Oil and Gas News Briefs
Compiled by Larry Persily
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Japan's biggest utility looks to boost renewables to 20 gigawatts

(Bloomberg; April 15) - Japan's biggest utility, JERA, is considering an initial public offering to help fund a massive rollout of renewables. The Tokyo-based company plans to develop 20 gigawatts of renewable generation capacity by fiscal 2035, about six times its current pipeline, Yukio Kani, chairman and co-CEO of the company, said in an interview. "Trillions of yen in investment will be needed," Kani said. "It's possible that we will invite another shareholder to invest or ultimately consider an IPO as an option," he said, without specifying a timeline or the size of a potential share sale.

A 50-50 venture between Tokyo Electric Power and Chubu Electric, JERA was set up in 2015 to become one of the world's biggest liquefied natural gas buyers. It currently has a target of 5 gigawatts of renewables by fiscal 2025. Before seeking to attract new capital, JERA will draw up a new growth strategy that it will announce in May, Kani said. The company has set up a green-energy unit in London that seeks to benefit from the city's access to capital markets and Europe's leading status in offshore wind, he said.

Countries such as Japan and Taiwan will also need to attract people with technical experience such as from the rapid expansion of offshore wind in European countries, he said. JERA recently wrapped up some deals in renewables and also for LNG, which it considers integral for the world to transition to net-zero. The firm acquired European offshore wind operator Parkwind last year for €1.6 billion ($1.7 billion), as well as Japanese wind farm business Green Power Investment.

Japan's LNG imports continue decline

(LNG Prime; April 17) - Japan's liquefied natural gas imports dropped for the third month in a row in March, according to the provisional data released by the country's Ministry of Finance. The country's LNG imports decreased by 3% year-on-year in March to 5.55 million tonnes, the data shows. During the fiscal year April 2023 to March 2024, Japan's LNG imports decreased by 8% to 64.8 million tonnes. China has overtaken Japan to become the world's top importer of LNG last year. China's LNG imports rose 12.6% to about 71.32 million tonnes in the January-December reporting period.

Japan's power utilities such as Kansai Electric increased their nuclear power utilization rate in 2023. The Institute of Energy Economics, Japan said in a report earlier this year that due to the restart of more nuclear power plants and an increase in solar

photovoltaics capacity, coupled with a rise in coal-fired power generation capacity, Japan's LNG imports were expected to decline below 60 million tonnes in FY2024.

U.S. continues strong growth in LNG exports

(U.S. Energy Information Administration; April 17) - In its recently released Short-Term Energy Outlook, the U.S. Energy Information Administration forecast that U.S. liquefied natural gas exports will continue to lead strong growth in U.S. natural gas trade as three LNG export projects currently under construction start operations and ramp up to full production by the end of 2025.

The agency also forecast increased gas exports by pipeline, mainly to Mexico. In the forecast, net exports of U.S. gas (exports minus imports) grow 6% to 13.6 billion cubic feet per day in 2024 compared with 2023. In 2025, net exports increase an additional 20% to 16.4 bcf a day, about 15% of total U.S. gas production.

"Later in 2024, we expect that Plaquemines LNG Phase I and Corpus Christi Stage 3 will begin LNG production and load first cargoes by the end of the year," the agency said. "In 2025, the developers of Golden Pass LNG plan to place in service the first two trains of this new three-train LNG export facility. … Also, flows via the Sur de Texas-Tuxpan underwater pipeline are likely to increase slightly in 2024 when it begins delivering gas from the U.S. to Mexico's first LNG export project, Fast LNG Altamira."

Insufficient gas pipeline capacity drives prices negative in Permian

(Texas Monthly; April 17) - Imagine a sign by the egg case at your local supermarket: "Take a dozen home. Please. We'll pay you $4 per carton. No limit per customer." Sound outlandish? Maybe, but this is essentially what has happened with natural gas in West Texas in recent days. Last weekend, the price for gas at the Waha Hub, a major pipeline junction, was minus $3 per thousand cubic feet. That's negative $3. If you sent gas to Waha, you had to pay someone to take it off your hands.

You may now be saying to yourself, "I'd like some of that gas. I use natural gas to cook dinner every night. Can I get paid to burn gas?" The answer to your question is: Not unless you own a pipeline between West Texas and your house. By the time gas gets to a pipeline hub that feeds cities and towns and a gas utility purchases it to resell to homes, prices are well above zero. Who, then, is benefiting from this negativity? It's hard to say, because the markets are opaque, but the likely answer is energy traders that have long-term deals granting them space in pipelines out of West Texas.

When prices fall below zero, traders get paid to take gas from the Permian, then get paid again when they resell it on the other end of the line, say in Houston or Quartzsite,

Arizona, where the pipeline system connects to the one that feeds Southern California. In the Permian Basin, gas is so abundant that for the past month it has been all but worthless. “It is very painful,” said Steve Pruett, CEO of Elevation Resources, a private, Texas oil and gas company. “For the first time in my career, the Permian has the worst price realization in the country, and it is projected to continue through the summer.”

There’s been more gas coming out of West Texas oil wells, but there is not enough pipeline capacity to carry that much gas elsewhere. The profits to be made on oil are large enough that producers can afford to pay to get rid of the associated gas.

Certified natural gas volume increases in the U.S.

(Bloomberg; April 16) - The production of responsibly sourced natural gas (RSG) — a niche idea only a few years ago — is growing rapidly in the U.S. as global buyers increasingly scrutinize the top-to-bottom emissions of the fuels they burn. The share of U.S. gas supply certified as RSG is estimated to hit 45% this year, up from 38% in 2023, according to a report by BloombergNEF.

That would mean production at a rate of about 47 billion cubic feet per day for the certified gas, which companies say offers a lower methane footprint, among other benefits. Across the oil and gas sector, nearly 40 companies were approved to supply RSG at the end of 2023. Upstream producers were the first companies to seek out the voluntary certification starting in 2018. Now, diverse buyers including utilities, liquefied natural gas exporters and industrial users are looking at the certified fuel as a possible way to lower emissions along their supply chains.

The premium for low-methane gas is estimated at only about 10 cents per million Btu and is “the cheapest Scope 3 emission reduction option for gas buyers, even cheaper than voluntary carbon offsets,” the analysts wrote in the report. Still, RSG is not without its hurdles. The lack of federal guidance — meaning certifying companies set their own standards — has garnered some criticism. Environmentalists have also derided the idea of a cleaner gas, saying it’s a naked attempt to downplay the harm of the fossil fuel.

U.S. agrees to help Iraq reduce its natural gas flaring

(S&P Global; April 16) - The U.S. has signed two agreements to help Iraq reduce its highly polluting and wasteful gas flaring, the countries announced April 15 during Prime Minister Mohammed Shia al-Sudani's visit to Washington for talks with President Joe Biden. Iraq, which aims to eliminate gas flaring by 2028, burned off more than 630 billion cubic feet of natural gas in 2022, the second-highest amount globally, just behind Russia, according to World Bank data.

The process — which wastes resources that could be used for power generation — leaves Iraq dependent on imported Iranian gas and power supplies. The U.S. and Iraq signed two memorandums of understanding to capture and process associated gas to be used for electricity generation in the Middle Eastern country and to "allow Iraq to benefit from the U.S. private sector's leading technology and expertise," according to a State Department briefing during Sudani's visit.

In March, Iraq's oil ministry said it would work with Siemens Energy and SLB, formerly known as Schlumberger, to process associated gas that would otherwise be flared as a byproduct of crude production. Iraq, which aims for energy self-sufficiency by 2030, is working to reduce its reliance on Iranian electricity and gas supplies, which are subject to sanctions, requiring the U.S. to issue waivers every four months. Iraq faces frequent power outages, particularly during the peak air conditioning season in the summer, which have previously led to civil unrest and deadly protests.

Expanded Canadian oil line may take market share from Iraqi crude

(Bloomberg; April 15) - Canada's newest oil pipeline may spell trouble for a Middle Eastern country almost 7,000 miles away: Iraq. The Trans Mountain pipeline's expansion, which will almost triple Alberta oil sands producers' ability to ship their heavy crude to the Pacific Coast, will most directly affect a similar grade called Basrah Heavy that's produced in Iraq, Susan Bell, a Rystad Energy analyst, said in an interview.

"When you look at the yield profile of that crude oil, the distillation profile of that crude oil, it's very similar to Canadian Heavy — so it's very substitutable," she said in Calgary. U.S. West Coast refiners that have relied on Basrah Heavy and other crudes from the Mideast will have incentives to switch to Canadian oil, which is cheaper and next door, she said. Trans Mountain also will allow more Canadian oil to move across the Pacific to Asia, where most Basrah is sold, potentially putting downward pressure on prices.

Trans Mountain's expansion — scheduled to start commercial operation on May 1 after years of delays and cost overruns — will allow as much as 890,000 barrels of crude a day from the Canadian oil sands to be shipped to the Vancouver area for transport by tanker to foreign markets. The line promises to lessen Canada's almost total dependence on the U.S. market, particularly refiners in the Midwest and Gulf Coast. The first two cargoes off the new line have been purchased by Chinese companies.

U.S. will reimpose sanctions on Venezuela oil industry

(Miami Herald; April 17) - The Biden administration will reimpose broad sanctions on Venezuela's oil industry after the country's strongman leader, Nicolas Maduro, failed to honor commitments signed last year to allow for free and fair elections this year and

banned an elected opposition candidate from running for president. Senior Biden administration officials told reporters April 17 that the Treasury Department will let expire on April 18 a license that allows companies under U.S. jurisdiction to engage with the Venezuelan state oil company PDVSA to produce and export oil and gas.

The companies will have 45 days to wind down operations. The license was issued for six months in October last year to encourage Maduro to comply with the terms of the deal signed with the opposition with the U.S. blessing on Oct. 17. "Maduro and his representatives did not fully comply with the spirit or the letter of the agreement," a senior administration official said.

The administration officials said companies can still apply for individual licenses to conduct business with Venezuela, which will be reviewed on a case-by-case basis. The decision puts Venezuela's oil industry back in the state it was in in October, when only Chevron was allowed to market Venezuelan oil to recoup part of the large debt the company was owed. Experts estimate that Venezuela saw as much as an additional $3 billion in revenues in the six months the oil sanctions were lifted.

U.S. shale drillers add to backlog of unfracked wells

(Bloomberg; April 15) – U.S. shale operators are drilling wells faster than they're fracking them. Oil companies added to the number of drilled-but-uncompleted wells, known as the fracklog, last month for the first time in more than a year, according to a report from the U.S. Energy Information Administration on April 15. The tally is a key indicator of near-term crude flows from U.S. shale fields because fracking is one of the final steps in the process of bringing new wells online.

Any slowdown in the growth of U.S. oil production would be a key consideration for OPEC and its allies when they gather in June to decide whether to allow supply curbs to lapse. International crude prices have surged almost 20% this year amid concerns about the potential for global supply shocks, and analysts from JPMorgan Chase and elsewhere are warning oil may be headed for the $100 mark.

Stockpiling unfracked wells allows drillers to time production for periods of higher prices or easier access to pipelines and other infrastructure. As of the end of March, the fracklog rose by nine wells to 4,522, according to the government's assessment of the seven most-important U.S. shale regions. Overall, U.S. shale oil production is expected to be steady at about 9.86 million barrels per day in May, below the record 10 million in December, according to the report.

Regional U.S. banks increase lending to oil, gas and coal companies

(Bloomberg; April 14) - A group of U.S. regional banks is ratcheting up lending to oil, gas and coal clients, grabbing market share as bigger European rivals back away. The list of banks includes Citizens Financial Group, BOK Financial and Truist Securities, according to data compiled by Bloomberg. The companies have climbed between 13 and 40 steps up the league table for fossil fuel lenders since the end of 2021, placing them among the world's top 35 banks by number of deals.

Since the start of 2022, the combined number of fossil fuel loans provided by Citizens Financial, BOK Financial, Truist Securities, Fifth Third and US Bancorp rose more than 70% on an average annualized basis, compared with the preceding six years, the Bloomberg data show. Rory Sheehan, a spokesperson for Citizens Financial, said the bank supports initiatives enabling the transition toward a lower-carbon future. He also said the bank recognizes the role of the oil and gas industry.

The development offers a glimpse of how the U.S. banking landscape is being altered against a backdrop of stricter climate regulations in Europe. U.S. regional lenders are participating in more fossil fuel loans as banks in Europe begin to pull away for fear of getting caught on the wrong side of environmental, social and governance regulations and climate litigation. Some of the U.S. regional banks stepping up oil, gas and coal lending are based in states that have either passed or are reviewing anti-ESG laws.

U.S. determined to stop Russia's Arctic LNG project

(Wall Street Journal; April 14) – Liquefied natural gas has quickly become one of the world's most important energy sources — and a flashpoint between Russia and the U.S. Nowhere is that contest more apparent than in Russia's Arctic. An enormous coastal facility is being built there to produce LNG, a key project for President Vladimir Putin. The U.S. is using a barrage of sanctions to cripple the initiative, known as Arctic LNG 2. These have stopped Russia from taking delivery of specialized tankers that it needs to transport the gas and also have made it hard to build alternative vessels domestically.

“Our role is to ensure Arctic LNG 2 is dead in the water,” Geoffrey Pyatt, the U.S. assistant secretary of state for energy resources, told a conference in Switzerland on April 15. The Arctic tussle comes at a delicate time for energy policy in the U.S., which last year became the biggest LNG exporter. For Russia's part, Putin aims to more than triple LNG exports in the coming years. His goal: Bring in more money to fund the war in Ukraine and offset a decline in Russia's traditional trade of exporting gas via pipelines.

That is where LNG comes in. Russia's efforts with LNG so far are comparatively small, but it wants to grow. About 32 million tonnes a year of capacity are under construction, according to Rystad Energy, on top of an existing 29 million tonnes. In December last year, the first of three liquefaction trains was completed at Arctic LNG 2, and the facility

began production. The milestone, despite U.S. sanctions, was lauded as a win for Moscow by analysts. A few months later, however, victory looks less certain.

The custom-built ships that Novatek, the Russian energy giant behind the project, needs to break through Arctic ice haven't been delivered. Hanwha Ocean, a South Korean shipbuilder, said it canceled plans to build three vessels for sanctions-related reasons. Mitsui O.S.K. Lines, a Japanese shipping company, has said it also won't provide vessels. Without ships, Novatek can't export any gas.

U.S. official says more sanctions coming on Russian oil and gas

(High North News; April 16) - U.S. officials have teased additional sanctions against Russia's oil and gas industry, including Novatek's future projects. Sanctions are proving especially effective against Arctic LNG projects by blocking the delivery of ice-capable tankers. The U.S. says it will further tighten the sanctions regime. In recent comments made at a foreign press briefing as well as at the Financial Times Commodities Global Summit in Switzerland last week, U.S. Assistant Secretary of State for Energy Geoffrey Pyatt laid out a pathway to additional sanctions targeting the country's energy sector.

"We are trying to drive down Russia's oil and gas revenue as fast as we can, without destabilizing our global energy market," Pryatt explained at the summit. "You should expect the continued steady drumbeat of U.S. and coalition enforcement actions," he said. Experts say as global liquefied natural gas supplies could reach a surplus in 2025, additional actions against Russian supplies become more likely.

Several rounds of U.S. sanctions have had an effect, Pryatt stated, highlighting that Novatek has suspended production at its Arctic LNG 2 project and has yet to make any deliveries from the facility. Novatek's struggle to ship LNG is related to a shortage of ice-capable gas carriers. Half a dozen ice-class ships are stuck at a South Korea shipyard as a result of U.S. sanctions. "The sanctions are having an effect. We remain committed to this course of action." U.S. actions will target any future LNG projects, Pryatt said.

EU rules that allow restrictions on Russian LNG may not do much

(High North News; April 17) - As part of a broader gas package, the European Union Parliament cleared the way for member states to restrict the flow of Russian liquefied natural gas on a national level. But the legislation falls short of a comprehensive EU-wide approach. The new rules also fail to address the transit of Russian LNG via the EU, a vital source of income for Russia.

EU countries continue to import, unload and reload and then transfer Russian LNG at record levels. In 2023 European countries purchased around $10 billion in LNG from

Russia, equal to 15% of the country’s military budget. The new EU rules allow member states to temporarily restrict the bidding for capacity at LNG import terminals. However, there is little indication that the three largest importers — France, Spain, and Belgium — will make use of this tool.

Member states need to follow several requirements before “temporarily” limiting upfront bidding for deliveries from Russia. The rules are outlined in the 412-page gas package. Specifically, member states are requested to take into account the EU’s security of supply and effects on other nations before taking any measures. The new legislation also does not address the transshipment of Russian LNG via EU ports. This will limit its effectiveness in curbing the flow of Russian LNG to markets, energy market experts say.

Ukrainian drone strikes disable 10% of Russia’s refining capacity

(Newsweek; April 16) - Ukrainian drone strikes on oil facilities in Russia continue to hurt production of its largest export, recent figures show. Since January, attacks on oil refineries across a wide area of Russia have increased in frequency. Ukraine often does not claim direct responsibility for the strikes, which hamper Moscow's war machine and key export revenue generator.

The International Energy Agency, an intergovernmental organization headquartered in Paris, said the strikes could see 500,000 to 600,000 barrels a day of Russia's crude processing lost in the second quarter of this year — about 10% of the country's capacity of 5.2 million barrels a day. According to Dow Jones, industry reports have indicated that as much as 800,000 barrels a day of processing capacity has been damaged or shut down because of the attacks. The IEA reported that 11 refineries in Russia were said to be damaged from attacks, while others were unsuccessfully targeted.

Australia’s LNG exports decline while waiting on new gas supplies

(Rigzone; April 15) - Australia's liquefied natural gas exports will drop this year, continuing a trend from last year after reaching a record high in 2022. That’s the projection of analysts at BMI, a Fitch Solutions company, in a report sent to Rigzone recently. The country’s LNG exports are estimated to fall to 3.425 trillion cubic feet in 2024 after reaching a record high of 3.567 tcf in 2022, the analysts stated.

The analysts said in the report that the expected decline in 2024 is due to anticipated delays in the feed gas supply for the Darwin LNG project and the shutdown of production trains at North West Shelf LNG, also due to less gas coming into the plant. Australia's LNG exports slightly decreased to 3.531 tcf in 2023, primarily because of lower production from the NWS LNG project, suspension of Darwin LNG production

following the loss of feed gas supply from the Bayu-Undan field, and the maintenance shutdown of Shell's Prelude LNG project in the third quarter of 2023, the analysts said.

The analysts noted that Woodside Energy is expected to take one liquefaction train of its NWS LNG plant offline in 2024, while fellow operator Santos' Darwin LNG will remain idle as it prepares to receive feed gas backfill from the Barossa field, scheduled for first gas in 2025. The analysts highlighted that legal risks to new gas projects could delay natural gas production and transportation intended for LNG production.

LNG prices in Asia highest since January over Mideast escalation

(Bloomberg; April 17) - Asian liquefied natural gas prices jumped to the highest level since early January amid anxiety that Israel's response to Iran's attack over the weekend may spiral into a wider conflict. The North Asian spot rate topped $11 per million Btu on April 16 and has climbed around 40% since the end of February, according to traders. That followed a similar gain in Europe, which competes with Asia for LNG. Traders are exiting short positions as they evaluate the possibility of a broader escalation in the Middle East, helping to lift prices.

Gas prices in Asia and Europe have rebounded after sliding to the lowest level since 2021 in February on high inventories and mild winter weather. However, the rally may run out of steam because the rising cost of LNG is expected to curb demand from price-sensitive emerging nations in Asia. The worst-case scenario of an escalation of hostilities in the Middle East would be Iran closing the Strait of Hormuz — a key conduit for roughly 20% of all LNG trade.

Kazakhstan adds to damages claims against oil companies

(Bloomberg; April 17) - Kazakhstan has increased its arbitration claims against companies that developed the Kashagan oil field to more than $150 billion, demanding compensation for lost revenue in addition to a dispute over costs, according to people familiar with the matter. Kazakhstan's government was already involved in a $15 billion arbitration over production costs at the giant field, which has been beset by delays, technical difficulties and cost overruns since development began over 20 years ago.

The latest claim is for as much as $138 billion in lost revenue, reflecting the calculation of the value of oil production that was promised to the government but not delivered by the field developers, the sources said. The row underscores the difficulty of operating in Central Asia's largest oil-producing nation, where major international companies face challenging environmental and geological conditions, plus a government that takes a robust approach to maximizing value from its production-sharing agreements.

Companies including Eni, Shell, ExxonMobil and TotalEnergies invested about $55 billion to develop Kashagan, which currently produces just under 400,000 barrels a day of oil. While the field was one of the biggest discoveries in decades, it also brought numerous technical challenges, from a sea that is frozen for almost half the year to a reservoir that contains high concentrations of poisonous gas. Before the latest increase in claims, Kazakhstan was already alleging that the Kashagan field partners should not have deducted $13 billion of costs from the revenue received by the government.