Oil and Gas News Briefs
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Tight supply, high prices 'truly global energy crisis,' says IEA head

(Reuters; Oct. 24) - Tightening markets for liquefied natural gas worldwide and major oil producers cutting supply have put the world in the middle of "the first truly global energy crisis," the head of the International Energy Agency said Oct. 25. Rising imports of LNG into Europe and a potential rebound in Chinese appetite for the fuel will tighten the market, with just 700 billion cubic feet of new LNG capacity coming to market next year, IEA Executive Director Fatih Birol said during the Singapore International Energy Week.

At the same time, the recent decision by the Organization of the Petroleum Exporting Countries and its allies, known as OPEC+, to cut 2 million barrels per day of oil output is a "risky" decision as the IEA sees global oil demand growth of close to 2 million barrels per day this year, Birol said. "(It is) especially risky as several economies around the world are on the brink of a recession. ... I found this decision really unfortunate."

Soaring prices across a number of energy sources, including oil, gas and coal, are hammering consumers at the same time they are dealing with rising food and services inflation. The high prices and possibility of rationing are particularly hazardous to European consumers as they prepare to enter winter. However, the energy crisis could be a turning point for accelerating clean-energy sources and forming a sustainable and secured energy system, Birol said. "Energy security is the No. 1 driver (of the energy transition)," said Birol, as countries see new technologies and renewables as solutions.

Next month's global climate summit comes amid energy crisis

(Bloomberg; Oct. 23) - The last time world leaders got together for a climate summit, the backdrop was thoroughly menacing. A pandemic had decimated national budgets. Poor countries were up in arms over the hoarding of vaccines by wealthy nations whose fossil fuel use did most to warm the planet. Relations between the two largest emitters, the U.S. and China, had devolved into zero-sum battles. Those were the good old days.

As Egypt prepares to stage COP27 next month, geopolitical international diplomacy has gone from tense to precarious. The war in Ukraine has divided nations over what some see as a fight between Russian and the West, while supercharging an energy crisis that risks shredding COP26's global consensus to cut down on coal use. Falling prices for renewable energy seemed to have forced a reckoning at COP26 for the dirtiest of fossil fuels. The final text of the summit included calls for a phasedown of coal power from plants that don't capture its carbon and an end to "inefficient" subsidies for fossil fuel.

A year later, however, rampant energy-price inflation has combined with a protracted energy-supply crunch to revive demand for coal and put subsidies for fuel of any kind back on political agendas. “COP27 is to be convened while the international community is facing a financial and debt crisis, an energy-prices crisis, a food crisis, and on top of them the climate crises,” said Egyptian Foreign Affairs Minister Sameh Shoukry, who also will serve as the conference president.

Calls grow for U.S. to dial back LNG exports to China

(Politico; Oct. 25) - China is buying up America’s natural gas — sparking worries across Washington and fueling a potential new clash between the two global powers. Chinese energy companies are the fastest-growing customers of American natural gas exports, purchasing nearly half the gas that U.S. companies agreed to ship in the past year. But some of those firms are working against U.S. interests — dealing in oil from sanctioned countries, such as Russia, drilling in areas notorious for human rights abuses ,or helping the Chinese military capture contested territory from its neighbors.

As tensions between Washington and Beijing rise — and as high natural gas prices squeeze American manufacturers — lawmakers from both parties are calling for the White House to consider new limits on the liquefied natural gas sales to China. They want more Chinese energy companies added to a trade blacklist and they’re calling for the Biden administration to close a loophole that allows one major company already on that list to buy American gas and oil.

The mounting political and economic pressures are testing the limits of U.S. government efforts to create a global market for American energy, a policy that’s been in effect only since President Barack Obama and Congress lifted a decades-long ban on overseas exports of U.S. oil and gas in 2015. At the time, China was seen as a lucrative market for American gas — part of a broad American strategy that assumed Chinese economic development would mean democratic reforms in Beijing, profits for U.S. firms and peaceful bilateral relations. Since then, U.S.-China relations have deteriorated.

China imported record volume of natural gas and coal from Russia

(Bloomberg; Oct. 25) - China imported record quantities of Russian liquefied natural gas and steelmaking coal in September, as total purchases of energy products topped $50 billion since the invasion of Ukraine pushed Moscow to expand sales to its strategic ally. Coking coal imports from Russia jumped to 2.5 million tons in September from about 900,000 tons in the same month last year and 1.9 million tons in August, according to Chinese customs data. LNG sales rose by a third from a year ago to 819,000 tons, despite a 12% decline in China’s overall purchases of the fuel.

Crude oil imports from Russia were at 7.5 million tons last month, compared with 8.3 million tons in August and 6.1 million tons a year ago. Total purchases of Russian energy, including oil products, slowed to $7.5 billion last month from a record of $8.4 billion in August, although the figure is well-ahead of last year's $4.7 billion. It brings the total to more than $51 billion in the seven months since the war in Ukraine began. Over the same period in 2021, China's energy purchases from Russia were $30 billion.

Although import values have been inflated by the global spike in energy prices caused by the war, China is still taking more volumes from Russia, sometimes at discounted rates. Moscow for its part needs to find a home for exports that are being shunned by much of the rest of the world as punishment for the invasion.

Gazprom starts production at Siberian field to help fill line to China

(Reuters; Oct. 25) - Russian energy giant Gazprom said on Oct. 25 it has started testing the supply of gas from the Kovykta field, the largest in East Siberia, to the China-bound Power of Siberia pipeline. Gazprom started delivering gas from the Chanayda field to China at the end of 2019. Both Chanayda and Kovykta feed the Power of Siberia pipeline, which has a nameplate capacity of almost 1.4 trillion cubic feet of gas per year.

The pipeline is crucial to Moscow's efforts to reroute its energy flows from the West, where governments have imposed sweeping sanctions against Russia following its invasion of Ukraine on Feb. 24. Gazprom said the Kovykta field and new gas transportation facilities are expected to come onstream in December.

Gazprom exported 144 billion cubic feet of pipeline gas to China in 2020, rising to almost 400 bcf in 2021 and expected to reach almost 800 bcf in 2023. Earlier this month, Russian Deputy Prime Minister Alexander Novak said the Power of Siberia will reach full capacity in 2027, two years later than planned.

West Texas natural gas falls to as low as 20 cents amid oversupply

(Bloomberg; Oct. 24) - Natural gas prices in the Permian Basin of West Texas are plunging toward zero as booming production overwhelms pipeline networks, creating a regional glut of the fuel. Gas in an area of the vast Permian known as Waha traded for as little as 20 cents to 70 cents per million Btu on Oct. 24, traders said. That compares with the U.S. benchmark futures contract that's trading around $5.20.

If West Texas prices tumble into negative territory, producers will effectively be paying someone to take gas off their hands — something that hasn't happened in two years. The price collapse illustrates the sharp contrast between bountiful U.S. supplies of the fuel and Europe's worsening energy crisis as winter approaches. Tight gas markets in Europe and Asia have driven up prices all year.

The Texas price plunge stems from maintenance scheduled for Kinder Morgan's Gulf Coast Express and El Paso Natural Gas pipeline systems. Insufficient pipeline capacity has been a long-term problem that has dogged Permian Basin gas producers for years. The choke points worsen when pipeline operators perform repairs and preventative maintenance work that forces temporary reductions in pressure or halts to shipping.

Europe's gas storage nearly full, but a cold winter could change that

(Bloomberg; Oct. 25) - Europe suddenly has more gas than it can use. Starved of the Russian imports on which its long relied, Europe has rushed to import liquefied natural gas from around the world to fill up storage. Now, a combination of unusually warm weather and successful bidding for cargoes means storage facilities are almost full before Europeans have even turned up the thermostats. Gas prices have also fallen back sharply, and are less than a third of their summer peak.

Risks still lie ahead, Much depends on the weather, and a cold snap would quickly see Europe dipping into its stockpiles. Mild weather is helping limit demand for now but European policymakers are worried that lower gas prices — relative to the summer spike — will spur higher consumption when temperatures drop. "The European gas glut is expected to last until at least December," said Giacomo Masato, lead analyst and senior meteorologist at the Italian energy company Illumia.

Meanwhile, LNG tankers keep arriving. Northwest Europe is on track to receive 82 tankers this month, 19% more than in September. More vessels are staying longer in so-called floating storage in anticipation of higher prices and amid limited capacity to receive the fuel, according to shipbrokers Fearnleys. The situation may last until mid-January, according to Oystein Kalleklev, chief executive of shipowner Flex LNG in Oslo.

LNG tankers que up to offload in Europe

(BBC News; Oct. 24) - The behemoths are waiting. Off the coasts of Spain, Portugal, the U.K. and other European nations lie dozens of giant ships packed full of liquefied natural gas. Though the fuel is in high demand, the ships remain at sea. So why are ships loaded with LNG just hanging around Europe? The answer is complicated. Fraser Carson, a research analyst at Wood Mackenzie, said this month that he counted 268 LNG ships on the water worldwide — noticeably above the one-year average of 241.

Of those currently at sea, 51 are in the vicinity of Europe. He explains that European nations plunged into a gas-buying spree over the summer that aimed to fill onshore storage tanks with gas. This was to ensure that fuel would be available to cover energy needs this winter. The latest data suggests storage is now at nearly 95% in total. But there aren't very many regasification plants in Europe, partly because the continent has long relied on gas delivered via pipelines from Russia. So that's one reason why LNG ships are waiting around — some are queuing for access to regasification terminals.

On top of this bottleneck, less gas is being used in Europe than otherwise might as the weather has been very mild well into October. Plus, as analytics company Kayrros co-founder Antoine Halff said, industrial activities that rely on gas have cut back. “There's been a very dramatic reduction in cement and steel production in Europe.”

Lower LNG prices in Europe will send more cargoes to Asia

(Bloomberg; Oct. 26) - Europe’s near-term natural gas supply glut means more fuel for Asia this winter. Liquefied natural gas suppliers are already looking to redirect shipments to Asia for delivery from November onward due to more attractive prices, according to traders with knowledge of the matter. Asia LNG spot prices earlier this week jumped above the European gas benchmark for the first time since June.

This is a reversal. For much of the year, Europe had been frantically hoarding LNG as a means to replace a drop in Russian pipeline gas deliveries. That was leaving less fuel for top Asian importers as higher prices in Europe attracted more cargoes to the continent. Now, a combination of unusually warm weather in Europe and successful bidding for cargoes means Europe’s gas storage facilities are almost full. There is too much LNG in Europe and not enough import terminal capacity, putting pressure on spot prices in the region and prompting traders to look to reroute deliveries to Asia.

The additional supply to Asia will likely help to ease winter shortage fears, especially amid forecasts for colder weather in Japan. China’s government told the nation’s state-owned importers to stop reselling LNG in order to adequately prepare for the winter. LNG prices are still too high for Asia’s emerging nations, like Pakistan and Bangladesh, which have struggled to buy fuel since Russia’s invasion of Ukraine upended markets.

Europe filling up on Russian LNG in lieu of pipeline gas

(High North News; Oct. 26) - During the first nine months of 2022, Europe’s LNG imports from Russia increased by 50%. Some European Union countries that previously did not import any or only small quantities of natural gas from Russia now receive regular shipments of LNG from the country. While European imports of Russian pipeline gas have declined by more than 80%, shipments of Russian liquefied natural gas to Europe have ballooned by 50% during the first nine months of 2022 new data show.

As much as the EU has been successful in replacing the majority of its Russian pipeline gas imports with product from other suppliers, it has been unable to wean itself off Russian LNG. While the EU now receives a large number of shipments from the U.S. and Qatar, deliveries from Russia, including from Novatek's Yamal LNG project in the Arctic, run counter to the overall narrative that the EU is reducing all forms of energy imports from and associated payments to Russia.

"It is certainly a concern that Russian LNG sales are growing, including to Spain and Belgium and other countries that have been fully engaged in NATO and EU efforts to sanction Russia and put pressure on it to stop its aggression in Ukraine," said Kristine Berzina, senior fellow for security and defense policy at the German Marshall Fund of the United States. In fact, countries that previously did not import any Russian natural gas via pipeline are now buying LNG, Berzina said.

Insurers have to decide future coverage on Russian gas pipeline

(Reuters; Oct. 24) - With the mystery of the blasts that destroyed undersea gas pipelines between Russia and Germany unsolved, Nord Stream 1's insurers and reinsurers are grappling with how to respond to hundreds of millions of dollars in potential claims. Munich Re and syndicates within the Lloyd's of London market are among the major underwriters for Nord Stream 1, four industry sources with knowledge of the situation said, adding it was unclear whether they would renew its coverage.

If the insurance is not renewed, the prospect of the Russia-controlled pipeline bringing gas to Europe under the Baltic Sea ever being repaired and restarted becomes more remote. Even before leaks were found, supplies via Nord Stream 1 had been halted as a result of a dispute over Western sanctions on Russia, while the newly built Nord Stream 2 pipeline had not started commercial deliveries.

While a claim has not yet been made for the damage and disruption to the pipeline, sources told Reuters, Nord Stream 1's underwriters may dispute any claim on the grounds that the damage was an act of self-sabotage, or of war, neither of which are generally covered by insurance. And even if the coverage is renewed, insurers might ask for a higher premium, said Tim Shepherd, a litigation partner at Mayer Brown. "The issue is going to be what happens if you can't prove it is a state sponsor (responsible for the blasts), you end up with a massive claim for damage," a source added.

Gas distributor wins approval for LNG import terminal in Italy

(Bloomberg; Oct. 25) - Gas distributor Snam won approval to install Italy's newest liquefied natural gas terminal, overcoming local opposition and boosting the country's bid to improve energy security and wean itself off Russian supplies. The decision by a state-appointed commissioner cleared the process to install the Golar Tundra floating storage and regasification unit that state-controlled Snam bought earlier this year, according to a statement. The facility is due to go into operation in spring of 2023.

The project had faced staunch opposition in the city of Piombino, where the vessel is due to be deployed. Activists cited threats to the environment and the impact on local employment, particularly in the fishing industry. The authorization is linked to compensation for the local community, the Tuscan government said, including financing for docks dedicated to fishing and tourism, a 50% reduction in energy bills in the area where the vessel will be located and hiring incentives to local companies.

The go-ahead is a vindication of the efforts by Mario Draghi's government to free Italy from its dependence from Russian gas. The terminal will be crucial for Italy's future energy security following what promises to be a tight winter season. Imports of Russian gas are at historic lows with little prospect for a return to past levels. It also marks an early victory for Draghi's successor, Prime Minister Giorgia Meloni, who pledged to make the energy crisis a top priority for her right-wing government.

Trinidad eyes re-export of Venezuelan gas if sanctions are lifted

(Natural Gas Intelligence; Oct. 25) - As the major LNG exporting country adapts to declining domestic production, the government of Trinidad and Tobago is exploring options to import natural gas from neighboring countries in order to re-export it to the global market, particularly Europe. One of the most viable options, according to Trinidadian officials, could be tapping ample Venezuelan natural gas supplies now sanctioned by the United States and its allies.

"In the longer term, gas may be available from Guyana and Suriname, but the most immediate source of natural gas would be from neighboring Venezuela," the Energy Chamber of Trinidad said last month. "Exporting gas from Venezuela to Trinidad by pipeline to put through the (liquefaction) facility for onward delivery to international markets is, however, constrained by the economic sanctions placed on Venezuela."

Venezuela could begin exporting commercial volumes of gas by way of Trinidad and Tobago within a relatively short timeframe if U.S. sanctions on Venezuela are relaxed, according to IPD Latin America's David Voght, managing director. "Our assessment is that within three years, Venezuela could be producing enough to supply Trinidad's Atlantic LNG Train 1, at about 3.3 tonnes per year," Voght said during a webinar hosted by Florida International University's Institute for Public Policy. Train 1 has been sitting idle since 2020 amid declining production in Trinidad, a major LNG supplier.

Thailand extends life of coal power plants to avoid expensive LNG

(Reuters; Oct. 26) - Thailand expects to burn coal for power for longer after it extended the lifespans of some plants to cope with record high natural gas prices, the assistant secretary general of its Energy Regulatory Commission said on Oct. 26. The country has intensified its search for alternative energy sources, ranging from coal to renewables, to cut liquefied natural gas imports amid a surge in prices of the fuel, Prasit Siritiprussamee said on the sidelines of Singapore International Energy Week.

"The price of LNG is increasing rapidly and we are trying to cope with this by finding (other) options," he said. Global gas prices rose to records this year as a result of Russia's gas supply cuts to Europe amid the Ukraine conflict. The price volatility coincided with a rebound in Thailand's electricity demand which hit a new peak in April as industries ramped up post-COVID, hitting consumers hard.

Thailand, a net oil and gas importer and Southeast Asia's No. 2 economy, last year relied on imports for nearly 75% of its electricity, crude oil, coal and natural gas needs. Natural gas generates 55% of Thailand's electricity and of the gas consumed, about 30% comes in as LNG, Prasit said. Among the measures to reduce its gas use, Thailand is extending the lifespan of some of its coal-fired power plants for one or two years, shelving earlier plans to retire the units, Prasit said.

Shortage in Northeast pushes some wholesalers to ration fuel oil

(Boston Herald; Oct. 23) - The Northeast is so short on heating oil that the fuel used to power home furnaces is being rationed even before the start of winter. Some wholesalers in Connecticut are putting retailers on allocation, meaning they can only get a limited amount of fuel based on availability, according to Chris Herb, president of the Connecticut Energy Marketers Association, which represents around 600 family-owned retailers in the state. These retailers must in turn ration their customers.

The measure, designed to prevent panic buying, highlights the extreme fuel tightness across New England and New York. In New England, where more people use heating oil to warm their homes than anywhere else in the country, stockpiles are a third of typical levels for this time of year, government data show. A main hurdle to replenishing regional fuel supplies has been a steep, sustained backwardation in the diesel market.

Backwardation happens when prompt deliveries are priced at a premium over deliveries in the future, which in effect causes product to lose value over time. “There’s just no incentive to store large amount of product,” said Michael Ferrante, president of the Massachusetts Energy Marketers Association. In addition to the scarcity, there’s also the cost. Wholesale heating oil in New York Harbor averaged $4.09 a gallon on Oct. 20. Consumers will pay well over that figure after markups by the wholesaler and retailer.

[Botswana wants to build plant to make synthetic fuels from coal]

(Bloomberg; Oct. 25) - Botswana is seeking to secure funding partners for a $2.5 billion plant to produce synthetic fuels from coal, a plan rekindled by the energy crisis playing out in Europe, according to its energy minister. The southern African nation has for nearly a decade discussed tapping its extensive coal resources to produce fuels to displace costly imports. That would follow the example of neighboring South Africa, which developed coal-to-liquids technology through Sasol. Botswana government efforts to realize the project have accelerated since Russia's invasion of Ukraine.

"Look at Europe, who are sending vessels coming down to Africa to get coal," Minerals and Energy Minister Lefoko Moagi said in an interview, adding that a quick transition away from fossil fuels isn't practical. "There's no moving away just like that," he said. "People have to live." Botswana's view echoes a common argument in Africa against foreign financiers who shun funding for its projects that involve fossil fuels even though the continent is only responsible for about 3% of global greenhouse gas emissions.

"You have to balance between cleaner technologies, between ensuring that the carbon emissions are reduced but it can't just be a clean sweep," Moagi said. Botswana, a largely arid country, plans to increase its energy mix to almost 40% renewables by 2036. Government first planned to own the synthetic fuels plant entirely, but decided to take on private partners after the project was prioritized in order to grow the economy.

[U.K. pilot project will inject hydrogen into gas-fired power plant]

(CNBC; Oct. 26) - Hydrogen will be injected into a gas-fired, grid-connected power station in the U.K. during a trial project set to last 12 months, in the latest example of how major companies are looking to integrate the fuel into their operations and existing infrastructure. In a statement earlier this week, London-listed Centrica said the hydrogen would be injected by Centrica Business Solutions into a gas-peaking plant in Lincolnshire, in eastern England.

Centrica said the 49-megawatt facility had been "designed to meet demand during peak times or when generation from renewables is low, typically operating for less than three hours a day." The statement added, "Mixing hydrogen in with natural gas reduces the overall carbon intensity." Some of the funding for the project is coming from the Net-Zero Technology Centre, which was established in 2017 with backing from the U.K. and Scottish governments.

The trial will also involve a firm called HiiROC, which specializes in the conversion of hydrocarbons into hydrogen and what it calls a solid-carbon byproduct with industrial uses. "It's anticipated that during the trial, getting underway in Q3 2023, no more than 3% of the gas mix could be hydrogen, increasing to 20% incrementally," Centrica said.

“Longer term, the vision is to move toward 100% hydrogen and to deploy similar technology across all gas-fired peaking plant[s].”