

Oil and Gas News Briefs

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Citibank analyst says China's weaker demand could deflate oil prices

(Bloomberg; Oct. 2) - The drag on oil demand in China, Europe and the U.S. is weighing heavily on crude prices, capping the potential gains from OPEC+ supply cuts, Citigroup analyst Ed Morse said. China is cutting back its purchases of expensive oil while exporting its high-value refined products as the country grows to be almost as important to oil markets as OPEC+, Morse said in an interview on Bloomberg Television. China's pullback will counter the recent price rally and help shift the oil market to a surplus next year, with Brent collapsing to the low \$70s a barrel, Morse wrote in a note on Oct. 2.

Under current drawdown rates, China's oil inventories could satisfy about 130 days of its demand, outstripping the global standard of around 90 days, he said. "They've really overdone it," said Morse, Citi's global head of commodities research. Also affecting the market, oil production growth from Iran, Iraq, Libya, Nigeria and Venezuela will continue at the rate of around 1 million barrels a day, Morse said. Those sources of new supply are underestimated by the Organization of Petroleum Exporting Countries and the International Energy Agency, he said.

Price cap on Russian oil not working, puts environment at risk

(Bloomberg analysis; Oct. 1) - It's time to scrap the Russian oil-price cap. It's not working and, worse, by forcing ever more Russian oil onto rusting old tankers engaging in inherently risky operations like ship-to-ship transfers, it raises the likelihood of an environmental disaster. Back in December, the Group of 7 nations and others imposed a \$60-a-barrel cap on Russian crude. Buyers can pay more, but then they are deprived of access to key services supplied by firms in the signatory countries. Those include the best insurance against risks, such as spills, and the European-based tanker fleet.

The aim was to allow Russian oil to keep flowing, while hitting the Kremlin's income by forcing it to accept lower prices. The initiative seemed to work for a while. The country's main Urals export grade traded below the threshold for most of the first eight months that the cap was in existence as buyers were eager to scoop up discounted Russian oil. But a host of new tanker operators have amassed a fleet of aging vessels, many of which would previously have been sold for scrap, to transport that oil outside of the cap.

Those rusty old tankers have raised concerns in the United Nations about an increased risk of a major oil spill. U.N. officials are also worried about the practices some of the ships have adopted of turning off the transponders that signal their position, and of

transferring cargoes from one aging vessel to another. In addition, although laudable in its aim, the price-cap lacks teeth. Shipowners merely need an unverified affidavit from the cargo owner that the consignment was purchased at a price below the cap.

Dropping the price cap would bring Russian oil back aboard insured tankers. The oldest tankers now engaged in the Russian trade would then likely end up on the beaches of Bangladesh, India and Pakistan, where they would be cut up for scrap, averting what seems like an inevitable environmental disaster the longer they continue to haul crude.

Energy company CEOs defend the industry

(CNBC; Oct. 2) - Chief executives of some of the world's largest energy companies on Oct. 2 sought to defend themselves from criticism, saying it is not possible to keep everyone happy amid the energy transition. Speaking at the ADIPEC oil and gas conference in Abu Dhabi, executives representing energy majors in the U.S., Europe and Asia sought to strike a positive tone on the state of play for the fossil fuel industry as Big Oil has been accused of dialing back its climate pledges in recent months.

"We've got to step up and prepare for the decarbonized systems of the future," Tengku Muhammad Taufik, president of Malaysia's state energy firm Petronas said during a CNBC-moderated panel. "I'm reminded of an old saying: 'If you want to keep everyone happy, sell ice cream.' We are not in the business of ice cream, and I'm reminded there are people who are lactose intolerant," Taufik said. "The indication here is we have to make some tough decisions and we have to be bounded by facts, rationality, practical steps but we will get there."

Vicki Hollub, CEO of U.S. oil and gas producer Occidental Petroleum, said these were "really exciting times" for the oil and gas industry and suggested a major challenge for fossil fuel companies was working to regain the trust of society. "I don't see where we are today as something that is going to end our industry, although there are some out there that want it to go away. As we have done in the past, we will find ways to innovate out of this situation that we're in," Hollub said during the same panel discussion.

Patrick Pouyanne, CEO of French oil giant TotalEnergies, said the oil and gas industry possesses all the tools necessary to be a "major participant" in the energy transition. "We will not please the activists. We will never make enough to please the ones which are against oil and gas, but my mission is not to please them," Pouyanne said.

India's petroleum minister warns of 'organized chaos' at \$100 oil

(CNBC; Oct. 4) - India's minister of petroleum and natural gas warned that there'll be "organized chaos" if oil prices break above \$100 per barrel, but said the South Asian

nation is well positioned to weather higher costs. “If the price goes above \$100, it’s not going to be in the interest of either the producing country or anyone’s interest. You will have large, organized chaos,” Hardeep Singh Puri told CNBC during a panel at the ADIPEC oil and gas conference in Abu Dhabi, United Arab Emirates, on Oct. 4.

“You should not be worrying about the impact on India. India’s a large economy that has a lot of domestic production. We’ll cut back, we’ll do something or the other,” Puri said. While he was confident that India could navigate higher prices, he warned that other nations may not be able to do so. “I would worry about what happens to other parts of the developing world. ... That is really a worrying point,” Puri said, highlighting that rising prices in the past 18 months have placed “100 million people into abject poverty.”

He added, “They had to go from reasonably priced gas and cooking fuels [to] wet wood, coal or whatever they could get. That is the problem.” The minister said on X, the social media platform previously known as Twitter, that oil producers need to be mindful of the struggles consuming countries face. “During the pandemic, when crude oil prices crashed, the world came together to stabilize prices to make it sustainable for the producers. Now, as the world is at cusp of economic recession and slowdown, oil producers need to show [the] same sensitivity toward the consuming countries.”

Overbudget pipeline to Canada’s first LNG terminal 95% complete

(LNG Prime; Oct. 2) - TC Energy’s Coastal GasLink pipeline, which will supply natural gas to the Shell-led LNG Canada terminal, is almost 95% complete. The 416-mile pipeline will have the capacity to transport 2.1 billion cubic feet of gas per day from northeastern British Columbia to the coastal port of Kitimat. Coastal GasLink said in its latest construction update that it still expects to complete the project by the end of 2023. More than 4,800 workers were on the job across the pipeline route as of Aug. 26.

As of the end of August, all 800 water crossings across have been executed, including all 10 major trenchless water crossings for the line. While the project is quickly approaching mechanical completion at the end of 2023, there are a number of critical activities that the project team will continue to execute, Coastal GasLink said. These include clean-up and reclamation and erosion and sediment control measures.

The price tag of the pipeline has more than doubled over the years and TC Energy now estimates it will reach C\$14.5 billion (US\$10.6 billion). The original estimate was C\$6.6 billion. The LNG terminal was about 85% complete in July, with shipments expected to start in 2025. In addition to Shell, the partners in Canada’s first LNG export facility are Malaysia’s Petronas, PetroChina, Japan’s Mitsubishi and Korea Gas. The first phase of the project includes two liquefaction trains with a combined capacity of 14 million tonnes per year. The partners are evaluating a second phase that could double the capacity.

Cheniere almost at halfway point in Corpus Christi LNG expansion

(LNG Prime; Oct. 2) – U.S. LNG exporting giant Cheniere and construction and engineering firm Bechtel are moving forward with work to expand the Corpus Christi LNG export plant in Texas. Cheniere's Corpus Christi liquefaction plant now consists of three operational trains, each with a production capacity of 5 million tonnes per year. In June 2022, Cheniere took a final investment decision on the Corpus Christi Stage 3 expansion, pegged at about \$8 billion. Bechtel officially started construction in October.

The project includes building seven midscale trains, each with a liquefaction capacity of about 1.5 million tonnes per year. Cheniere said in its August construction report filed with the Federal Energy Regulatory Commission that the overall project was 42% complete. Cheniere previously said LNG deliveries from the expansion will begin in 2025, with full production in 2027. However, Cheniere's CEO Jack Fusco said in August that the company is now expecting to complete the expansion ahead of schedule.

Japanese buyers may be ready to sign LNG deals with Qatar

(S&P Global; Oct. 3) - Japanese companies may be on the verge of signing Qatari LNG deals following meetings with the exporter's energy minister, but there are still sticking points before companies proceed with LNG purchases or equity participation in Qatar's massive North Field expansion project, according to industry observers and sources. "There is a gap between Japanese individual end-users wanting to secure short-term to mid-term (LNG contracts) instead of long-term," said Hiroshi Hashimoto, senior fellow of the energy security unit at the Institute of Energy Economics, Japan.

"(Qatar) is an extremely favorable and credible supply source on supply conditions, except for pricing and destination conditions," said Hashimoto, adding that Japanese companies should work with the government to secure Qatari LNG by deepening their relationship. "The companies should consider aggregation through Japanese portfolio players, or consortium purchase," he said.

The latest talks came to light following a visit to Japan by Qatar's Minister of State for Energy Affairs Saad al-Kaabi, during which he met with senior executives of current and prospective Japanese LNG buyers and project partners. Kaabi also met with Japan's Minister of Economy, Trade and Industry Yasutoshi Nishimura and discussed enhancing bilateral cooperation in energy, according to QatarEnergy. Companies that Kaabi met with include JERA, Chubu Electric, Tohoku Electric, Marubeni, Mitsui, Mitsubishi, LNG Japan and the Japan Bank for International Cooperation.

Analyst sees LNG demand falling in Europe, rising in Southeast Asia

(CNBC; Oct. 2) - Southeast Asian countries are expected to be key demand drivers for the LNG market by 2030, industry watchers say. Trade in global liquefied natural gas rose to a record in 2022, fueled largely by a surge in demand from Europe as the region moves away from relying on Russian pipeline gas following Moscow's invasion of Ukraine. However, Europe's demand for LNG is expected to recede in a few years.

Tony Regan, the Asia-Pacific gas lead from NexantECA, an energy and refining advisory firm, expects LNG demand from Europe to peak in 2027 before falling in 2030. "This is where I think all the action is actually going to be: Southeast Asia, particularly Vietnam, Thailand, Indonesia," said Regan. Vietnam has long been considered an important LNG growth market due to its "strong economic and population growth," said Columbia University's Center on Global Energy Policy.

S&P Global shares the optimism that Southeast Asia is poised to be a prime market for LNG. "By 2033, Southeast Asia LNG demand is forecast to be 73 million tonnes per year, making up 12% of the global market," said Zhi Xin Chong, S&P Global's head of emerging Asia gas and LNG markets. According to S&P Global, that will mark a near quadrupling of the region's demand compared to 2022. However, Chong cautioned that demand in that market is fragile and dependent on stable prices. "It's crucial that prices remain stable and global funding is forthcoming to finance the necessary infrastructure."

U.S. Export-Import Bank underpins LNG exports to Europe

(LNG Prime; Oct. 3) – Global energy trader Trafigura has entered into two revolving credit facilities worth \$400 million and will use the funds to purchase LNG cargoes from U.S. exporters for supply to customers in Europe. Trafigura said in a statement on Oct. 4 that the credit lines are supported by the Export-Import Bank of the United States. The U.S. EXIM board of directors approved the issuance of credit policies to two financial institutions, including Citibank, covering the short-term facilities extended to Trafigura.

"We're delighted to have successfully closed the first LNG-based facilities backed by U.S. EXIM's FIBC insurance policy, which supports American jobs by facilitating U.S. exports," Christophe Salmon, Trafigura's chief financial officer, said in the statement. Trafigura has a long-term LNG supply deal with U.S. LNG producing giant Cheniere, which operates plants in Louisiana and Texas. The 15-year deal started back in 2019 and Trafigura buys about 1 million tonnes a year of LNG from Cheniere.

Australia's LNG output in decline as demand in Asia pulls back

(S&P Global; Oct. 3) - Australia's LNG exports are expected to decline to 81 million tonnes in financial year 2023-24 (July-June) and 79 million tonnes in FY 2024-25, from 82 million tonnes in 2022-2023, a report from the Department of Industry, Science and

Resources said, reflecting halted or declining production at certain facilities in the country and slow demand from some of its top customers in Asia.

Weakening economic prospects among some of Australia's LNG customers in Asia and increasing reliance on renewables could hurt demand. Australia remains China's largest source of LNG, and in FY 2022-23 Australia exported an estimated 22 million tonnes to China, down 25% year on year, the report said. China's LNG outlook was expected to be stable through 2025, though a larger proportion of its gas demand is likely to be filled by pipeline imports from Russia. Flows through Russia's Power of Siberia-1 pipeline to China are expected to peak at an average of 2.3 billion cubic feet per day in 2024.

Japan's total LNG imports are forecast at 73 million tonnes in 2023 and are expected to remain at that level through 2025 as gas-powered generators face more competition from nuclear and coal-fired power. Australia accounts for about 25% of South Korean LNG imports and has been its biggest supply source since 2020. The South Korean government's emphasis on renewables and support for nuclear power and hydrogen could lead to the share of LNG decreasing to 23% by 2030, from 29% in 2021.

Saudi Aramco interested in more acquisitions in LNG business

(Bloomberg; Oct. 2) - Saudi Aramco is looking for more acquisitions in the LNG business following a first-ever deal last month as it sees growing demand for the fuel. Aramco last week announced its entry into the market with the purchase of a stake in a company that is acquiring small holdings in four Australian LNG projects. It will evaluate opportunities elsewhere too, said Aramco's Upstream President Nasir Al-Naimi. "We see indications that the LNG market is positioned for structural, long-term growth," he said in an email. "Aramco's intention is to become a leading global LNG player."

The giant oil producer is diversifying beyond its core business and pursuing significant growth in natural gas and lower-carbon energy solutions, according to Al-Naimi. Europe is adding LNG import terminals to replace Russian pipeline gas, and many nations in Asia are transitioning from dirtier fuels such as coal and fuel oil to cleaner gas. Aramco may use mergers and acquisitions to build its LNG business, the executive said.

The increase in global LNG trade from 100 million tons in 2000 to nearly 400 million in 2022 highlights why Aramco is interested in the growing market. Its stake in MidOcean Energy, which it agreed to buy last week, is worth \$500 million, with an option to further increase its holdings. Aramco is also exploring options for natural gas and LNG within the kingdom. The company aims to expand its gas production by at least 50% until 2030 compared to 2021 levels. Its Jafurah field is expected to start production in 2025, with a plan to gradually increase gas deliveries to 2 billion cubic feet a day by 2030.

Freeport LNG asks FERC for permission to resume full operation

(Reuters; Oct. 3) - U.S. liquefied natural gas producer Freeport LNG has sought permission from federal energy regulators to return its export plant in Texas to full commercial operation. Approval would allow the plant, which shut down after a fire for about eight months from June 2022 to February 2023, to supply more LNG to global markets ahead of the winter heating season.

Freeport has asked the Federal Energy Regulatory Commission to authorize the steps needed to return the plant's second loading dock to service. Freeport asked if FERC could respond to its request by Oct. 6. In the first phase of its restart, Freeport returned the three liquefaction trains, two LNG storage tanks and a single marine berth to service. When operating at full capacity, the three liquefaction trains at Freeport can turn about 2.1 billion cubic feet per day of gas into LNG.

Mexico's first LNG export facility moves closer to start-up

(S&P Global; Oct. 3) - The final unit of New Fortress Energy's floating LNG export terminal offshore northern Mexico arrived at the project site Oct. 2, according to S&P Global Commodities data, as the company prepares to begin start-up. New Fortress is targeting the start of commercial operations "in late October or early November," the company said Sept. 29. The development is planned for 1.4 million tonnes per year of production capacity, liquefying U.S. natural gas delivered by cross-border pipeline.

The project, however, has yet to receive a key export approval from the U.S. Department of Energy, which is still taking public comments on its draft environmental impact statement for the export authorization. Comments close Oct. 23. The facility, offshore the port of Altamira, stands to be a rare source of new LNG supply coming online in 2023, a year marked by a lack of new LNG export capacity globally.

The third of three jack-up rigs that the export terminal will use departed from a Texas shipyard on Sept. 26, New Fortress said. The converted rig contains the equipment that will liquefy gas before transfer to a floating storage unit. The rig joins two other such units at the project site for final installation and commissioning. It's what New Fortress calls its Fast LNG units, which it has pursued as a way to meet global demand on a faster timeline and lower cost than it takes to build new onshore LNG export capacity.

Contrary to other European nations, Ireland rejects LNG imports

(Bloomberg; Oct. 2) - Amid Europe's angst over energy security, Ireland has made one of the boldest moves of any nation on the continent in the name of climate action: It rejected a new fossil fuel import facility. The country's planning authority last month

refused a proposal for a liquefied natural gas import terminal on the Shannon estuary and a related gas-fired power plant after taking into consideration policies outlined in Ireland's energy and climate action plan. The strategy calls for the country to reduce greenhouse gas emissions annually by 7% on average between 2021 and 2030.

"It is considered that the development at this time would be contrary to current government policy," according to the board decision. Ireland is "probably the first" country to deny an LNG facility based "on climate, as opposed to local environmental opposition," according to Jonathan Stern, distinguished research fellow at the Oxford Institute for Energy Studies. Ireland receives gas from the domestic Corrib field, as well as via two subsea interconnectors with the U.K. — and demand is rising.

Unlike the rest of Europe, Ireland appears to be pushing ahead with its zero-carbon transition policy, despite energy shocks last year that left most European countries scrambling for more, not less, LNG. U.S. developer New Fortress Energy had sought to build a floating LNG import terminal in Ireland, which also would supply a 600-megawatt power plant. There were early signs that it would have a tough time getting approved.

Japanese companies partner with Taiwanese firm on synthetic gas

(LNG Prime; Oct. 2) - Japanese city gas supplier and LNG importer Osaka Gas has entered into a deal with Taiwan's state-owned LNG terminal operator CPC to work on introducing e-methane to the energy market in Taiwan. Besides studying e-methane, the two firms will explore other new energy options, including hydrogen, ammonia and biogas, according to a statement by Osaka Gas. E-methane is a synthetic gas produced from renewable hydrogen and carbon dioxide and can be transported via the existing gas infrastructure, including the LNG supply chain.

Introducing e-methane to markets saves the cost of replacing or modifying existing gas infrastructure, as required in the case of other options such as straight hydrogen, Osaka Gas said. The company is proceeding with several feasibility studies to produce e-methane in strategic locations, such as North America, South America, Australia, the Middle East and Southeast Asia.

CPC, Tokyo Gas, Osaka Gas, Toho Gas and Mitsubishi revealed plans last year to produce e-methane in Texas or Louisiana, liquefy it at Sempra's Cameron LNG export facility and transport it to Japan. Sempra recently joined the consortium. Marubeni, Osaka Gas, and Peru LNG, the operator of the liquefaction plant at Pampa Melchorita, are also moving forward with plans to produce synthetic methane in Peru.