Oil and Gas News Briefs
Compiled by Larry Persily
March 2, 2023

Japanese prime minister and public opinion returning to nuclear

(Bloomberg; Feb. 27) - Twelve years after one of the worst nuclear disasters in history shook Japan and turned the public against atomic power, a global energy crisis is encouraging the country to switch its reactors back on. Faced with rising heating bills this winter after a sweltering summer spent worrying about blackouts, more people are now reappraising the benefits of cheaper and more stable energy. Even some of those living near nuclear plants are looking beyond their fears of another radioactive disaster.

"The rising power bills are really painful. I've never seen anything like it," said Tsutomu Hirayama, a 56-year-old hotel owner in Tomioka, a coastal town near Tokyo Electric's decommissioned Fukushima Daiichi nuclear plant. "Given the current economic downturn, rising prices and surge in fuel costs, I wonder if there's any choice but to use nuclear power in order to survive," Hirayama said. Prime Minister Fumio Kishida is one of several world leaders aiming to ramp up the use of nuclear power, with plans to restart more reactors that have been standing idle since the 2011 Fukushima crisis.

Most of Japan's plants are still not in use, as governments avoided pushing for quick restarts amid strong public opposition. Such resistance, however, is waning. An Asahi Shimbun survey this month showed 51% supported the restart of reactors compared with 42% against, outweighing opponents for the first time since the national daily began polling after the disaster. With a large number still anti-nuclear, the issue is far from settled. Before it can restart all 33 commercially available reactors, the government faces multiple more regulatory reviews and consensus building at the local level.

In addition to restarts, the prime minister is calling for the building of next-generation reactors and extending the lifespan of older ones. He has positioned nuclear revival as part of his "green transformation" platform for more sustainable growth.

China approved more coal power in 2022; most since 2015

(Bloomberg; Feb. 26) – China in 2022 massively accelerated its plans to build more coal power plants, quadrupling the number of permits and approving new capacity equivalent to all the U.K.'s plants combined. Local governments permitted 106 gigawatts of new plants, the most since 2015, according to a report from the Centre for Research on Energy and Clean Air and Global Energy Monitor. Construction has started on 50 gigawatts, six times more than in the rest of the world combined, the researchers said.

“China continues to be the glaring exception to the ongoing global decline in coal plant development,” said Flora Champenois, an analyst at Global Energy Monitor. “The speed at which projects progressed through permitting to construction in 2022 was extraordinary, with many projects sprouting up, gaining permits, obtaining financing and breaking ground apparently in a matter of months.”

The surge in approvals follows severe power shortages last summer, when an epic drought dried up hydropower reservoirs while boosting air conditioning demand. Responding with new coal plants is a “suboptimal solution,” the researchers said, as the money would be better spent on energy storage, grid upgrades and energy efficiency. But just because new power plants are being built, it doesn’t mean they will be used. China leads the world in clean energy investments, and once solar panels and wind turbines are operational there is no cost for fuel. If those installations can meet China’s energy demand, less coal will be needed and the new plants will be underutilized.

Acting FERC chair moves to speed up gas project reviews

(Houston Chronicle; March 1) - Two months after President Joe Biden tapped Willie Phillips to lead the Federal Energy Regulatory Commission, the independent commission is moving toward a faster review process for natural gas pipelines and LNG export terminals. Rising concern among Democrats about climate change had thrown those reviews into increasing uncertainty in recent years, holding up approvals and in some cases causing pipeline companies to abandon projects altogether.

But a series of recent decisions by Phillips, the commission's acting chairman, to allow gas projects to move ahead with less rigorous environmental reviews than required by his predecessor, could mean an end to a backlog of pipeline and LNG projects. Tensions flared last year when the Democrat majority on the commission, led by Chairman Richard Glick, ordered developers to calculate greenhouse gas emissions from their projects, including those that were already under review.

After opposition from Democrats and Republicans alike, Glick withdrew the new regulation. But tension persisted, and Sen. Joe Manchin, the chairman of the Senate Energy and Natural Resources Committee, refused to allow a second-term confirmation hearing for Glick, who stepped down after his term expired in January. Phillips is already facing pushback over his approach to FERC reviews from environmentalists who argue that construction of LNG terminals is likely to increase greenhouse gas emissions from natural gas at a time scientists say the planet needs to begin reducing emissions.

Saudi Aramco considers buying stake in an LNG project

(Bloomberg; March 1) - Saudi Arabia's Aramco is considering an investment in a liquefied natural gas facility outside the kingdom, as global demand for the fuel soars following Russia's invasion of Ukraine. The state energy company is in early discussions with LNG plant developers to procure a stake and secure supplies through an off-take agreement, according to people with knowledge of the matter.

LNG demand is set to surge in the coming years as Europe rushes to replace piped gas from Russia and with nations such as China and India expected to increase imports. The value of global LNG trade doubled last year to more than $450 billion, according to the International Energy Agency. Aramco is looking at projects in the U.S. and Asia, one of the people said. Its preference would be for a facility that can easily ship the fuel to Asia, the world's biggest market, another person said. The company declined comment.

Taking a stake in an LNG plant and a supply deal would help Aramco with its aim of diversifying beyond oil and gas production into the world of energy trading. More investment in liquefaction projects is needed to avoid a widening LNG supply gap later this decade, Shell said in a report last month. Aramco previously considered venturing into LNG in 2019, and looked at buying 25% of Sempra Energy's Port Arthur facility in Texas. But it pulled back as the pandemic weighed on energy demand and hammered its finances. A non-binding 20-year agreement for LNG from Port Arthur expired in 2021.

China's demand 'big unknown' in this year's LNG market

(Bloomberg; Feb. 28) - Europe's natural gas supplies could be hit harder by a bigger-than-expected jump in Chinese demand this year than from a complete halt in Russian flows, according to the International Energy Agency. While Chinese demand is the "big unknown," a bullish scenario could see the country's liquefied natural gas imports surge as much as 35% in 2023 if costs fall further and its economy expands quickly, the IEA said in a quarterly report. That would boost global competition for the fuel and may push prices back up to the "unsustainable" levels seen last summer, it said.

China has reversed strict COVID restrictions that curbed its energy demand last year and helped Europe to import record amounts of LNG from around the world. Together with energy-saving measures and a mild winter, the LNG allowed Europe to survive the winter with much lower Russian flows and pushed gas prices down more than 80% from record highs. Faster economic growth in China this year should lift its fuel needs, but the question is whether that will raise gas purchases to the heights of previous years.

Reflecting the uncertainty over China's demand, the IEA said there's a difference of 1.4 trillion cubic feet between the lowest and highest estimates of the nation's net LNG imports this year — the equivalent of more than an LNG carrier every day. The top end of the range would see China's imports surge well above the previous peak demand in 2021, the agency said. Spot-market LNG cargoes amid tight supplies spiked to a record of $70 per million Btu last August.

Sempra expects decision on new Texas LNG project in March

(Reuters; Feb. 28) - U.S. energy company Sempra Energy said on Feb. 28 that its Sempra Infrastructure unit was on track to make a final investment decision by the end of March to build the Port Arthur liquefied natural gas export plant in Texas. The company said in its fourth-quarter earnings that the first phase of Port Arthur was now fully subscribed with 10.5 million tonnes per year of long-term contracts. Buyers include units of Poland's Polski Koncern Naftowy Orlen, ConocoPhillips and Germany's RWE.

Sempra has a $10.5 billion engineering, procurement and construction contract with U.S. contractor Bechtel to build the plant. Sempra is not the only developer expected to start construction on new U.S. LNG export plants this year. Other projects include Energy Transfer's Lake Charles in Louisiana and NextDecade's Rio Grande in Texas. Sempra also said the second phase of its Cameron LNG project in Louisiana "remains on track for completion of the competitive front-end engineering design in the summer." Cameron came online in 2019; the first-phase capacity is 15 million tonnes per year.

In addition, Sempra noted its Vista Pacifico and the second phase of its Costa Azul LNG projects in Mexico both received approvals from the U.S. Department of Energy in December to export U.S.-sourced gas as LNG from Mexico. The first phase of Costa Azul, at 3 million tonnes per year, is expected to start production in 2025.

LNG hopeful in Louisiana may lose another customer

(Reuters; Feb. 28) - Tellurian is facing a new setback in its long-running effort to build a $12.5 billion liquefied natural gas project in Louisiana. Commodities trader Gunvor can walk away from a 10-year, $12 billion commitment to buy LNG if the Driftwood project lacks project financing, an investment go-ahead and construction authorization by Feb. 28. Though several U.S. projects have succeeded in signing up buyers in the past year, Tellurian has not. But a Gunvor exit, the project's third in six months, may not be fatal.

Tellurian has changed its mind on selling equity in the plant to customers and has missed several go-ahead targets while chasing investors, said analysts. The Gunvor timetable is unlikely to be met, said Alex Munton, gas and LNG director at consultants Rapidan Energy Group. Tellurian needs one or more equity investors to win customers and secure project financing, he said. "Banks are telling Tellurian we want to see a lot of equity put in" by investment-grade partners that can help shoulder the plant's costs.

A Gunvor departure would follow exits by commodity trader Vitol and Shell. But Indian gas distributor GAIL (India) this month proposed buying an up to 26% stake in a U.S. LNG project, offering a ray of hope for Tellurian. GAIL has asked for proposals. But the tender could be a negotiating tactic as GAIL looks to pit U.S. LNG suppliers against Qatari and Russian suppliers, said Rapidan's Munton. Driftwood LNG needs to raise

$1.5 billion in mezzanine financing, $7 billion in project debt, and about $3.2 billion in equity, Tellurian co-founder Charif Souki said in a Feb. 14 broadcast.

Opponents ask rejection of proposed deepwater Louisiana LNG port

(The Advocate; Baton Rouge, LA; Feb. 27) - Nearly two dozen environmental and grassroots groups are calling on the Biden administration to deny a federal license for a proposed offshore liquefied natural gas port near Plaquemines Parish, Louisiana, which has languished in multiple development stages for years. The coalition sent a letter to the U.S. Department of Transportation and its Maritime Administration, or MARAD, asking for West Delta LNG's deepwater port license to be rejected.

The letter contends that LNG 21, the Houston firm behind the project, has failed to meet several deadlines to submit additional information to MARAD and the Coast Guard about the project's technical specifics. Federal regulatory agencies routinely ask permit applicants for more information to complete environmental reviews before approving projects. If built, West Delta LNG would produce roughly 6 million tonnes per year of LNG. It would be located about 12 miles from the Plaquemines Parish coast.

According to the letter and documents filed with MARAD, LNG 21 first applied for the deepwater port license in August 2019. Since then, MARAD and the Coast Guard have given the firm multiple extensions to submit an amended license application. The coalition letter calls for regulators to stop granting extensions and deny the deepwater license. In announcing their letter, the environmental groups bemoaned the port's potential to emit more than 1 million tons of greenhouse gases annually.

Developer plans investment decision this year on LNG project in B.C.

(Natural Gas Intelligence; Feb. 28) - Pembina Pipeline is aiming to sanction the Cedar LNG export project proposed for Kitimat, British Columbia, by the third quarter of this year, according to management. Calgary-based Pembina, a natural gas and liquids midstream player with assets mainly in Western Canada, is developing the 3 million-tonnes-per-year liquefied natural gas project in partnership with the Haisla First Nation.

The company expects a decision by the end of March from the provincial ministers of environment and energy and mines on the project's environmental assessment. "We have heard from the BC government that the issuance of the environmental assessment approval is going to be delayed, but we're very optimistic that it will be approved," Pembina's Janet Loduca, senior vice president for external affairs, told analysts during the fourth-quarter 2022 earnings call on Feb. 24.

The barge-mounted liquefaction plant would be anchored not far from the dock under construction for the LNG Canada project, a C$40 billion development led by Shell at more than four times the capacity of Pembina's Cedar LNG. Shell's project is expected to start operations by 2026. Both LNG export projects would rely on gas from the large reserves in Western Canada. Pembina also tried to develop a $10 billion LNG export project on the Oregon coast, but abandoned the venture in 2021 after years of permitting and legal delays and strong public opposition.

Developer expects first LNG in 4 months from Mexico project

(Natural Gas Intelligence; Feb. 28) - New Fortress Energy is expecting to achieve first production from a floating liquefied natural gas production unit offshore Altamira, Mexico, in about 120 days, management said Feb. 28. Construction is about 80% complete on the first of two "Fast LNG" or floating liquefaction units to be deployed at Altamira. Each would boast a liquefaction capacity of 1.4 million tonnes per The units are under construction at the Kiewit Offshore Services yard in Corpus Christi, Texas.

Plans are to source natural gas from the United States using capacity on the Sur de Texas-Tuxpan pipeline commissioned by Mexican state power company Comisión Federal de Electricidad. New Fortress would then liquefy the gas for reexport to global markets. Mechanical completion of the first LNG unit is expected in the spring, after which it would set sail for Altamira in June followed by first LNG in July. Commercial in-service would follow in August. Altamira is on the Gulf of Mexico coast.

In addition to the Altamira units, New Fortress is advancing plans to install one at the Lakach offshore gas field operated by state oil company Petróleos Mexicanos (Pemex). The two companies are planning to jointly complete and bring online nine already drilled wells at the site offshore Veracruz state as part of an upstream and liquefaction project.

Contractor says it'll resume work in July at Mozambique LNG project

(Reuters; Feb. 28) - Saipem has agreed to restart a liquefied natural gas project in Mozambique for TotalEnergies in July, the chief executive of the Italian energy services group said on Feb. 28. The project, which would be the first onshore development of a LNG plant in the African country, was frozen in 2021 due to security issues. The contract has a value of 3.5 billion euros ($3.72 billion) for the Italian group.

"We expect to gradually restart the (Mozambique) project, according to the information received by our clients, starting from July this year," Saipem CEO Alessandro Puliti said during a call on the group's results for 2022. Earlier this month, TotalEnergies mandated Jean-Christophe Rufin, an expert in humanitarian action and human rights, to carry out an independent mission to assess the humanitarian situation in the province before taking a decision on a restart of construction on the $20 billion export project.

"We do not have direct visibility on the report on human rights, but we agreed with Total about restarting in July. ... This implies that our client is confident to solve potential pending issues by that date," Puliti said. On Feb. 28, Total told Reuters it would wait for a human rights assessment commissioned by Rufin before announcing any restart of the project. The French company added it did not yet have a date for when it would receive the report, after an initial estimate of end-February.

Argentina near start-up of gas line that could lead to more production

(Bloomberg; Feb. 27) - In a windswept desert southwest of Buenos Aires, black steel tubes the length of school buses extend in a line toward the horizon. The scene is the clearest sign yet that one of the world's biggest shale plays finally has a shot at living up to its promise. Workers in the geological formation known as Vaca Muerta — Spanish for Dead Cow — are building a 356-mile pipeline that will carry natural gas from remote northern Patagonia to Argentina's cities and industry centers in the east.

The project, along with the planned expansion of an oil line in the same area, will help relieve bottlenecks that have stifled production of fossil fuels the nation desperately needs to bolster its economy. While Argentina's energy industry has seen its fair share of false dawns in recent years, construction of the gas pipeline is an irrefutable step toward a much-cherished goal of cutting the country's dependency on fuel imports — and perhaps even regaining the status it held 20 years ago as a key energy exporter.

The state-owned developer plans to have the line ready by June 20, a national independence holiday. June 20 falls early in Argentina's winter, when gas demand jumps. The government, betting the line will be finished in time, has ordered just 30 liquefied natural gas cargoes for the coming months, 11 fewer than last year. Argentina's gas production reached 4.9 billion cubic feet a day last winter and the new pipeline will allow shale drillers to ramp up operations. Eventually, the logic goes, the country would export gas by pipeline to neighboring Brazil and as LNG to the rest of the world.

North African nations buy and likely re-export Russian oil products

(Wall Street Journal; Feb. 25) - With Russia cut off from the European market, North African countries have stepped forward to become voracious buyers of its diesel and other refined oil products. The rise in trade has offered a lifeline of sorts for Moscow, providing a healthy new revenue stream, but also raised concerns about whether it is undermining Western efforts to remove Russian fossil fuels from their economies.

Morocco’s imports of Russian diesel, at around 600,000 barrels for all of 2021, surged to 2 million barrels in January, with at least an additional 1.2 million barrels expected to arrive in February, according to data from Kpler. Algeria and Egypt have also seen an uptick. Tunisia, which similarly imported almost no Russian oil products in 2021, has in recent months been devouring Russian diesel, gasoil, gasoline and naphtha — which is commonly used to make chemicals and plastics. The country took 2.8 million barrels of Russian oil products in January and is expected to import 3.1 million barrels this month.

The increased deliveries to Tunisia and Morocco coincided with an uptick in their own refined-product exports, raising concerns that Russian cargoes were being blended with other oil products and re-exported. That would disguise the ultimate origin of the products and complicate Western efforts to remove Russian fuels from their economies.

The quantities North African countries are importing are too much for them to use on their own, said Viktor Katona, oil analyst at Kpler, who expects some of the Russian products to make their way back to Europe. Morocco, which has no history of any significant diesel exports, last month shipped a diesel cargo to Spain’s Canary Islands and a cargo to Turkey which coincided with the influx of Russian diesel to Morocco.

Ghana is getting a cargo as Russian crude searches for new buyers

(Bloomberg; Feb. 27) - A cargo of Russian oil is heading for storage tanks in Ghana, a West Africa nation that exports crude itself and is on the doorstep of two regional supply powerhouses, Angola and Nigeria. The development suggests that traders could be scouring the market for new buyers of Russian barrels after the European Union stopped almost all seaborne imports from the country in December.

A tanker arrived in Ghana’s territorial waters on Feb. 24, carrying about 600,000 barrels of Russian oil from a Black Sea port, according to tanker tracking data compiled by Bloomberg. Its cargo was due to be pumped into storage tanks at the Tema Oil Refinery, sources said. The cargo would be the first time Russian oil has been delivered to a West African country since at least October 2018, tracking data show.

Ghana itself is small oil exporter, shipping an average of about 140,000 barrels a day over the past six months, according to tanker tracking data compiled by Bloomberg. With Europe previously having been by far the largest market for Russian oil, that narrowed the nation’s pool of buyers dramatically. It also meant the barrels had to be discounted at the point of export to compensate for relatively high delivery costs. The bloc’s measures have made Moscow hugely reliant on Chinese and Indian purchases.

Report shows Russia earning more from oil sales than expected

(Bloomberg; Feb. 26) - Russian companies got far more money from selling the country’s oil than previously thought in the weeks that followed imposition of a price cap on the nation’s exports, a group of academics said. The research weakens the idea that the price limits are crushing Moscow’s revenue to fund the war in Ukraine. Russia’s crude fetched an average of about $74 a barrel in the four weeks after imposition of the cap in early December, according to calculations by experts including from the Institute of International Finance, Columbia University and University of California.

That’s about 25% above the threshold set by the Group of Seven at $60. The researchers’ work was based on an analysis of customs’ invoice-level data for sales to buyers, and from all ports and pipelines. While Russia itself isn’t providing access to such data, the estimates will be met with alarm by governments which have argued that measures to cut off the Kremlin’s access to petrodollars has been a big success.

“Our surprising finding of a significant share of Russian crude oil being sold well above the price cap level of $60 a barrel urgently calls for further investigation of these transactions and reinforces the need for stepped-up enforcement,” the authors said. About half of Russian shipments are carried by state-controlled Sovcomflot or a “shadow fleet” of tankers and not subject to price cap. The rest rely on Western shipping services and are subject to the threshold. Commodity pricing firms said Russia’s flagship crude plunged far below $60 at the point of export in the Baltic and Black seas.

EU sanctions Dubai-based Russian subsidiary shipping company

(Wall Street Journal; Feb. 26) - The European Union has sanctioned a Dubai-based subsidiary of Russia’s state-owned shipping giant, the first time it has used new powers to hit foreign-based entities that help Moscow circumvent Western restrictions. The sanctions target Sun Ship Management, the manager of dozens of oil tankers that ferry Russian oil and liquefied natural gas around the world. The new sanctions include an EU asset freeze and ban on financing the company, which the EU said is part of government-controlled shipping company Sovcomflot.

The move is part of the latest package of measures detailed over recent days from the EU, U.K. and U.S. that seek to close loopholes in previous rounds of sanctions. The EU and the U.S. sanctioned Sovcomflot last February. Sun Ship’s services help bring in more than 70% of Russia’s energy revenue, which enables the Kremlin to finance its war on Ukraine, according to the EU journal published Feb. 25. “Sun Ship has been operating as one of the key companies managing and operating the maritime transport of Russian oil,” the EU said. “The Russian Federation is the ultimate beneficiary.”

The move against Sun Ship uses powers that the EU adopted previously to go after people or companies who knowingly help Russia evade sanctions. Sovcomflot set up Sun Ship in Dubai in 2012. The subsidiary was called SCF Ship Management (Dubai) until July. In April 2022, Sovcomflot transferred management of 92 of its tankers and

LNG carriers to Sun Ship, according to senior Russian shipping executives. Dubai, part of the United Arab Emirates, has emerged as a significant hub for Russian business activity in the wake of the Ukraine invasion.

Russia continues strong oil exports, particularly from Pacific ports

(Bloomberg; Feb. 27) - A year on from Russia's invasion of Ukraine, Moscow's seaborne crude exports have held close to the highest levels seen since its troops crossed the border, with record volumes leaving its Pacific ports. The country's shipments rose marginally to 3.63 million barrels a day from its ports in the seven days through Feb. 24, a level that has been surpassed just four times since the start of 2022 — despite Western embargoes and price caps on Russian oil cargoes.

A record 10 tankers were loaded at the Pacific port of Kozmino last week, with flows there boosted by the use of drag-reducing agents on the ESPO pipeline and the resumption of crude deliveries by rail. Crude shipments from the country's Pacific ports are being sold at prices almost 40% higher than cargoes exported through the Baltic, according to a group of researchers.

The volumes heading to China and India — plus smaller flows to Türkiye and on ships that haven't yet shown a final destination — rose in the past four weeks to an average 3.27 million barrels a day, the highest observed since Bloomberg began tracking the shipments at the start of 2022. Ship-to-ship transfers in the Mediterranean continue apace. At least 30 cargoes have been transferred since the start of the year between ships near Spain's North African city of Ceuta and off the Greek coast near Kalamata.

Australia gas industry objects to further LNG export restrictions

(Bloomberg; Feb. 28) - Australia's gas industry is pushing back against proposed rules that would give the government more power to curb exports in the case of a domestic shortage. The effort comes after the government suggested revisions to strengthen the Australian Domestic Gas Security Mechanism, a last-resort measure that can restrict liquefied natural gas exports to ensure enough fuel for domestic use. The government asked for feedback last month, with the goal of implementing the new system by April 1.

"The government should prioritize increasing domestic gas supply, rather than compromising international contracts, investments and partnerships," the Australian Petroleum Production & Exploration Association said last month. "Intervention in the gas market puts Australia's reputation as a stable and reliable energy and trading partner at risk." One of the most contentious pieces of the draft guideline is a proposal to allow the resources minister to decide every quarter whether LNG exports should be curbed.

The proposal by Australia — one of the world's top LNG exporters — is designed to protect consumers from shortfalls at home as Russia's war in Ukraine threatens to keep global markets tight. Companies, including Shell, fear that any intervention will result in canceled deliveries to Asian customers, which have invested billions of dollars in export plants and signed binding contracts to purchase the fuel. The government has stressed that long-term contracts — under which most gas is sold — will be unaffected.