Oil and Gas News Briefs
Compiled by Larry Persily
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Chinese buyer close to 30-year LNG deal with Qatar

(Reuters; Feb. 13) - China National Petroleum Corp. is close to finalizing a deal to buy liquefied natural gas from QatarEnergy over nearly 30 years, taking supply from the Middle Eastern exporter's massive North Field expansion project, three people with knowledge of the matter said. If sealed, this would be the second such deal between major LNG exporter Qatar and the world's No. 2 LNG buyer, as Beijing looks to beef up gas supply and diversify its sources in a drive to replace coal and cut carbon emissions.

CNPC's talks follow a deal announced last November by China's Sinopec, in which QatarEnergy agreed to supply 4 million tonnes of LNG a year for 27 years, the longest-duration LNG supply contract ever signed by Qatar. "CNPC has agreed on the major terms with Qatar in a deal that will be very similar to Sinopec's," said a Beijing-based state official who declined to be named as he is not authorized to speak to the media.

As Beijing's ties with the U.S. and Australia, Qatar's two biggest LNG export rivals, are strained, Chinese national energy firms increasingly see Qatar as a safer target for resource investment. Sinopec and CNPC would not opt for such long-duration supply contracts unless they were also hoping to acquire small stakes in Qatar's North Field expansion, a second Beijing-based state gas official said. QatarEnergy has maintained a 75% stake overall in the North Field expansion, which will cost at least $30 billion.

QatarEnergy last year signed five deals with international majors for the North Field project, a two-phase expansion plan that will boost Qatar's liquefaction capacity to 126 million tonnes per year by 2027 from 77 million tonnes. Each of the five majors — TotalEnergies, ExxonMobil, ConocoPhillips, ENI and Shell — signed a joint-venture agreement with QatarEnergy that includes an equity investment in the project.

More investment decisions expected this year on U.S. LNG projects

(Natural Gas Intelligence; Feb. 10) - Multiple U.S. LNG export projects could reach a final investment decision this year after a record stretch of new supply contracts in 2022 which accelerated after war broke out in Ukraine. In the year since Russia's invasion, U.S. liquefied natural gas projects have signed over 30 sale and purchase agreements with buyers looking to shield themselves from a volatile spot market. Last year was the busiest for U.S. contracting since exports started from the Lower 48.

"The contracting activity that's going on sure suggests that there is momentum toward FIDs for projects this year," said Charlie Riedl, executive director of the Center for LNG, a Washington-based trade group. More than a dozen projects have been approved by federal regulators but are not under construction. About half of them along the U.S. Gulf Coast are near securing the offtake they need to reach final investment decision.

They include Energy Transfer's Lake Charles LNG, Venture Global LNG's CP2 project, the first phase of Sempra's Port Arthur LNG, NextDecade's Rio Grande LNG, and the Commonwealth and Delfin LNG projects. The six projects, along with Cheniere Energy's expansion at Corpus Christi LNG in Texas and Venture Global's Plaquemines LNG in Louisiana, both of which are under construction, agreed to deals last year to supply a combined 6.55 billion cubic feet of gas per day to international buyers.

Poten's Jason Feer, global head of business intelligence, told NGI that he expects up to three U.S. LNG projects to be sanctioned in 2023 alone. It takes three to five years to build large LNG facilities. Feer added that U.S. developers need to move quickly to secure more contracts with European offtakers. Qatar is planning to increase its LNG output by over 60% by 2027, the bulk of that supply has not been contracted yet.

Federal review pinpoints cause of explosion at Texas LNG plant

(Bloomberg; Feb. 11) - The blast at a massive Texas gas export plant last June was caused by inadvertently removed overpressure protection and closed valves, federal regulators said Feb. 11 in its first in-depth public review of the incident. The regulators revealed never-before-seen photos from the Freeport LNG explosion that included a large fireball, mangled equipment and a piece of pipe thrown hundreds of feet away. They added that another projectile severed equipment that impacted local water supply.

Two days before the explosion, a plant operator submitted a report noting something was wrong, with a pipe having been out of place. But no senior Freeport LNG employees followed up or looked into the matter, regulators said. "There were a lot of things Freeport LNG weren't doing that similar facilities do," said Bryan Lethcoe, a director in the office of pipeline safety within the U.S. Department of Transportation. "I do think it's a fair statement to say that up to now, they've had some systemic issues."

Regulators didn't disclose when the plant, which was shuttered after the explosion, will resume operations. There are still portions of the site that need to be repaired, Lethcoe said, adding that Freeport LNG is waiting on equipment to arrive from the manufacturer to make some repairs. The domestic gas and global LNG markets have been awaiting the restart of the plant. Output could resume in March, according to BNEF estimates.

U.S. LNG developer trying to sign up Indian companies as partners

(S&P Global; Feb. 9) – U.S. LNG developer Tellurian is in talks with several Indian companies to draw them in as equity partners for its proposed Driftwood LNG project in Louisiana, with the company aiming to finalize such collaborations by year-end, CEO Ocatvio Simoes told S&P Global Commodity Insights in an interview. "We're having different conversations and they're going very well," Simoes said on the sidelines of India Energy Week held in Bengaluru over Feb. 6-8.

Tellurian has been trying to garner commercial support and financing for Driftwood LNG. Some construction has started, though the developer will need billions of dollars to build the facilities and export terminal. Sales agreements with TotalEnergies, Shell and Vitol were previously terminated. The lone remaining commercial agreement still in place is with commodity trader Gunvor. Under that agreement, Tellurian has until Feb. 28 to satisfy conditions that include commercially sanctioning the initial phase of the project.

The challenge for India, however, is that it is very price sensitive to energy supplies, Simoes said. "When you tie in the gas supply to world LNG prices, you are exposed to that volatility, which creates significant issues because the way India balances that out is by government intervention through subsidies," he said. "However, subsidies are not sustainable as they come from taxes. The advantage Tellurian has … is that if they become equity partners in Driftwood, they can lift LNG at the cost of producing LNG."

TotalEnergies says LNG will be ‘pillar’ of company’s growth

(Natural Gas Intelligence; Feb. 8) - French supermajor TotalEnergies indicated Feb. 8 that it would double-down on its LNG business, which CEO Patrick Pouyanné said would be a “pillar” of the company’s growth in the years ahead, along with its power generation operations. The two businesses, which have operated within the same segment for years, have been so instrumental to the company’s balance sheet that TotalEnergies will begin reporting separate results for each starting with this year.

Pouyanné told investors that 2022 was “a year of LNG,” when buyers in Europe scrambled to replace Russian imports and prices skyrocketed. The company holds the most import capacity in Europe, with access to 20 million tonnes of regasification capacity, roughly 15% of all capacity on the continent. That helped push its overall LNG sales up by 15% year on year in 2022 to 48.1 million tonnes, equal to 10% of the fuel traded globally last year, the company reported during its fourth-quarter earnings call.

“Tensions on European gas prices seen in 2022 are expected to continue into 2023, as the limited growth in global LNG production is supposed to meet both higher European LNG demand to replace Russian gas received in 2022 and higher Chinese LNG demand,” the company said. TotalEnergies is ready to participate in new LNG projects in both the United States and Africa, Pouyanné said. TotalEnergies was an early mover on securing capacity at U.S. LNG projects and is one of the largest U.S. exporters.

[Total says cost escalation could play role in Mozambique LNG]

(Energy Intelligence; Feb. 8) - TotalEnergies is in no hurry to lift the force majeure on its $20 billion Mozambique LNG project and will wait to see the results of an independent report on human rights and security in the northeastern region of Cabo Delgado at the end of this month before making any decision, CEO Patrick Pouyanne told analysts on a conference call Feb. 8. But a relatively new theme also emerged on the call as Pouyanne added that cost would also play a role in the decision to restart construction.

Work on the export project, planned for 13 million tonnes annual capacity, was halted in 2021, following a series of militant attacks near the project site in the Afungi Peninsula. After a one-day visit to the area on Feb. 3, Pouyanne said he felt “positive” about the project and saw clear signs of an improvement in the overall security situation. “But it’s one step,” he said, stressing the need to review a report which will recommend any remedial steps Total and its partners should take regarding security and human rights.

At the same time, Total would need to resume a dialogue with the contractors working on the project — McDermott, Saipem and Chiyoda — to gauge whether costs have risen during the hiatus of nearly two years. This would take more time and require a separate report. “We will ask them to re-engage, but there’s no hurry. … I can wait, if costs go up, we can leave it.” Under the initial schedule, Mozambique LNG was due to come on stream in 2024, but this has slipped at least two years. The project financing is underpinned by long-term LNG offtake deals with buyers in Asia and Europe.

[Ban on gas stoves started in Berkeley 4 years ago]

(Los Angeles Times; Feb. 9) - It all started in Berkeley, California. In July 2019, elected officials in the Bay Area city, a national leader in progressive politics and environmental protection, voted to ban gas hookups in most new homes. That meant no gas furnaces, boilers or water heaters — and no gas stoves. Berkeley was the first U.S. city to approve a gas ban. Since then, Los Angeles and more than 70 other California cities and counties have followed its lead, either requiring or encouraging new homes to be all-electric. New York and Seattle have done the same.

Their goal is to fight climate change by limiting the planet-warming carbon dioxide emitted when natural gas is burned for heating and cooking — and to protect families from the lung-damaging pollution that can be spewed by gas stoves. So the war on natural gas is nothing new. But it was only last month — when a Biden administration appointee told a reporter his agency might consider banning gas stoves across the county — that the story captured the national consciousness.

Rep. Ronny Jackson’s response typified the outrage from conservatives, with the Texas Republican tweeting, “If the maniacs in the White House come for my stove, they can pry it from my cold dead hands.” Sen. Joe Manchin III, the West Virginia Democrat, joined with Texas Republican Sen. Ted Cruz to propose a bill that would block the federal government from banning gas stoves — never mind that the Biden administration quickly denied any plans for such a ban.

Japan's INPEX plans to boost production at Ichthys LNG project

(S&P Global; Feb. 9) - The INPEX-operated Ichthys LNG project in Australia is expected to ship a record 132 cargoes in 2023, up 18% from 112 cargoes a year ago, a company spokesperson said Feb. 9, as it starts working on debottlenecking the offshore facility to increase production. The boost comes as the project aims to build a framework capable of a stable supply of 9.3 million tonnes per year of LNG in 2023 from upgrading cooling systems for liquefication and taking measures against vibration, the spokesperson said.

The increase in LNG production would be a year sooner than originally planned. INPEX also plans to maintain its shipments of condensate and LPG from the project at a combined total of about 50 cargoes this year. INPEX, Japan's largest upstream company, plans to raise its capital expenditure for oil and gas developments by 25% year on year to 349 billion yen ($2.66 billion) in 2023 due mainly to its activities at Ichthys and other projects in Oceania, the spokesperson said.

The company also plans to more than double its capex for exploration to 71 billion yen in 2023 from 30.4 billion in 2022, due mainly to exploration of blocks surrounding Ichthys, the spokesperson added. The Ichthys project involves piping gas from the offshore field in the Browse Basin off northwestern Australia more than 550 miles to the onshore LNG plant near Darwin.

China starting to look for more LNG for 2023-2024

(Bloomberg; Feb. 9) - China is looking for shipments of liquefied natural gas into next summer, a move which could tighten global supply and steal shipments away from Europe. State-owned China National Offshore Oil Corp. is looking to purchase LNG from June 2023 to June 2024, according to traders with knowledge of the matter. CNOOC didn't specify how many shipments it is seeking to buy. CNOOC's move comes as China's pivot away from its zero-COVID policy is poised to boost natural gas demand in the world's biggest importer. Traders are anticipating LNG purchases to increase.

China's potential return to the market could curb the availability of the fuel for Europe, where supplies are expected to remain tight next winter. China's LNG imports slumped roughly 20% last year due to virus restrictions and high prices, freeing volume for other markets. CNOOC released a similar tender in December, resulting in the purchase of a handful of cargoes for 2023 delivery. While they were only a fraction of the country's total fuel demand, it was still one of China's largest spot purchases in the past year.

[Rural areas in China cope with winter gas shortages]

(S&P Global; Feb. 10) – Winter natural gas shortages in rural areas of China's northern Hebei province point to the need for more progress in the country's gas market reforms, but also signal how companies dealt with high international LNG spot prices — which suggests more reliance on long-term contracts in the future. The shortages prompted angry reactions from residents and forced the local government to intervene to manage supply, according to state media, provincial news agencies and other local publications.

Hebei's gas shortages were reported shortly after the start of the 2022-2023 heating season, which typically runs mid-November to mid-March, and continued until at least early January, according to multiple reports published in recent weeks. Households in several villages and counties complained of restrictions on gas purchases or interruptions to gas supply, which is the key fuel source for winter heating and cooking.

Local authorities blamed companies like China Gas Holding, one of the country's largest energy suppliers, for not signing sufficient contracts with gas suppliers. Other city gas companies including state-owned and private companies were also facing losses on the sale of residential gas, which is regulated by the government at prices below the cost of costly imports, resulting in economic damage to the distributors. Many of China's newly signed 2022 liquefied natural gas import contracts will start delivery after 2025, which leaves these companies exposed to further near-term disruptions until then.

[Canada extends deadline for decision on New Brunswick LNG project]

(Global News; Feb. 9) - Hopes to export liquefied natural gas out of Saint John, in New Brunswick, Canada, remain alive after the Canada Energy Regulator approved a six-year extension for the Saint John LNG license. First issued in 2016, it stipulated the license would expire after 10 years unless gas exports had started. The new license deadline is 2032. The terminal is owned by the Spanish energy company Repsol.

A push for Canada to become a global energy provider has grown over the past year following Russia's war on Ukraine, which left European countries looking for new gas supplies. Warren Mabee, director of the Institute for Energy and Environmental Policy at Queen's University, said overall demand will dictate whether projects like Saint John LNG come to fruition. “The only way to proceed is to proceed with caution and to remember that the blessing of the regulator is one thing,” he said in an interview Feb. 8.

“The other pressures that are on these developments, I mean the lack of pipeline capacity (into New Brunswick), they're not going to be easy to overcome,” Mabee said. An additional hurdle for project proponents is the pushback that's been expressed by environmental advocacy groups. The Fundy Baykeeper with the Conservation Council of New Brunswick said the license extension was disappointing but not a surprise. “The solution to the energy crisis in Europe and elsewhere is not more fossil fuels. It's improved electricity networks, more renewables," Matthew Abbott said.

Russia says it will cut oil production 5% next month

(Wall Street Journal; Feb. 10) - Russia said it plans to cut its oil production by about 5% next month, or 500,000 barrels a day, making good on a threat to respond to recent oil-market sanctions by cutting back supply. The move sent prices higher by about $1.50 per barrel the morning of the announcement Feb. 10, but some analysts saw the cuts as less saber-rattling and more an acknowledgment by Moscow that recent Western-crafted restrictions on the sale of Russian crude are making it harder to peddle its oil.

Last year, Russia throttled back and then halted most exports of natural gas to Europe in response to sanctions imposed on Moscow after it invaded Ukraine. But Europe has largely navigated that cutoff by importing large amounts of gas from elsewhere and pushing conservation efforts. The continent is widely expected to make it through the winter without shortages, and prices have fallen sharply from last year. That resilience has weakened the punch of Moscow's frequent threats to hold back crude supplies.

The lower oil production could lift Moscow's pricing power over some buyers. But amid uncertain economic outlooks in many big oil-consuming economies, like the U.S. and Europe, Russia's leverage to move global markets by itself is limited. Unless prices move significantly higher, any cut in production will translate into a fall in revenue at the same time that Moscow faces the rising cost of its war in Ukraine and other economic pressures. Russia's oil and gas revenue nearly halved in January from the same month last year, according to data from the Russian Ministry of Finance published Feb. 6.

OPEC sources say $100 oil possible, depending on China demand

(Reuters; Feb. 10) - Oil may resume its rally in 2023 as Chinese demand recovers after COVID curbs were scrapped and lack of investment limits supply growth, OPEC country officials told Reuters, with a growing number seeing a possible return to $100 a barrel. Oil soared in 2022 above $100 for the first time since 2014 as demand recovered from COVID-19 lockdowns in much of the world and Russia's war on Ukraine stoked supply concerns. But Brent crude ended the year close to $86 on fears of a global recession.

A move back above $100 for a prolonged period would earn more revenue for OPEC members, whose economies mostly depend on oil income, and would be a setback for industrialized economies trying to control inflation and interest rates. In rare public comments on Feb. 8, Iran's national representative to OPEC, Afshin Javan, said oil may rebound to around $100 in the second half of the year, adding that OPEC+ was likely to keep its current output policy at its next meeting. Reuters spoke privately to five more

OPEC country officials about the prospect of $100 oil. Of these, three saw oil as more likely to rally in 2023 than decline, with two predicting prices heading back to $100.

"Everything will depend on the economy. If there is improvement in China … we will maybe arrive back to $100," one OPEC source said. A price between $85 and $100 is "good for everybody," he added. "There are still uncertainties about economic growth, inflation and China's reopening," said a second source who sees lower prices this year.

Traders can make big profits bringing Russian crude to India

(Bloomberg; Feb. 11) - There are fortunes to be made delivering Russian crude oil to India. Price assessments by Platts, a unit of S&P Global, show a margin of more than $20 between a barrel of Russia's Urals crude lifted in the Baltic region and the same oil delivered to the west coast of India. On a flow that's now running at about 1.5 million barrels a day, that works out to $1 billion a month.

The European Union banned imports of Russian crude in December, putting the country at the mercy of two big buyers: China and India. Numerous new trading firms with ties to Moscow emerged — especially in Dubai. Urals cargoes in the Baltic have been trading about $40 a barrel below Dated Brent, an important benchmark for physical oil trades, while cargoes delivered on the west coast of India have been discounted by a much smaller $20 a barrel on average since mid-January. Some of the difference will go to pay for the tankers that make the two-month round trip. The export price is also more immediate than the delivered one. In theory, though, the gap implies big trading profits.

Environmental group sues Shell board of directors

(Bloomberg; Feb. 8) - Shell faces a new front in climate litigation as lawyers, supported by a group of shareholders, sue the oil giant's board of directors in the U.K. Two years after a Dutch court ordered Shell to slash its emissions, ClientEarth is filing the first lawsuit of its kind anywhere in the world against 11 members of Shell's board, accusing them of failing to manage the company's climate risks.

The environmental law firm is bringing the suit under the U.K.'s Company Act against Shell's board at London's High Court, arguing that their failure to approve an energy transition strategy that aligns with the Paris Agreement amounts to a breach of the directors' legal duties. "The board is persisting with a transition strategy that is fundamentally flawed, leaving the company seriously exposed to the risks that climate change poses to Shell's future success, despite the board's legal duty to manage those risks," said Paul Benson, a senior lawyer at ClientEarth.

“We do not accept ClientEarth’s allegations,” a Shell spokesperson said. “Our directors have complied with their legal duties and have, at all times, acted in the best interests of the company.” Trying to hold board members legally accountable for their companies’ contributions to climate change marks a fresh strategy as lawyers and campaigners increasingly turn to the courts to pin some of the blame for the climate crisis on Big Oil.

TC Energy says faulty weld to blame for Keystone oil spill

(Associated Press; Feb. 9) - A faulty weld at a bend in an oil pipeline contributed to a spill that dumped nearly 13,000 bathtubs’ worth of crude oil into a northeastern Kansas creek, the pipeline’s operator said Feb. 9, estimating the cost of cleaning it up at $480 million. Canadian-based TC Energy said the flawed weld caused a crack that then grew over time because of the stress on the bend in its Keystone pipeline in rural pastureland in Washington County, about 150 miles northwest of Kansas City.

The company said the weld was for a fitting that connected two sections of pipe, and the fitting and weld came from a manufacturing plant. TC Energy, which is responsible for overseeing inspections of its pipeline system, said it still is investigating the cause of the pipeline stress and is analyzing “other areas with potentially similar conditions.” The Dec. 7 rupture spilled nearly 13,000 barrels of crude oil.

With federal regulators’ permission, the company reopened the affected segment a little more than three weeks after the spill, though at a lower pressure than before. But Bill Caram, executive director of the advocacy group Pipeline Safety Trust, said it’s “troubling” that TC Energy said the flawed weld came from a “fabrication facility.” He said conditions there should have been ideal for making a weld that would not fail — as opposed to welding in the field. “It begs the question of how many other bad welds are on the Keystone pipeline from this same fabrication facility,” Caram said.

Australia nominates land near gas plants for World Heritage status

(Bloomberg; Feb. 9) - Australia formally nominated for World Heritage status a broad swathe of land that’s home to more than one million ancient Aboriginal rock carvings, elevating Indigenous rights in a region at risk from an expanding gas industry. The Murujuga Cultural Landscape, which has the densest known concentration of hunter-gatherer petroglyphs anywhere in the world, is nestled near giant gas and fertilizer plants on Western Australia’s Burrup Peninsula. The industrial activity for years has stoked concerns that pollution is damaging the sacred art.

The government is proposing a boundary of nearly 247,000 acres of land and sea. If the bid to UNESCO is successful, the nomination will put Murujuga on par with the Great Barrier Reef in being recognized as culturally significant. “Murujuga is a natural wonder of the world," Tanya Plibersek, federal minister for the environment and water, said Feb. 10. "Our government is strongly committed to working with traditional owners and custodians to properly protect the history of the oldest living civilization in the world."

Still, World Heritage status won't do much in practice to fortify protection against the threat from massive gas operations, according to Samantha Hepburn, a professor of energy, climate and environment law at Deakin University. It is unlikely to hamper current industrial activity if approvals for development have already been awarded before the listing, she said. "If you've already approved it, then that's just the way things work," Hepburn said. "This is, of course, the problem with the legislative framework."