Oil and Gas News Briefs
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IEA revises forecast for even lower gas demand by 2040

(Bloomberg; Oct. 23) - The world's demand for natural gas is set to be even lower than anticipated through 2040 as renewables take up a greater share of the energy mix, while Russia's share of the gas market is set to dwindle, according to the International Energy Agency. For a fourth straight year, the IEA lowered its projections for gas consumption, according to its latest annual World Energy Outlook.

The IEA now expects gas demand to peak in all forecast scenarios by 2030, with "little headroom remaining for either pipeline or LNG trade to grow beyond then," it said. The outlook illustrates a major shift in the global energy mix. Europe accounts for about 75% of the agency's downward revision in gas demand, and China's future consumption is uncertain. At the same time, Russia — previously Europe's top supplier — is losing market share amid a growing glut of liquefied natural gas.

The European Union's push for renewables — together with gas savings by industries and households — contributed to the region's record reduction last year, when its gas consumption fell by almost 2 trillion cubic feet. It's set to reduce gas demand by another 1.75 tcf by 2030, the IEA said. Still, European companies are relying on long-term LNG contracts to boost energy security, even as they seek to cut greenhouse gas emissions. Three majors — TotalEnergies, Shell and Eni — clinched 27-year gas deals with Qatar this month, with supplies to France, the Netherlands and Italy scheduled beyond 2050.

Surge in new LNG supply risks market glut, IEA says

(Reuters; Oct. 24) - An expected strong rise in liquefied natural gas production capacity will ease prices and gas supply concerns but also risks creating a supply glut, the International Energy Agency said on Oct. 24. An "unprecedented surge" in LNG projects coming online from 2025 will add new capacity to liquefy an additional 8.8 trillion cubic feet of gas per year by 2030, the IEA said in its latest World Energy Outlook report. This new capacity is equivalent to around 45% of today's total global LNG supply, with the years 2025-2027 seeing the largest increases, led by projects in the U.S. and Qatar.

More supply will pressure prices, with the IEA forecasting prices could drop by almost 80% to $6.90 per million Btu in 2030 from $32.30 in 2022 when prices hit record levels. The market will change from the middle of the decade as global gas demand growth has slowed considerably since the "golden age" of expansion during the 2010s, the

Paris-based agency said. The IEA estimated that more than one-third of the new gas production would be sold on the short-term market rather than under term contracts.

"Mature markets — notably in Europe — are moving into stronger structural decline and emerging markets may lack the infrastructure to absorb much larger volumes if gas demand in China slows," the IEA said. The lowered its 2050 LNG demand projections by nearly 15% and overall gas demand by 20% in the latest report versus its outlook in 2021. In its report, the IEA also said it expects world fossil fuel demand to peak by 2030.

IEA sticks with forecast that oil, gas and coal use will peak by 2030

(Reuters; Oct. 24) - World fossil fuel demand is set to peak by 2030 as more electric cars hit the road and China's economy grows more slowly and shifts toward cleaner energy, the International Energy Agency said, undercutting the rationale for any rise in investment. The report from the IEA, which advises industrialized countries, contrasts with the view of the Organization of the Petroleum Exporting Countries, which sees oil demand rising long after 2030 and calls for trillions in new oil sector investment.

In its annual World Energy Outlook released on Oct. 24, the IEA said peaks in oil, gas and coal demand were visible this decade in its scenario based on governments' current policies — the first time this has happened. "The transition to clean energy is happening worldwide and it's unstoppable. It's not a question of 'if', it's just a matter of 'how soon' — and the sooner the better for all of us," said IEA Executive Director Fatih Birol.

"Governments, companies and investors need to get behind clean energy transitions rather than hindering them," he added. A chart in the IEA's report showed world demand for the three fossil fuels peaking by 2030. While coal enters a steep decline after 2030, gas and oil remain close to peak for the next two decades. By 2030, the IEA expects almost 10 times as many electric cars on the road worldwide, and it cited policies supporting clean energy in key markets as weighing on future fossil fuel demand.

Buyers bet Europe will need more gas ‘than politicians predict’

(Bloomberg; Oct. 21) - Two days after the European Union declared it will push for a global phase-out of most fossil fuels well before 2050, Shell signed a 27-year deal to buy 3.5 million tonnes per year of Qatari liquefied natural gas for the Netherlands. It’s not the first multi-decade deal to tie the bloc to dirty fuels beyond its targeted deadline — just last week France’s TotalEnergies signed a similar contract. The agreements highlight the challenge in reconciling the EU’s ambition to reach climate neutrality by 2050 with its need to ensure energy security after last year’s historic crisis.

“Energy companies seem to be betting Europe will need more gas than politicians predict,” said Christian Egenhofer, senior researcher at the Centre for European Policy Studies. While Europe has made strides in replacing the cheap Russian gas that used to power its economy — mostly by buying liquefied natural gas from places like the U.S. or Qatar — jump-starting its transition to cleaner alternatives has proved difficult.

Governments have prioritized renewables after Russia’s war on Ukraine underscored Europe’s need for new sources of energy. But high borrowing costs and uncertainty of the commercial viability of some technologies have stalled investments and raised questions about Europe’s climate goals. While there are no legal limits on companies to sign long-term LNG deals, some EU diplomats are concerned that the deals show top buyers see a bright future for gas despite the bloc’s bets on renewables. Other observers say it’s a risk for companies if the transition to cleaner energy is successful.

Consolidation could continue among U.S. oil and gas players

(Wall Street Journal; Oct. 23) - More mergers and acquisitions are possible following $113 billion worth of oil mega-deals this month — Chevron’s agreement to buy Hess and ExxonMobil’s deal for Permian giant Pioneer Natural Resources. Who’s next? Talks are already under way. Devon Energy, a top Permian producer, is said to be eyeing targets that include Marathon and CrownRock, according to a report from Bloomberg.

Gas producer Chesapeake Energy is reportedly looking at acquiring Southwestern Energy, according to Reuters. Between the declining pool of quality shale inventory and the limited number of sizable targets in the Permian, energy companies could soon be forced into making deals. “The FOMO [fear-of-missing-out] component of it is only going to accelerate,” said Dan Pickering, chief investment officer at Pickering Energy Partners.

Occidental, Devon Energy and Diamondback Energy are among the largest producers in the Permian, according to data from Enverus, and are large enough that they could be a potential target or an acquirer, according to Pickering. All three have estimated resource lives of roughly 30 years or more, according to an analysis from Goldman Sachs. ConocoPhillips could be another acquirer. Given European oil majors’ lagging valuations and the pressure they face to decarbonize, they seem less to enter the fray.

And while ExxonMobil signaled that the combination with Pioneer will actually result in more production than if the companies had remained independent, other consolidations over the past 18 months have involved a reduction in rig count, said Robert Clarke, vice president of upstream research at Wood Mackenzie. As long as future consolidations result in more reductions, it should help support commodity prices and investor returns.

Mega-deals in oil industry may not be such a positive sign

(Financial Times commentary; London; Oct. 24) - Saudi Arabia Energy Minister Prince Abdulaziz bin Salman thinks the return of the oil mega-deal is “testament” that “hydrocarbons are here to stay.” His view, echoed by many in the energy sector, is why would Chevron and ExxonMobil drop $113 billion combined on buying Hess and Pioneer if they thought oil demand was at risk of decline? “I don’t think anybody would buy an asset they will have to freeze and not make use of it,” Prince Abdulaziz told a conference in Saudi Arabia on Oct. 24.

Chevron CEO Mike Wirth said he sees no imminent peak in oil demand, painting himself as a realist among what he suggests are a growing band of environmental ideologues. The International Energy Agency, the West’s oil watchdog, is not “remotely right” that oil and gas will see a peak in demand before the end of this decade, according to Wirth. “You can build scenarios, but we live in the real world, and have to allocate capital to meet real world demands,” he told the Financial Times last month.

For an industry that has been hammered on all sides in recent years, it is tempting to believe that oil has got its swagger back. But it might be a good idea to pause and think about who the messengers are. OPEC energy ministers and oil executives may not be entirely free of bias. The opposing view is that Chevron and Exxon’s spending spree is not ushering in an extended oil age, but instead reflects what might be dubbed “the new age of energy uncertainty.” Building scale in the face of a questionable future can be a defensive posture for the oil majors — and smaller independents seem happy to sell.

Guyana’s oil an attractive prize in Chevron’s takeover of Hess assets

(Bloomberg; Oct. 23) - The crown jewel of Chevron’s $53 billion acquisition of Hess Corp. is a piece of rival ExxonMobil’s prized asset — 11 billion barrels of oil off the coast of South America. Chevron is gaining a 30% stake in Guyana’s Stabroek Block, the world’s largest crude discovery of the past decade and one of its most profitable. The purchase helps Chevron narrow the gap with its larger U.S. rival, which owns 45% of the block and operates the project. China’s CNOOC owns the remaining 25%.

Guyana is attractive not just for the size of its discoveries, but also for its break-even costs, some of the lowest for new offshore developments anywhere in the world. “It’s one of the best,” said Marcelo de Assis, the head of Latin American upstream research at Wood Mackenzie. “There is still more to come, so there is still potential there in terms of growth.” Guyana’s output is on course to triple to 1 million barrels a day by the end of the decade, a rapid expansion for a field that pumped its first barrel at the end of 2019.

“It just a unique and compelling asset, and it would be difficult for us to do on our own,” Chevron CEO Michael Wirth said in an interview with Bloomberg Television. Just before its license was due to expire, Exxon decided to drill the first exploration well in Guyana’s deep water in 2015, but its 50-50 joint venture partner Shell pulled out. Exxon’s then-CEO Rex Tillerson called John Hess, who agreed to take a 30% position in the block and put up the money for the Liza 1 well, named after a local fish. It was a monster success. Dozens more discoveries on the block followed.

Industry battles over what will qualify for U.S. hydrogen subsidies

(Wall Street Journal; Oct. 22) - Big energy producers are sparring over billions of dollars in U.S. subsidies from last year's climate law, a fight that pits the Biden administration's goals for economic growth against its efforts to reduce greenhouse gas emissions. The battle is over subsidies to make clean hydrogen, a potential alternative to oil and gas in sectors such as steelmaking and trucking where renewables and batteries alone aren't adequate. The administration is weighing how strictly to define what energy sources can be used to make clean hydrogen and still be eligible for the most valuable tax credits.

NextEra Energy, Constellation Energy and Plug Power say the subsidies should be widely available — even to companies that generate carbon emissions — to spur the growth of a hydrogen industry seen as crucial to limiting climate change. Businesses and industry groups have made the argument in advertisements everywhere from the New York Times to digital media to the streaming service Hulu. They also have made their case in meetings with Biden administration officials; unions have sided with them.

Companies such as Air Products & Chemicals, meanwhile, say the money should go to businesses that use only renewable energy to make hydrogen. Environmental groups have made the same argument in newspaper ads, and the groups also have appealed to administration officials, a person familiar with the meetings said. The spat is the latest example of companies in sectors from electric cars to energy fighting over the technical details of clean-energy subsidies that could be worth $1 trillion over a decade.

"The hydrogen rules are make or break," said Leah Stokes, an associate professor at the University of California, Santa Barbara, focused on energy and climate, who advised Democrats on the climate law and is in favor of tight hydrogen tax-credit rules.

Critics question tax credits for CO2 used in enhanced oil recovery

(Washington Post; Oct. 25) - Every year, companies around the U.S. capture about 18 million tonnes of carbon dioxide from gas processing plants, oil refineries and power plants. As long as that CO^2 **—** equivalent to 4 million cars on the road for a year **—** is buried underground, it can't contribute to global warming. But today, most of the CO^2 captured from industrial processes doesn't go back into the ground. Instead, 60% of it is used to extract more oil, in a controversial process known as "enhanced oil recovery."

For over a decade, the U.S. government has been quietly funding the capture of CO^2 that is used to drill more oil. Some experts and researchers argue the climate impact is net positive: The oil will be drilled anyway, and companies can learn how to capture CO^2 more efficiently. But others say the government shouldn't be helping sustain more fossil fuel extraction. The debate gets at one of the key questions in the shift away from fossil fuels: When is it still acceptable to financially support the production of oil and gas?

For a long time, there wasn't a way for companies to make much money off burying carbon dioxide underground. The U.S. offered a tax credit for CO^2 stored permanently, but it was only around $20 per tonne. Experts say it didn't give companies enough of an incentive to take on the costs of burying CO^2 underground in places like saline aquifers. So, many oil and gas companies used the CO^2 that they captured for a process that already existed: enhanced oil recovery, reinjecting the gas to push out more oil.

As part of the president's signature climate bill, Congress updated a tax credit and now offers up to $60 per ton of CO^2 captured and used for enhanced oil recovery. "Congress should not have created — and later increased the value of — a new oil and gas industry subsidy under the guise of climate emissions mitigation," said Josh Axelrod, senior advocate for the nature program at the Natural Resources Defense Council.

Canada undecided on loan guarantees for Indigenous investments

(Bloomberg; Oct. 24) – Canadian Prime Minister Justin Trudeau and his cabinet are planning a multibillion-dollar loan program to help Indigenous groups buy equity in resource projects. But the government is still debating whether to include the oil and gas sector within it. The program, which is expected to be announced in the coming weeks, will see the government provide guarantees for loans to Indigenous organizations, using Canada's AAA credit rating to negotiate better terms for credit.

First Nations often have difficulty securing loans because they can't use the federal land they control as collateral, and some don't have long credit histories. Trudeau's government sees the loan plan as a tool for improving the economic prospects of Indigenous communities, which suffer from high rates of poverty. The loans may be used for buying stakes in mines, power plants, transmission lines and a range of other projects — including many seen as critical to achieving Canada's climate goals.

But the government is wrestling with whether fossil fuel projects should be eligible and, if so, under what terms. Government backing for the oil and gas sector has frequently divided the cabinet, as some ministers push for a harder line on climate policy. In a letter sent to Trudeau dated Oct. 6, four Indigenous groups argued that barring oil and gas from the loan-guarantee plan would "exclude Indigenous peoples from stable, prosperity-delivering investments — in some cases, their only local opportunities."

Companies attracted to heavy-oil formation in Alberta

(Bloomberg; Oct. 23) - A hot spot for Canadian oil drillers is emerging in a tiny corner of eastern Alberta, drawing companies including Canadian Natural Resources and Baytex Energy in search of cheaper, lower-emissions heavy crude. Oil drillers have applied for 81 licenses to drill into the so-called Waseca formation so far this year, 30 more than in all of 2022. That's the biggest increase in any oil and gas formation in the province this year, according to regulatory data.

The formation holds heavy oil about 1,300 feet underground near the oil sands region of Cold Lake. But, unlike the oil sands, the Waseca can be tapped by conventional drilling gear that costs less and generates lower emissions because steam isn't needed to make the crude flow. "The play is definitely taking off," said Kendall Arthur, general manager of the Canadian heavy-oil business for Baytex, which has drilled two wells into the Waseca this year and plans to complete a total of five by year-end.

While the oil sands can require billions of dollars of upfront investment and years to establish production, a conventional heavy-oil well can be brought online in a few months at a fraction of the cost. They're also more environmentally friendly than the oil sands, which produce some of the highest carbon emissions in the world per barrel. "It's much cheaper oil to extract, which is why companies are attracted to it," Jonah Resnick, a Calgary-based research analyst for Wood Mackenzie, said by phone.

Russia supplied 40% of India's oil imports in first half of year

(Reuters; Oct. 19) - The share of Russian oil in India's overall imports rose to about two-fifths in the first half of fiscal 2023-2024, consolidating Moscow's position as the top supplier as India's refiners curbed their purchases from the Middle East, industry data showed. India, the world's third-largest oil importer and consumer, has emerged as the top buyer of discounted Russian seaborne oil after Western nations stopped buying from Moscow following its invasion of Ukraine.

India imported on average 1.76 million barrels per day of Russian oil from April to September, more than double the 780,000 in the same year-ago period, tanker data from industry sources showed. Last month, India's imports from Russia, which had slipped in July and August, recovered to 1.54 million barrels per day, up 11.8% from August and up71.7% from a year ago, the data showed. Russia was the top oil supplier to India in April to September, followed by Iraq and Saudi Arabia.

India's imports from Iraq and Saudi Arabia fell by 12% and about 23% to 928,000 barrels per day and 607,500, respectively, during the April-September period, the data showed. Total imports from the Middle East in April-September declined by about 28% to 1.97 million, dragging down the region's share in India's overall oil imports to 44% from 60% during the same year-ago period.

Rising oil prices test Western sanctions on Russian crude

(Associated Press; Oct. 22) - For months after Ukraine’s Western allies limited sales of Russian oil to $60 per barrel, the price cap was largely symbolic. Most of Moscow’s oil — its main moneymaker — cost less than that. But the cap was there if prices rose — and would keep the Kremlin from pocketing extra profits to fund its war in Ukraine. That time has now come, putting the price cap to its most serious test so far.

Russia’s benchmark oil has traded above the price cap since mid-July, pumping hundreds of millions of dollars a day into the Kremlin’s war chest. With Russia’s profits rising, the Israel-Hamas war pushing up global oil prices and evidence that some traders and shippers are evading the cap, the first signs of enforcement are appearing 10 months after the price limit was imposed in December.

Sanctions advocates say the crackdown needs to go further to really hurt Russia. Reducing oil profits “is the one thing that hits Russian macroeconomic stability the most,” said Benjamin Hilgenstock, senior economist at the Kyiv School of Economics, which advises the Ukrainian government. Oil income is the linchpin of Russia’s economy, allowing President Vladimir Putin to pour money into the military.

Still, Russia’s main source of income is at risk from stepped-up enforcement. The U.S. Treasury Department sanctioned two ship owners last week, while U.K. officials are investigating violations. “There are serious problems with the (price cap) policy, but it can work,” Hilgenstock said. “With some improvements, it can be very effective.”

China’s refiners draw from crude stockpiles as imports dip

(Reuters commentary; Oct. 23) - Chinese refiners dipped into their crude stockpiles for the second time in three months in September as they processed record volumes of oil even as imports dipped. Refiners drew about 240,000 barrel per day from inventories in September, a sharp reversal from August when they added about 1.32 million barrels per day to storage tanks. Refiners also called on stockpiles in July, when refinery processing exceeded the total volume of available crude by 510,000 barrels per day.

The inventory draws in September and July came as China's refiners boosted throughput to meet rising domestic demand and higher fuel exports. China imported large volumes of crude in the first half of the year, however, meaning that for the first nine months of the year it added to stockpiles. Chinese refiners have effectively been building a war chest of stored crude, allowing them to continue to run their plants at high rates while trimming crude oil imports.

It's likely China, the world's largest importer of crude, is responding to the rally in global prices that started in July after top exporter and de facto leader of the OPEC+ group, Saudi Arabia, committed to an additional voluntary output cut of 1 million barrels per day and then extended it to the end of the year. Furthermore, China’s refiners are favoring discounted Russian, Iranian and Venezuelan oil over more expensive crude from traditional suppliers in the Mideast, such as Saudi Arabia and the United Arab Emirates.

Africa attractive option for smaller, less expensive floating LNG units

(Reuters; Oct. 20) - Africa is at the forefront of a global wave of new floating gas liquefaction facilities as countries on the continent seek to meet surging demand in Europe as quickly and cheaply as possible, analysts and energy companies told Reuters. Eni, BP and smaller independent players such as Nigeria's UTM Offshore are driving the surge with projects on Africa's east and west coasts.

A floating liquefied natural gas unit produced Mozambique's first-ever gas exports last November, and the Republic of Congo is preparing for its first LNG in December. Africa currently exports 40 million tonnes of LNG per year, and Westwood Global Energy group expects the continent to add 10 million tonnes in new FLNG capacity by 2027, with projects in Mozambique, Nigeria, Senegal, Mauritania and Republic of the Congo.

FLNG facilities can pump, liquefy, store and export gas directly from offshore fields. They bypass extensive — and costly — infrastructure needed to process gas onshore and keep a distance from communities that often protest against having projects nearby. Operators, energy companies and bankers say improvements in vessel technology and turnaround times have hastened demand since Shell's pioneering but delayed and overbudget FLNG vessel Prelude, anchored off Australia.

Illustrating potential savings, one analyst said capital costs for Cameroon's Golar FLNG, a repurposed vessel, could be as low as $550 per ton of production capacity, compared to $900 to $1,100 for a new U.S. Gulf Coast onshore terminal. "You don't need to have a 25-year plateau for huge reserves. You may be there for five or 10 years, and then you move to the next field, and this is the flexibility we want," an Eni official said.

Floating LNG production unit on its way to offshore Congo

(LNG Prime; Oct. 22) - Italian energy firm Eni said it will launch the first floating LNG production unit in Congolese waters in December. Officials from Eni and from Belgium’s Exmar, Congo’s SNPC and Dry Docks World Dubai gathered on Oct. 21 to celebrate the sail-away of the Tango floating liquefaction unit and the Excalibur floating storage unit from Dubai to the Republic of Congo.

Eni said the milestone aligns with the timeline of the Congo LNG project, with first phase start-up in December. Tango FLNG, which has a liquefaction capacity of about 600,000 tonnes per year, about 100 million cubic feet of natural gas per day, will be moored 2 miles offshore along with the Excalibur. Exmar serves as the engineering, procurement and conversion contractor for the project, and performed the refurbishments on both vessels at the Dry Docks World yard in Dubai, the firm said. Exmar provides the Excalibur on a long-term charter and will be responsible for all terminal operations.

The Congo LNG project leverages offshore gas resources and production facilities in a phased approach that will allow it to liquefy almost 440 million cubic feet of gas per year at its peak, said Eni, which will market all of the gas. A second FLNG vessel with a capacity of about 2.4 million tonnes per year is under construction in China and will begin production in 2025. Wison Offshore & Marine won a contract from Eni last December to build that production unit and started work on the project in January.

Nigeria has to shuttle oil by small boat to cover for broken pipeline

(Bloomberg; Oct. 21) - Nigeria is turning to a fleet of tiny river-going tankers to boost its oil production because one of its key pipelines has been broken for months. Africa's top producer, racing to lift output before OPEC decides new production quotas, has started using the tiny vessels to get a new grade of oil, Nembe Creek, up the Niger River delta and onto an oceangoing ship stationed off the coast. The same oil previously went by the Nembe Creek trunk pipeline to the Bonny terminal, which is operated by Shell.

That pipeline, operated by Aiteo Group and previously running at about 150,000 barrels a day, hasn't sent oil to Bonny since February 2022, according to people with knowledge of the matter. Bonny is also fed by another pipeline and that flow continues. While the rerouting reduces overall shipments from Bonny, it should have no effect on Shell's share of Nigerian oil. Shell sold the pipeline to Aiteo in 2015. The new logistics setup uses a floating storage offloading vessel called Galilean 7, which is anchored near the Brass terminal, according to a terminal information sheet seen by Bloomberg.

Shuttling Nembe oil by boat is a lot more expensive than by pipeline. The river's depth limits the size of the ships, meaning about 24 deliveries are needed to get enough oil to fill a standard oceangoing ship. A 1-million-barrel tanker lifted the first cargo of the new grade from Nembe Creek terminal Oct. 10, tanker-tracking data compiled by Bloomberg show. Nigeria is scheduled to load approximately 65,000 barrels a day of the Nembe grade this month and next, according to export loading programs seen by Bloomberg.

South Korea signs oil storage deal with Saudi Arabia

(S&P Global; Oct. 23) - State-run Korea National Oil Corp. will store 5.3 million barrels of Saudi Arabian crude in a joint inventory management deal with Saudi Aramco, which will be used as strategic reserves for South Korea, the company said Oct. 23. The deal was signed on the sidelines of talks between South Korean President Yoon Suk-yeol and Saudi Crown Prince Mohammed bin Salman during Yoon's visit to Saudi Arabia.

Under the agreement, Saudi crude will be stored at KNOC's base in Ulsan on the country's southeast coast, a KNOC official told S&P Global Commodity Insights. The first shipment of 2 million barrels will come soon, the company official said. KNOC will be paid leasing fees and would hold the right of first use of the oil for domestic release in case of emergency or supply disruptions. This effectively means the Saudi barrels can be used as strategic reserves for South Korea, the world's fourth-biggest importer.

KNOC also indicated it will try to secure more strategic reserves through partnerships with other major oil producers. During summit talks between President Yoon and UAE President Mohamed bin Zayed Al Nahyan in January, KNOC signed an agreement with Abu Dhabi National Oil Co., allowing ADNOC to use tanks in South Korea to store 4 million barrels of crude. KNOC operates nine storage bases that can hold 146 million barrels of crude and oil products. KNOC currently holds 96 million barrels, excluding foreign oil, which means it has space available for joint storage of foreign crude.

Saudis sign $2.4 billion gas plant contract with Korean company

(Reuters; Oct. 24) - South Korea's Hyundai Engineering & Construction and Hyundai Engineering have signed a $2.4 billion contract with oil giant Saudi Aramco to build a gas processing plant, Seoul's presidential office said. The deal was signed on Oct. 23 in Riyadh at a ceremony marking 50 years of construction cooperation between the two countries, with South Korea President Yoon Suk Yeol attending as part of his state visit.

The two builders, affiliates of Hyundai Motor Group, have been working on the first phase of Aramco's Jafurah gas processing facilities project after winning the order in 2021, Hyundai said in a statement confirming the signing of the $2.4 billion contract on the second phase. Jafurah is Saudi's largest unconventional non-oil associated gas field, with reserves estimated at 200 trillion cubic feet of raw gas. Aramco has said daily output could reach around 2 billion cubic feet by 2030.