Oil and Gas News Briefs
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Mozambique wants same opportunities as others to profit from its gas

(Bloomberg; Nov. 25) - The devastation that cyclone Idai caused in Mozambique in 2019 galvanized the world to take action against climate change, much as deadly floods in Pakistan did this summer. Yet three years later, Mozambique has given up waiting for help from abroad and is focused on developing its massive natural gas resources to fund recovery and growth. One of the world's poorest nations, Mozambique joined the club of gas-exporting countries this month when it sent off its first LNG cargo to Europe.

Funds obtained from selling fossil fuels will help fund the country's green transition, said Mozambique President Filipe Nyusi in an interview with Bloomberg Green. "We need to allow an opportunity for these fossil fuels to be exploited so that we can generate resources for renewable energies," Nyusi said earlier this month. "We need to be given opportunities — other developed countries had this opportunity."

The energy crisis sparked by Russia's war on Ukraine has sent European nations on a quest for gas. In recent months, countries such as Germany and Italy have been looking to secure supplies from African nations, while at the same time discouraging the use of gas and other fossil fuels in international forums including COP27. That contradiction has led African activists, like Mohamed Adow from Power Shift Africa, to accuse Europe of hypocrisy and "energy colonialism" and of using the continent as its "gas station."

About 70% of Mozambique's grid is supplied with hydro power, but electricity reaches only a third of the population. Natural gas exports could provide enough funds to bring electricity to more people, Nyusi said. "It's not just money we need; we need to think about human beings who will suffer … when they are not supplied with enough power."

TC reports another cost increase for British Columbia gas pipeline

(Reuters; Nov. 29) - North American pipeline company TC Energy on Nov. 29 said it faces another big cost increase of its troubled Coastal GasLink project, as it grapples with problems attracting workers and the mountainous terrain that has forced it to move pipe with ski lifts. First announced in 2018, the 416-mile pipeline will transport natural gas from northeastern British Columbia to the Shell-led LNG Canada facility under construction in Kitimat, B.C. — Canada's first LNG export terminal.

Coastal has faced several construction delays, including COVID-19 disruptions and protests from environmentalists and some First Nations. TC Energy raised its Coastal cost estimate in July nearly 70% from the initial budget. It further expects a further “material increase” in funding requirements due to rising labor costs and shortages. “Coastal GasLink is one of the most complex projects, certainly in my career, that I’ve never seen before,” said Bevin Wirzba, TC’s executive vice president in charge of Canadian natural gas pipelines, at its investor day in Toronto.

Along with finding unusual ways to move pipe, the need for measures to control erosion in a province that has seen both mudslides and drought has added to complexity, he said. TC said it will provide a new cost estimate for Coastal GasLink, previously pegged at C$11.2 billion ($8.27 billion), early next year. TC will increase its asset sales to pay for additional Coastal costs, Chief Financial Officer Joel Hunter said. The pipeline is 80% complete with mechanical in-service expected by the end of 2023, TC Energy said.

Crude oil drops to lowest price since last December

(CNBC; Nov. 28) - Oil prices are defying expectations and are barely higher on the year, as the outlook for oil demand continues to deteriorate. West Texas Intermediate crude futures for January settled higher on Nov. 28 at $77.24 per barrel, following a drop to $73.60 per barrel, the lowest price since last December. Gasoline prices at the pump have also been falling dramatically and could be cheaper than last year for many Americans by Christmas, according to an outlook from the Oil Price Information Service.

On Nov. 28, the national average was $3.546 per gallon of regular unleaded, though still higher than the $3.394 of a year ago, according to AAA. China’s latest COVID lockdowns have significantly changed the outlook for oil prices, which some experts had predicted could spike to $150 per barrel or more after Russia’s invasion of Ukraine.

China’s lockdowns and the rare protests against Beijing this weekend have raised more doubt about the outlook for the country’s already weakened economy and its impact on the nation’s oil demand. OPEC+ is also a factor. The group surprised the market in October when it approved a production cut of 2 million barrels a day, reportedly to stem the decline in prices. “We’re waiting to see if they signal even deeper cuts. There were rumors in the market about that happening,” said John Kilduff, with Again Capital.

Ed Morse, global head of commodities research at Citigroup, said the demand decline is part of bigger trend, tied in part to the energy transition toward renewables. “We are also looking for the peak of oil demand in this decade. It’s part of a longer term story.”

Multiple factors create ‘precarious market’ for oil sellers and buyers

(Financial Times; London; Nov. 28) - As an epic oil crash threatened more havoc on a pandemic-stricken global economy in April 2020, the U.S., Saudi Arabia, Russia and other G20 countries met to thrash out a solution. The co-operation helped end a price war by OPEC+ and restored stability to the market. Prices recovered. Two-and-a-half years later, and nine months into Russia's war in Ukraine, such collaboration on energy between global powers seems a distant memory.

Moscow has weaponized its natural gas supplies to Europe and is now actively trying to disable Ukraine's electricity network. Consumer countries have become competitors as they race to secure scarce energy supplies. Fractures are visible in the decades-old Saudi-U.S. oil relationship. The potential unraveling of the old order in the global oil market will reach a defining moment over the next week when Europe starts to block Russian seaborne crude from the continent.

The new sanctions will also stop European companies from insuring vessels carrying Russian oil to third countries, unless those countries accept a price for the oil dictated by Western powers. In other words, Western countries will attempt to impose a cap on the price of oil sold by Russia. No one can say how disruptive these measures will be. But the idea that Moscow's geopolitical foes will set the price at which Russia sells its crude is a humiliation for a petrostate that produces more than 10% of the world's oil.

"We're clearly still in a very precarious market," said Doug King, chief executive of RCMA Capital, which runs the Merchant Commodity Fund. "The relationships between the great powers of the oil industry have become very fragmented."

OPEC+ will meet Dec. 5; likely to hold output steady

(Reuters; Nov. 29) - OPEC+ is likely to keep oil output policy unchanged at a meeting Dec. 4, OPEC+ sources said, although sources said an additional production cut was also likely to be considered to bolster prices that have slid due to fears of an economic slowdown. The Organization of the Petroleum Exporting Countries and allies including Russia, known as OPEC+, meets as demand faces headwinds from slowing economies and China's COVD-19 lockdowns, while a looming European Union ban on Russian crude imports and a G7 price cap on Russian oil places a question mark over supply.

A drop in oil prices, after coming close to all-time highs of $147 a barrel in March due to the war in Ukraine, has prompted analysts such as Eurasia Group to suggest that OPEC+ could cut output. Brent crude was trading just above $85 on Nov. 29. In October, OPEC+ agreed to cut output by 2 million barrels per day — equal to 2% of global supply — causing one of its biggest clashes with the West as the U.S. administration called the surprise decision shortsighted.

Top OPEC exporter Saudi Arabia on Nov. 21 said OPEC+ was sticking with output cuts and could take further measures to balance the market. "The current cut of 2 million barrels per day by OPEC+ continues until the end of 2023, and if there is need to take further measures by reducing production to balance supply and demand we always remain ready to intervene," Saudi Energy Minister Prince Abdulaziz bin Salman was quoted by state news agency SPA on Nov. 21.

Europe has spent $725 billion this year on energy supplies, relief aid

(Bloomberg; Nov. 29) - Europe's massive tab for buying energy supplies and cushioning consumers from price spikes soared past €700 billion this month ($725 billion), with countries stepping up their interventions in the face of plummeting temperatures. Countries in the European Union have earmarked and allocated about €600 billion of support since September 2021 to shield consumers from soaring costs, according to the Brussels-based think tank Bruegel. Measures in the U.K. and Norway add €105 billion.

The latest figures are bound to raise pressure on the EU to agree on a price cap for natural gas before Christmas. The discussions come as temperatures look to be "unseasonably cold" across the northern part of the continent next week, according to forecasters. The spend is almost equivalent to the EU's landmark joint bond issuance program, launched to help cushion the region's economy from the COVID-19 pandemic.

"As European energy prices are expected to remain higher for longer, fiscal sustainability concerns will increase, and governments will go under renewed pressure to become more targeted in the support they offer to families and businesses," said Simone Tagliapietra, co-author of the Bruegel report. "This also highlights the risk of fragmentation for the European market, should fiscally stronger countries provide more support to their industries than others."

European imports of Russian LNG up 40% this year

(Bloomberg; Nov. 30) - The European Union has slashed its dependence on Russian energy this year, banning coal imports and readying an oil embargo too. But one product is booming, and is unlikely to face an EU boycott anytime soon. Liquefied natural gas imports from Russia are up about 40% in a year as buyers scramble to replace dwindling pipeline flows. It's a bitter pill for many across the bloc, which has slapped heavy sanctions on the Kremlin to starve it of funds fueling the war in Ukraine.

The EU spent a record €12.5 billion ($13 billion) on Russian LNG January to September — five times more than a year earlier. Surging demand from countries such as France and Belgium have helped make Russia the No. 2 LNG supplier to northwest Europe this year, well behind the U.S., ship-tracking and port data show. Despite other sanctions, a complete embargo on Russian gas has never been seriously considered, given the scarcity of global supply and the potential for an even tighter market next year.

“Russian LNG has to continue to flow,” said Anne-Sophie Corbeau, a researcher at Columbia University’s Center on Global Energy Policy. “We need that on the global LNG balance: it is already tight enough as it is. I think most European countries are indeed happy to turn a blind eye on this.” Among European nations, only the U.K. and Baltic states have stopped buying Russian LNG.

Qatar, ConocoPhillips land 15-year deal to supply Germany with LNG

(Bloomberg; Nov. 29) - Qatar has agreed to supply Germany with liquefied natural gas under a long-term deal that will go a small way to helping the European country replace pipelined flows from Russia. State-owned QatarEnergy and ConocoPhillips have signed agreements that will see the Persian Gulf state send up to 2 million tonnes of LNG a year to Germany starting in 2026. The deals will last at least 15 years, Qatari Energy Minister Saad al Kaabi told reporters in Doha alongside Conoco CEO Ryan Lance. The gas will come from Conoco’s joint venture in Qatar’s North Field expansion project.

Germany, which has been one of the worst hit European nations after a cut to Russian gas supplies, has rented several floating LNG import terminals that it will rely on in the future. Closing a deal now means further diversification of LNG sources, key for Germany to get through this and next winter. The deal with Qatar represents only 6% of the Russian gas Germany imported in 2021. But signing an agreement is significant, as the LNG market is increasingly competitive, with Europe fighting over cargoes with Asia.

Germany has been locked in negotiations with the Qataris for additional supplies it desperately needs to keep its industries operating, homes heated and lights on. It’s a sign that Berlin may be softening its opposition to longer contracts of as much as 25 years that would contradict its goal to be climate-neutral by 2045. “I also wouldn’t be opposed to 20-year or even longer contracts,” Robert Habeck, Germany’s economy minister, said at an industry conference on Nov. 29.

First Australian LNG delivered to Europe

(Reuters; Nov. 28) - Woodside Energy said it has shipped a liquefied natural gas cargo to Europe from Australia's North West Shelf project for the first time, which the buyer Uniper said would help make up for supply lost from Russia. The cargo was delivered on Nov. 27 to Uniper Global Commodities at the Gate Terminal on Maasvlakte, in the Netherlands, Woodside, Australia's top independent gas producer, said.

Almost all Australian LNG goes to Asia, with rare shipments going to South America. In August, amid Europe's hunt for gas to replace Russian supply, an Australian cargo was transferred onto a ship in Malaysian waters to go to Britain. "We continue to work on securing the much needed gas supply into Europe from reliable sources like Australia and thus helping to strengthen security of supply during the ongoing crisis triggered by the Russian war," Uniper's Director LNG Andreas Gemballa said in a statement.

Chinese leader wants closer energy relationship with Russia

(Reuters; Nov. 29) - China is willing to forge a closer partnership with Russia on energy issues to ensure global energy security, President Xi Jinping said on Nov. 29, just as the G7 grouping of nations prepares to impose new measures on Russia's oil exports. State broadcaster CCTV reported Xi's comments, made in a message to the Fourth China-Russia energy forum.

"China is willing to work with Russia to forge a closer energy partnership, promote clean and green energy development and jointly maintain international energy security and the stability of industry supply chains," Xi said, according to the report. The meeting of businesses from the two trade partners comes amid preparations for a G7 price cap to be imposed from Dec. 5 on Russian oil, in efforts to curb Moscow's ability to fund its invasion of Ukraine.

Russia's energy exports to China have increased in value by 64% this year and by 10% in volume, according to Russian Deputy Prime Minister Alexander Novak. Moscow has become the world's fourth-biggest yuan trade center as the Kremlin pushes for more ties with Asia amid Western sanctions. Russo-Sino bilateral trade should reach $180 billion to $190 billion this year, Igor Sechin, CEO of Russian top oil producer Rosneft, said at the same forum. His company supplies about 7% of Chinese oil needs.

Russia turns to its own insurance to overcome sanctions on oil trade

(Reuters; Nov. 29) - Moscow is seeking to bolster the recognition of Russian maritime cargo insurance to allow it to ship oil and refined products abroad in the face of Western sanctions, a government official was quoted as saying on Nov. 29. Western sanctions imposed in response to Russia’s war on Ukraine have restricted Russia’s ability to secure liability insurance for its ships — a segment requiring financial heft and dominated by European reinsurers, in which Russia has little experience or capacity.

Deputy Transport Minister Alexander Poshivay, speaking at a China-Russia energy conference in Moscow, acknowledged the challenges faced by Russian shippers. In addition to a lack of access to insurance services traditionally provided by European and U.S. companies, they have also had to deal with non-recognition of certificates issued by Russian insurers and the Russian National Reinsurance Co. because Lloyd’s insurance syndicates have declared Russian waters a war risk zone.

European Union and Group of Seven governments have been trying to agree on a price cap for Russian seaborne crude oil to restrict Moscow's ability to finance its war on Ukraine. The main tool to enforce it would be prohibiting shipping, insurance and re-insurance companies from handling cargoes of Russian crude around the globe, unless they are sold for less than the cap set by the G7 and its allies. Poshivay said Russian state-flagged vessels were being insured with Russian insurance companies and reinsured with the Russian National Reinsurance Co., according to Interfax.

Japanese buyer says Texas LNG plant will restart mid-December

(Reuters; Nov. 29) - Japan's biggest buyer of liquefied natural gas, JERA, expects Freeport LNG's production at its fire-damaged Texas plant to partially resume in mid-December and its shipments to be fully back on track by March, President Satoshi Onoda said on Nov. 29. Freeport LNG has said it was targeting a mid-December restart for its export plant, which has been shut for six months after a fire. JERA is one its bigger customers. JERA said in October it would book a 110 billion yen ($794 million) loss related to the Freeport LNG fire, mostly due to higher costs as it needed to buy alternative fuel from the soaring spot market.

French major Total pursues 'balanced strategy' in energy transition

(ClimateWire; Nov. 29) - Few companies capture the contradictions of the oil industry like TotalEnergies. The French oil major is moving quickly into businesses outside of oil, snapping up large renewable companies in Brazil and the United States, even as it pushes to develop new oil fields in Africa and grow its liquefied natural gas portfolio. So goes the energy transition in the oil sector, where a handful of European oil giants are seeking to balance the world's short-term need for fossil fuels with its long-term goal of achieving net-zero emissions.

Even as Total is pursuing a build-out of its renewable business, it is pushing to start a pair of new oil fields in Africa, which are projected to come online in 2025 and 2026. The fields will increase Total's crude production by roughly 15%, or 200,000 barrels a day. In addition, Total is pushing to increase its LNG production 40% by the end of the decade, in a move mirrored by other oil majors. Such increases are inconsistent with the goal of limiting global warming, said Guy Prince, an oil analyst at Carbon Tracker.

In a presentation outlining the company's strategic vision, Total CEO Patrick Pouyanné in September described an all-of-the-above energy approach. The French giant is seeking to profit from its oil assets in the short term, while building its business around LNG and renewable electricity in the medium to long term, Pouyanné said. "It's a balanced strategy," he told financial analysts, adding that "we think that all these three energies — oil, LNG/gas and electricity — will need investments."

Japanese companies research plans to capture CO2 out of the air

(Nikkei Asia; Nov. 28) - Pulling carbon dioxide out of the atmosphere like trees do is easier said than done, but two Japanese companies are tackling the climate challenge from different angles. Nagoya-based NGK Insulators is working on direct air capture of CO_2 using Honeyceram, a ceramic catalyst used mainly in vehicles to clean emissions.

Direct air capture involves using chemical reactions to absorb carbon dioxide from the surrounding atmosphere, which can then be stored underground or used to produce fuels or industrial chemicals. These facilities can work anywhere there is air, making them a good fit for deserts or other hard-to-utilize land.

NGK's demonstration plant is slated to start operations in fiscal 2025, using thousands of the Honeyceram blocks. Fans push air through the blocks' honeycomb structure, which is coated with a substance that reacts with carbon dioxide. The Honeyceram is then heated to release high-purity CO_2 for recovery.

Toho Gas is working on direct air capture technology that could be installed at liquefied natural gas import terminals. Working with a university and partners, Toho Gas plans to build a prototype plant by fiscal 2024. Further tests are expected to begin at a scaled-up facility in 2029. Toho Gas' will use the "cold energy" recovered from LNG regasification to cool a solvent containing carbon dioxide, turning the CO_2 into dry ice. The company plans to combine the captured gas with hydrogen to create a synthetic methane.