Oil and Gas News Briefs
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Report says EU demand for LNG imports will likely peak this year

(Bloomberg; April 19) - The European Union's demand for liquefied natural gas, which provided a key lifeline during the energy crisis, will likely peak this year as the region accelerates its renewables transition, according to the bloc's energy regulator. If renewable "targets are fully met, the gas demand reduction foreseen by 2030 will be slightly over 200 billion cubic meters relative to 2019," about 7.3 trillion cubic feet total in less overall EU demand for LNG, according to an Agency for the Cooperation of Energy Regulators' report released April 19.

From 2027, the bloc will be over-contracted for gas, but flexible agreements should mean that "such contractual surpluses should be easily manageable" and diverted elsewhere, the report said. The data adds to evidence that Europe's energy crisis, which sent gas prices soaring to all-time highs, is at its end even as the continent becomes the world's largest importer of LNG. It also means that the U.S. decision to halt fresh projects for the export of the fuel is unlikely to have a significant impact for the bloc's energy security as its roll-out of renewables accelerates.

The report said the EU's LNG demand may even have topped out last year unless the upcoming winter is a particularly cold one. Still, the EU's dependence on Russian LNG supplies is far from over even as it looks to phase out all fossil fuels from the country by 2027. Last year Spain received almost 40% of the imported LNG that came to Europe's shores, with a third going to France and a fifth to Belgium. These are mostly the result of long-term contracts signed before 2022, ACER said.

Spanish LNG import terminal operator plans move into cleaner fuels

(Bloomberg; April 19) - Enagas, Europe's largest LNG import terminal operator, is planning to enter the business of processing ammonia and carbon dioxide as it seeks to gradually diversify away from natural gas distribution and into markets that will gain importance with the energy transition. "We intend to include in our strategic update, which will be presented within this year, our participation in the CO2 and ammonia businesses from the infrastructure point of view," CEO Arturo Gonzalo said in Madrid.

The move is part of the Spanish company's effort to capitalize on its large gas infrastructure to create new sources of income linked to clean energy and carbon-emissions reduction as profits from its regulated assets ebb. The race to slow down climate change will increase the need to transport CO_2 for permanent sequestration in geological formations, while ammonia is used to transport hydrogen.

“We think there’s going to be an infrastructure side to these businesses. You’re going to need hardware, loading facilities, tanks,” said Gonzalo. “All of that can be provided by Enagas in the most competitive way.” Shifting from gas to ammonia is already an option in the long-term offtake agreement for Germany’s first land-based, liquefied natural gas import terminal, which Enagas will operate. Liquid ammonia is denser than LNG, so readapting gas tanks would reduce their capacity to about 70%, but an LNG gas plant is still the “best place” to liquefy amonia, as well as to liquefy C02, he said.

U.S. utility CEO sees role for gas while moving to decarbonization

(S&P Global; April 16) - An all-the-above approach to U.S. energy resources that includes traditional nuclear power and small modular reactors will be critical to achieving an effective energy transition but, in the near term, it appears there is a role for natural gas to play in helping meet growing power demand while continuing to decarbonize, Lynn Good, the CEO of Duke Energy, said April 16. Duke, an electric power and gas provider, is the largest operator of regulated nuclear power plants in the U.S.

After more than a decade of mostly flat U.S. power demand growth, utilities have recently increased their electricity consumption growth forecasts because of an uptick in domestic manufacturing, data center demand and other drivers, Good said during the 2024 Columbia Global Energy Summit in New York City. "I would say over the past 18 months the expansion of demand has extended far beyond electrification ... and we are seeing demand at a pace that we have probably not seen since the 1980s or 1990s.”

Good said that in the near term, Duke is expecting power demand to climb by 1.5% to 2% annually and may move beyond that. Over the next 15 years, Duke Energy forecasts power demand to grow at an average annual rate of 2.5%, with about 40% of that expected to come from greater adoption of electric vehicles, according to a Duke Energy blog post from March. In addition, many of the manufacturers and data centers supporting artificial intelligence are 24/7 energy users, Good said.

The Netherlands will permanently close gas field linked to quakes

(Journal of Petroleum Technology; April 21) - The Dutch Senate has voted to permanently halt natural gas production from the Groningen field located in northeast Netherlands. Production from the field, operated by NAM — a Shell/ExxonMobil joint venture — has been linked to seismic activities that have caused damage to buildings in the area. The Senate originally pushed back on a proposed law that would halt production from the field by Oct. 1, with certain members seeking guarantees to ensure that the move did not jeopardize the security of gas supply for the nation.

Gas production at the field ceased last October, following years of output cuts. However, during a cold snap in recent months, the field was temporarily available for limited production. In response to the Senate's concerns, the government has assured that the risk regarding security of gas supply is minimal and would occur only if the country encountered two exceptionally cold winters in a row, according to Reuters.

Shell and ExxonMobil have asked an arbitration court to decide whether they should receive compensation from the Dutch government for halting production at Groningen, which still has huge gas reserves. The Dutch treasury has received approximately EUR 363 billion ($391.13 billion) since production began in the 1960s. Shell and Exxon's profit from Groningen has been around EUR 66 billion. Groningen was discovered in 1959 and is the largest gas field in Europe. Estimates put the field's remaining, recoverable gas reserves at almost 16 trillion cubic feet.

California refinery operators buy Canadian oil sands crude

(Bloomberg; April 19) - Valero Energy and Chevron are buying oil shipped through Canada's newly expanded Trans Mountain Pipeline for their California refineries, according to people familiar with the shipments, a sign that U.S. West Coast may become a significant market for oil sands crude. The cargoes of a heavy-grade crude from the oil sands will be loaded in June out of the terminal near Vancouver, according to the people, who asked not to be identified because the information is private.

The shipments — the first sales off the expanded pipeline to Western U.S. refiners — follow sales to China's Sinopec and Sinochem for delivery to Asia. The Trans Mountain expansion, which will almost triple the capacity of the only oil pipeline system running from Alberta to Canada's Pacific Coast, is scheduled to enter commercial operation on May 1 after years of construction delays and cost overruns.

While the new pipeline was built to help break Canada's near-total dependence on sales to U.S. Midwest and Gulf Coast refiners by providing an outlet to Asia, some analysts argue that West Coast refineries may become the preferred market. That's because they're closer and Trans Mountain can only load smaller Aframax tankers that are able to access the Vancouver terminal — not the supertankers that serve Asia.

China's imports of Russian oil just short of record in March

(Reuters; April 20) - Russia remained China's top oil supplier in March, data showed on April 20, as refiners snapped up stranded Sokol oil shipments. China's imports from

Russia, including supplies via pipelines and seaborne shipments, jumped 12.5% on the year to an average of 2.55 million barrels per day last month, according to data from the General Administration of Customs. That was quite close to the previous monthly record of 2.56 million barrels per day in June 2023.

Seven Russian tankers under sanctions offloaded cargoes in Chinese ports in March, as Russia worked to clear a glut of stranded oil in the wake of tightened U.S. sanctions. More than 10 million barrels of the oil supplied by Russia’s Sakhalin-1 project, a unit of Rosneft, had been floating in storage over the past three months amid payment difficulties and sanctions on shipping firms and vessels carrying the crude. Stockpiling of Russian oil in strategic reserves by state-owned CNOOC also boosted imports.

Data from consultancy Kpler forecast seaborne shipments from Russia hitting a record high of 1.82 million barrels per day to China, including 440,000 of Sokol and 967,000 of ESPO grade crude. Russia was China's top supplier throughout 2023, despite Western sanctions and a price cap following the Kremlin's 2022 invasion of Ukraine.

Russia top oil supplier to India for second year in a row

(Reuters; April 19) - Russia became the top oil supplier to India during the fiscal year 2023/24 for a second year in a row, squeezing the market share of Middle Eastern and OPEC producers to historic lows, ship tracking data from industry sources showed. New Delhi has been gorging on Russian oil sold at a discount after Western nations shunned purchases and imposed sanctions on Moscow over its invasion of Ukraine. As a result, Russia is now the top supplier to the world's third-largest oil importer.

India has continued to buy Russian oil despite problems posed by a raft of sanctions aimed at reducing Moscow's oil revenue to fund the war. Russia is an ally of the Organization of the Petroleum Exporting Countries, but it has eaten into the share of India's crude diet from key OPEC producers in the Middle East. Russia accounted for about 35% of India's overall 4.7 million barrels per day of crude oil imports in the fiscal year to March 31 compared with about 22% a year ago, the data shows.

India imported 1.64 million barrels per day of Russian oil in fiscal 2023/2024, up about 57% from the previous year, the data shows. In contrast, the share of Middle Eastern oil in India’s imports fell to an all-time low of 46% from 55% the year before.

Pop-up companies increasingly handle Russian oil trade with India

(Bloomberg; April 18) - As the U.S. intensifies sanctions pressure on Moscow, Russia’s crude oil trade with India has begun to resemble a game of oil whack-a-mole. Just as one trader begins to lose prominence, another pops up. New firms, going by names unfamiliar to even the most experienced merchants across Asia, have been constantly emerging to handle shipments between the OPEC+ producer and the world's third-largest importer and consumer, according to traders and Indian refinery executives.

Highlighting the difficulties of sanctions enforcement, the new firms are often connected to the same individuals. Many of the new entities have become marketers of Russian grades only in the past few months, sources said. The companies form an ever-evolving network of transporters, creating a growing challenge for the Biden administration as it seeks to punish those helping to fund the Kremlin's war machine. The ability to adapt — including a churn of little-known entities — has long worried even sanctions advocates.

Between January and February this year, three previously unknown entities have together played a significant role in supplying India's private and state processors with Russian crude, said traders and refinery executives, who asked not to be named. Traders said the ease of incorporating new businesses in locations such as Dubai and Hong Kong has been pivotal to the creation of pop-up firms. The advantage of smaller trading companies is that they're easily replaceable, with many firms existing for less than a year, said Viktor Katona, lead crude analyst at commodity intelligence firm Kpler.

Brazil's state-run oil company looks to expand offshore drilling

(Reuters; April 18) - State-run Petrobras has hit growing resistance from Indigenous groups and government agencies to its premier exploration project, which would open the most promising part of Brazil's northern coast to oil drilling. Environmental agency Ibama denied Petrobras a license for exploratory drilling offshore in the Foz do Amazonas area last year, citing possible impacts on Indigenous groups and the sensitive coastal biome. But a Petrobras appeal has drawn powerful political backing.

President Luiz Inacio Lula da Silva said in September that Brazil should be able to "research" the region's potential resources, given the national interest. Energy Minister Alexandre Silveira last week told journalists that it is "Brazil's right to know the potential" of the offshore fields. That has bolstered bullish rhetoric from Petrobras about its chances of getting a license to drill in the blocks off the coast of Amapa state.

"Get ready Amapa, because we are arriving," Petrobras CEO Jean Paul Prates said at an event last month promoting offshore exploration along the northern coast in an area known as Equatorial Margin. He has said he expects drilling to start in the second half of this year or sooner in the most promising part of the Equatorial Margin, named the Foz do Amazonas Basin, for the mouth of the Amazon River several hundred miles away. Foz de Amazonas shares geology with the coast of nearby Guyana, where Exxon is developing huge fields. It counts 600 types of native corals in 2000 species of fish.

U.S. policy change will limit Venezuela oil exports

(Reuters; April 18) - Venezuela's loss of a key U.S. license that allowed it to freely export and increase investment in its oil sector will hit the volume and quality of its crude and fuel sales while prompting a flurry of requests for individual U.S deal authorizations. U.S. officials had warned that absent progress by President Nicolas Maduro on implementing an electoral roadmap agreed last year, the U.S. would not renew the license, which since October had eased oil sanctions in place for the past five years.

On April 17, the U.S. Treasury gave companies 45 days to wind down pending transactions under a more restrictive license. The period could allow departures by some supertankers chartered by customers of state company Petroleos de Venezuela, or PDVSA, which had waited for months to load in Venezuela, but others might need individual U.S. authorizations to complete their purchases.

Washington said it would process specific authorization requests for doing business with Venezuela. Many companies have waited for years to have energy deals involving Venezuela approved. Authorizations previously granted to oil firms including Chevron, Repsol and Eni were not withdrawn, which secures Venezuela's oil flows to the United States and Europe. But the U.S. Treasury Department said entering into new business arrangements or investments previously authorized "will not be considered wind-down activity," casting doubts on what type of transactions will be allowed.

Louisiana attorney general leads lawsuit against LNG pause

(Energy Wire; April 18) - The Department of Energy upset the U.S. energy industry in January by unveiling a pause on new liquefied natural gas export approvals — and the uproar hasn't died down yet. The move has drawn praise from environmental groups and condemnation from the oil and gas sector. The department said the halt is so that it can update the economic and environmental analyses the agency uses when deciding if LNG exports are in the public interest. The pause spurred a lawsuit led by Liz Murrill, Louisiana's first female attorney general, and 15 other state attorneys general.

Murrill, a Republican, said the LNG freeze is linked to the election in November, where President Joe Biden likely will face former President Donald Trump. Some lawmakers and oil and gas executives have said the pause could be used to curry favor among green groups and climate-focused voters. "It seems to me like it's 100% tied to this election," she said. Murrill was elected state attorney general in November, and has come out swinging with lawsuits against Biden administration policies and rules.

The Biden administration has not given a hard deadline for when the pause will end, but Energy Secretary Jennifer Granholm said in March that the freeze would be in the rear-view mirror within a year. The U.S. is the world's largest LNG exporter, with seven terminals operating on the Gulf and Atlantic coasts. In January, the U.S. exported more than 396 billion cubic feet of LNG to 30 countries — an 18% increase over January 2023, according to a Department of Energy report released late last month.

Texas developer will start FERC process for mid-sized LNG plant

(LNG Prime; April 18) - Houston-based Gulfstream LNG is seeking approval from the Federal Energy Regulatory Commission to initiate the environmental pre-filing review for its mid-sized onshore LNG export project in Louisiana. Project representatives led by Vivek Chandra met with FERC staff on March 27 to introduce the project and discuss the pre-filing process, according to a filling dated April 16.

Upon completion of the pre-filing process, Gulfstream LNG intends to file later this year its application with FERC seeking authorization to construct and operate the plant, with a 2027 target to start construction and 2030 for production start-up. Gulfstream LNG plans to build a three-train plant with a capacity of 4 million tonnes per year, equivalent to about 700 million cubic feet per day of gas.

The facility will be located on an approximately 418-acre leased site with more than two miles of frontage on the Mississippi River, south of town of Belle Chasse, Plaquemines Parish, Louisiana. Gulfstream LNG last year selected Baker Hughes, Honeywell UOP and Kiewit as the company’s technical partners for the project. The developer also will need Department of Energy export approval, but such approvals are on hold while the department reviews its criteria to judge whether LNG exports are in the public interest.

Industry guesses at future of ice-class LNG carriers built for Russia

(S&P Global; April 17) - LNG shipping market participants are divided over the fate of six Arc7 ice-class LNG carriers under construction in South Korea, originally meant for the Russian Arctic LNG 2 project operated by Novatek. The icebreaking carriers are ideal for LNG shipping from Arctic regions. However, because of geopolitical tensions against Russia's invasion of Ukraine, Western sanctions have made these vessels extremely unattractive to operate and their future use is uncertain, particularly as buyers move away from Russian LNG in favor of the U.S. and Middle East.

"Arc7 vessels are very specialized and hence a pricy carrier," a shipbroker said. "It’s not feasible and efficient to use it as a conventional carrier, so there aren’t many solutions." Some sources have said a conversion into floating storage and regasification units (FSRU) would be impractical, adding they were more likely to be used as conventional LNG carriers. "An FSRU seems to me an even more radical idea, as you have an abundance of older tonnage which perfectly fits for retrofitting purposes" a broker said.

Because of Russia's war in Ukraine, embargoes and sanctions have halted the feasibility of these vessels. However, in the longer term, shipping of Russian LNG is likely to resume, according to some market sources, allowing these ships to return to the Arctic Sea. Another shipbroker said: "They will mostly work as LNG carriers for some time. ... As things will change in future she will go back to Arctic trade."

Nigeria says Shell will supply gas for $3.8 billion methanol plant

(Reuters; April 18) - Nigeria has struck a deal for Shell to supply gas to its proposed $3.8 billion Brass methanol facility, resolving a major hurdle to a final investment decision on the project, the minister of state for gas said on April 18. Nigeria, which holds Africa's largest natural gas reserves of more than 200 trillion cubic feet, has struggled to tap the commodity due to capital constraints and a lack of infrastructure.

Minister Ekperikpe Ekpo said in a statement that the gas supply and purchase agreement, crucial for the project, will be executed next month following successful talks with Shell's Nigeria CEO and executives from other companies involved. The agreement will secure a long-term gas supply from a Shell-operated joint venture for the methanol production facility that will be built on Brass Island in the oil-rich coastal Bayelsa state. The project includes a gas processing plant, a methanol production and refining site, and product export facilities.

Public comments raise climate concerns over BC LNG project

(Vancouver Sun; April 18) - The public continues to voice concerns about the impact on the climate from potential increased greenhouse gas emissions from the Nisga'a-led C$10 billion Ksi Lisims liquefied natural gas export project in northwestern British Columbia. That is despite the project partners, which include Canadian gas producers and a Texas-based gas exporter, saying they will be able to meet the province's net-zero carbon emission policy for new LNG projects announced last year.

The Nisga'a, Rockies LNG Partners and Houston-based Western LNG say they will meet the standards largely with a 65-mile transmission line to hook up to the BC Hydro electricity grid, removing the need to run their liquefaction units with gas-powered electrical generation. The project is proposed for First Nations land near the British Columbia-Alaska border. The climate change concerns were outlined in a public feedback report released this month by the B.C. Environmental Assessment Office.

The project has yet to be accepted for final review by B.C. regulators, pending responses from the project partners to the recent feedback. If the responses to the feedback are deemed acceptable, the project would go through a150-day assessment phase, which also includes another public comment period. The project partners have said they have a high degree of confidence that transmission lines in northwest B.C. will be upgraded to provide power for projects such as LNG plants, though critics are not convinced the grid will be able to handle the additional load.