyers in Europe have looked West in a move away from Russian gas, and Chinese buyers are striking long-term deals after a pause.

New gas export plants are being developed on the U.S. Gulf Coast, while Mexico and Canada are poised to join as significant gas exporters with plants on their West Coasts. Several North American LNG terminals are under construction and over a dozen more could receive a go-ahead OK by 2023. "The dynamics have shifted," said Charlie Riedl, executive director for trade group Center for Liquefied Natural Gas. "Buyers are trying to lock up firm agreements where they can guarantee that gas is going to be delivered."

Some of the biggest deals are from Chinese firms returning to the U.S. market after a pause over tariff disputes. Units of China's Sinopec, CNOOC and China's ENN Natural Gas signed separate deals last year for new U.S. supplies. Four export plants under construction in the United States will boost the nation's capacity to produce LNG to 156.3 million tonnes per year in 2026. In addition, export plants under construction in Canada and Mexico will add another 20.8 million tonnes to North America's LNG production once all of the facilities enter service by 2027.

[Saudi minister warns market volatility could lead to oil production cut]

(Bloomberg; Aug. 22) - Saudi Arabian Energy Minister Prince Abdulaziz bin Salman said "extreme" volatility and lack of liquidity mean the futures market is increasingly disconnected from fundamentals and OPEC+ may be forced to cut oil production. "The paper and physical markets have become increasingly more disconnected," he said in response to written questions from Bloomberg News.

Prince Abdulaziz represents the largest oil producer in OPEC+ and is arguably the most important player in the 23-nation alliance. He said futures prices don't reflect the underlying fundamentals of supply and demand, which may require the group to tighten production when it meets next month to consider output targets. "Witnessing this recent harmful volatility disturb the basic functions of the market and undermine the stability of oil markets will only strengthen our resolve," he said.

Benchmark crude oil futures have fallen more than 20% since early June on concern about the outlook for the global economy and the possibility of more Iranian oil coming into the market. Still, open interest and trading volumes in futures remain well below historical levels as the price swings caused by the war in Ukraine scare away investors.

The lack of trading is making the market more volatile as the pool of active buyers and sellers shrinks, according to some market participants.

Saudis, others in OPEC suggest production cut to stabilize prices

(The Wall Street Journal; Aug. 23) - Saudi Arabia and some of its oil allies have suggested cutting production. The Saudi-led Organization of the Petroleum Exporting Countries and a coalition of producers led by Russia — collectively known as OPEC+ — agreed to a smaller-than-expected production increase earlier in August. Now, Saudi's energy minister and some OPEC officials have suggested the alliance could produce fewer barrels in order to stabilize a market buffeted by economic uncertainty, the risk of global recession and energy sanctions triggered by the war in Ukraine.

Saudi Energy Minister Prince Abdulaziz bin Salman on Aug. 22 described oil markets as "in a state of schizophrenia," and said Saudi Arabia would soon begin working on a new OPEC+ agreement for beyond 2022. Prince Abdulaziz also maintained a commitment to a long tie-up with Russia that has frustrated U.S. policy makers trying to isolate Moscow over the Ukraine war. Several OPEC members also told The Wall Street Journal that they might back a reduction in output, particularly if a global recession materializes.

The Saudi energy chief's comments pushed oil prices higher after a sell-off in recent months. After exceeding $120 a barrel just a few months ago, global benchmark Brent fell to around $93 before rebounding to $100 on the Saudi announcement Aug. 23. Any cut to production could partly negate reintroduction of Iranian oil to the market if talks to revive the 2015 nuclear deal, which are at a crucial stage, prove successful.

Supply risks still lurk, despite slide in oil prices

(Financial Times; London; Aug. 23) - As an energy crisis engulfs Europe, global oil markets have offered modest relief, with crude prices drifting lower even as traders grow anxious about the global economy. But the turn may be short-lived. Oil was trading at $99.72 a barrel on Aug. 23, down more than 28% since this year's high near $140, struck in the days after Russia invaded Ukraine in February. That is still a lot to pay for oil — almost twice the long-term average price, and more than enough to keep churning out profits for producers from Texas to the Kremlin.

But no one should be too sanguine about the softer market. Prices can fall for good reasons — such as technological breakthroughs that reduce demand or free up more supply — as well as for bad reasons, such as recession. And this oil market is not in a good state. Today's price is softening not because supply is ample, but because soaring inflation and rising interest rates are giving rise to fears of recession. Tepid oil demand in China is weighing on a market that has grown to rely on the country's relentless thirst.

A deep recession could upend all the commodity markets' fundamentals. Meanwhile, the supply-demand fundamentals that so spooked analysts a few months ago continue to lurk. OPEC's spare production capacity is dwindling. Investment in new production outside OPEC remains sluggish. Wall Street is reluctant to fund more fossil fuel projects that climate policy may render obsolete. The majors are committing less capital to the upstream than before the pandemic. A recession or the release of more emergency oil might mask that reality, for a while. But it will only make the next cycle more severe.

Russia holds top spot as largest oil supplier to China

(Reuters; Aug. 20) - Russia held its spot as China's top oil supplier for a third month in July, data showed on Aug. 20, as independent refiners stepped up purchases of discounted crude while cutting shipments from rival suppliers such as Angola and Brazil. Imports of Russian oil, including supplies pumped via the East Siberia Pacific Ocean pipeline and seaborne shipments from Russia's European and Far Eastern ports were up 7.6% from a year ago, data from the Chinese General Administration of Customs showed. Still, Russian supplies in July, equivalent to about 1.68 million barrels per day, were below May's record of close to 2 million. China is Russia's largest buyer.

China's year-to-date imports from Russia are up 4.4% on the year, but still trail Saudi Arabia. Imports from second-ranking Saudi Arabia rebounded last month from June, which was the lowest in more than three years, to 1.54 million barrels per day, slightly below year-ago level. China's overall oil imports in July fell 9.5% from a year earlier, with daily volumes at the second lowest in four years, as refiners drew down inventories and domestic demand recovered more slowly than expected. China's strong Russian purchases squeezed out supplies from Angola and Brazil, which fell sharply.

Turkey has doubled imports of Russian crude this year

(Reuters; Aug. 22) - Turkey doubled its imports of Russian oil this year, Refinitiv Eikon data showed on Aug. 22, as the two countries are set for broader cooperation in business and especially energy trade in the face of western sanctions against Moscow. Trade between Turkey and Russia has been booming since spring as Turkish companies not banned from dealing with Russian counterparts stepped in to fill the void created by EU businesses leaving Russia after its invasion of Ukraine earlier this year.

Turkey increased oil imports from Russia, including Urals and Siberian Light grades, beyond 200,000 barrels per day so far this year compared to just 98,000 for the same period of 2021, Refinitiv data showed. Turkey did not sanction Russia over its invasion of Ukraine. Russian President Vladimir Putin and Turkish President Tayyip Erdogan met early in August and agreed to boost business cooperation.

Turkey's main refiners significantly increased intake of Russian Urals and Siberian Light oil this year, while decreasing purchases of North Sea, Iraqi and West African grades, the data showed. This year, Russian oil prices fell to historical lows against the Brent international benchmark, while North Sea and Iraqi oil grades prices rose. "The choice for Turkey's refiners was obvious as they have no limits on Russian oil buying," said a trader in the Mediterranean oil market, who declined to be named.

Germany allows another coal-fired power plant to resume operations

(DW; Germany; Aug. 22) - Germany is restarting another coal-fired reserve power plant next week as the country tries to save up its gas supplies for the coming winter. The Heyden plant, near Hanover in northern Germany, is scheduled to return service from Aug. 29 until the end of April, operator Uniper said on Aug. 22. With a capacity of 875 megawatts, Heyden is one of the most powerful coal-fired power plants in Germany. It started operation in 1987.

Germany plans to phase out coal-fired power by 2038, at the latest. However, the war in Ukraine and the resulting disruptions to the energy market are causing some plants to be temporary reactivated. Since July 14, a regulation has allowed coal-fired plants from the "grid reserve" to come fully back online to help the country save gas. Plants on the reserve only produce electricity when necessary to ensure grid stability.

More coal-fired plants that had been placed in reserve are set to restart in the coming weeks. The government said this will allow natural gas storage facilities to be filled as Germany copes with reduced gas flows from Russia. According to the Federal Network Agency, the country's energy regulator, gas accounted for 9.8% of electricity generation in July. However, gas makes up the largest share of home heating systems in Germany.

Competition for winter gas supplies driving up LNG prices

(Reuters columnist; Aug. 22) - If the global liquefied natural gas market is viewed just in terms of volumes, the picture appears one of serene stability. But if the market is assessed by looking at the price of spot cargoes, a different view emerges, namely one of stress with competition between buyers in Europe and Asia amid fears of a shortage of the fuel during the winter. The weekly spot price of LNG for delivery to North Asia rose to a record high of $57 per million Btu in the seven days to Aug. 19.

The price has surged 154% since this year's low of $22.40, which was reached in the week to May 20, and is 267% higher than the $15.50 of one year ago. However, LNG volumes being tracked by Refinitiv have remained steady in recent months. Export volumes heading for Asia, the world's top-importing region, are estimated by Refinitiv at

20.59 million tonnes for August. This is down slightly from 21.45 million in July, but up from June's 19.53 million, according to Refinitiv's vessel-tracking and port data.

Europe's LNG imports have been steady in recent months, coming in at 9.17 million tonnes in August, 9.55 million in July and 9.73 million in June, according to Refinitiv. The picture that emerges is one of increasing competition for roughly the same global volume of LNG, with Europe bidding up the price in order to secure a greater share of cargoes. The question is whether supply can increase enough to ease price pressures and, if not, how high can prices rise as buyers compete for winter gas supplies?

German, Canadian leaders look more to hydrogen and less to LNG

(CBC News; Canada; Aug. 22) – Canadian Prime Minister Justin Trudeau and his German counterpart, Chancellor Olaf Scholz, appeared to pour cold water on the idea of shipping Canadian natural gas to Europe when asked about the proposal Aug. 22. At a news conference in Montreal, the two leaders instead suggested that their priority is developing cleaner energy sources in Canada, like green hydrogen, for export to Europe to help solve the continent's energy crunch.

While not ruling out a role for Canadian gas in alleviating Europe's energy shortage, Trudeau said there isn't a clear business case yet for building a liquefied natural gas export terminal in New Brunswick or elsewhere. Trudeau said gas would have to be piped from the gas fields of Western Canada to a still-unbuilt liquefaction terminal on the Atlantic Coast. It would be a costly undertaking and might not be a prudent investment, given Europe's commitment to a rapid transition to a cleaner economy, Trudeau said.

"One of the challenges around LNG is the amount of investment required to build infrastructure for that," he said. "There has never been a strong business case because of the distance from the gas fields, because of the need to transport that gas over long distances before liquefaction." Scholz said Germany is interested in helping Canada develop its hydrogen production capacity — a new industry with very little production underway — so that it can eventually tap into that resource. Germany is interested in "green" hydrogen which is produced through electrolysis with no resulting emissions.

Canada signs 5-year deal to supply clean hydrogen to Germany

(Bloomberg; Aug. 23) - Canada intends to start shipping green hydrogen produced by wind farms to Germany by 2025, the first step in a partnership to help Europe’s biggest economy reduce its reliance on fossil fuels. Canadian Prime Minister Justin Trudeau and German Chancellor Olaf Scholz signed a five-year hydrogen accord on Aug. 22 in Newfoundland and Labrador, a remote province on Canada’s East Coast with abundant wind power potential.

The gaseous fuel, which burns hot enough to be used for making steel, is seen playing a key role in curbing industrial emissions, as well as eventually powering cars, trucks and ships. The countries commit in the pact to creating “a transatlantic supply chain for hydrogen well before 2030, with first deliveries aiming for 2025.” Canada is “aiming to become a major producer and exporter of hydrogen as well as … clean technologies,” according to the accord, and wants to attract foreign investment for the infrastructure.

Germany, meanwhile, is “aiming to import significant amounts of renewable hydrogen to decarbonize its hard-to-abate sectors in line with its 2045 climate neutrality target.” Trudeau and Scholz inked the agreement in Stephenville, a small town with a deep sea port on the Gulf of St. Lawrence, more than 1,000 miles northeast of New York. There are at least two large-scale wind farm projects proposed for the area that would use water electrolysis to produce hydrogen.

Freeport LNG return to full service in Texas delayed to March 2023

(S&P Global Platts; Aug. 23) - Freeport LNG has delayed its target for partial restart by about a month as it works to complete repairs following a June explosion and fire that shut down the Texas liquefaction facility, the company said Aug. 23. Full operations were delayed by even longer. The operator believes it will be able to resume partial production in early- to mid-November, it said in a statement. Full operations at the 15 million-tonne-per-year plant are not expected to resume until March 2023.

Its previous target for partial operations to resume was early October, while it had previously expected full operations to resume by the end of this year. It said it was working with its contractor, Kiewit, and U.S. regulators to resume operations as quickly and as safely as possible.

The export terminal accounts for more than 15% of U.S. LNG supply, which has become increasingly important to serving European demand amid sharp cuts in Russian pipeline gas. Freeport said it was coordinating closely with the U.S. Pipeline and Hazardous Materials Safety Administration, Federal Energy Regulatory Commission, Coast Guard and other regulatory agencies to implement its recovery plan and corrective measures to resumption of operations. The explosion and fire at Freeport LNG occurred in a pipe rack near the LNG storage tanks at the liquefaction facility.

Work starts on new liquefaction train at Australia LNG plant

(Upstream; Aug. 24) - Woodside Energy and Bechtel have started construction on the US$5.6 billion second liquefied natural gas train project at the Pluto LNG export facility in Western Australia that will receive and process gas from the offshore Scarborough field. Bechtel is the main engineering, procurement and construction contractor of the train, which will have an LNG production capacity of 5 million tonnes per year. Woodside late last year gave the go-ahead to the $16.4 billion Scarborough project, set to be the biggest fossil fuel development in Australia for almost a decade.

Bechtel has started site preparation in Karratha, including office, crib hut and other facility installation. Initial earthworks and activities in the laydown and storage areas will start up before the end of 2022. Major subcontractors include Baker Hughes for the gas turbines and Sembcorp Marine for the construction of liquefaction modules. The liquefaction technology is the ConocoPhillips Optimized Cascade design. Woodside CEO Meg O'Neill said the start of construction is a key milestone toward delivery of the project to develop the 11 trillion cubic feet of gas at the Scarborough field.

West Coast states challenge project to increase Canadian gas flow

(Seattle Times; Aug. 23) - Washington Attorney General Bob Ferguson is leading three West Coast states in a challenge to a $335 million pipeline improvement project to increase the flow of Canadian natural gas to the Northwest and California. The Aug. 22 filing with the Federal Energy Regulatory Commission from Ferguson and the Oregon and California justice departments opposes the GTN Xpress project and represents an escalation of state-level efforts to block development of new fossil fuel infrastructure.

GTN, a subsidiary of TC Energy, brings in gas from Alberta via a 1,377-mile pipeline that cuts through Idaho, Eastern Washington and Oregon to link up with California pipeline networks. In 2019, TC Energy announced a project to boost capacity and reliability largely by improving three compressor stations. The project would increase greenhouse gas emissions by the equivalent of 3.47 million metric tons of carbon dioxide annually for the next three decades, according to the states' Aug. 22 filing.

Ferguson said that's equivalent to adding 754,000 cars to the road, and "undermines Washington state's efforts to fight climate change." In a statement Aug. 22, TC Energy defended the project as important to address future growth in demand. The project is under review by FERC, which earlier this year released a draft environmental study. It found operations and downstream emissions could increase Idaho's greenhouse gas emissions by 16%, Washington's by 3.8% and Oregon's by 7.7% based on 2019 levels. The draft study did not try to characterize the significance of its climate change impacts.

Israel boosts natural gas production, plans to help out Europe

(Bloomberg; Aug. 24) - Israel's natural gas production surged 22% in the first half of the year, as the government plans to ramp up exports that will make their way to Europe where the worst energy crisis in decades is under way. Production rose to 380 billion cubic feet through June, with exports to Israel's neighbors rising by 35% to 160 bcf, according to the energy ministry. Much of the increase is due to production from the Tamar and Leviathan offshore reservoirs in the eastern Mediterranean.

Israel's royalties from gas, minerals and fees rose roughly 50% to reach 829 million shekels ($253 million), almost all of which was from gas. Israel is ramping up output as European nations scour the globe for gas, with energy prices on the continent at record levels. The European Union is turning away from key supplier Russia following the country's invasion of Ukraine, while Moscow has also curbed shipments, leaving buyers rushing to find alternatives ahead of winter.

In June, Israel signed a memorandum of understanding with Egypt and the EU aimed at boosting gas production and exports. Gas will be piped to Egypt, which already receives the bulk of Israel's gas exports, and then re-exported to the EU. Initial flows under the deal aren't expected to be substantial, but could provide Europe with more gas as Israeli output increases. Israel's gas industry has been a game-changer for the nation, bringing revenues of almost 10 billion shekels ($3 billion) into state coffers since 2004.