Oil and Gas News Briefs
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Price will matter a lot in future LNG demand growth

(Bloomberg; April 3) - The fossil fuel industry has long touted natural gas as a reliable bridge to a low-carbon world. But as the main sources of demand shift to emerging markets, affordability will play a greater role in the commodity’s future. The likes of Shell and Woodside Energy expect liquefied natural gas consumption to rise more than 50% through 2040. Their optimism is underpinned by explosive growth in the developing world — particularly China, India and Southeast Asia — as it moves away from coal.

That’s a major change for the global LNG industry, which for much of its 60-year history has been dominated by richer nations. Utilities in Japan and the U.K. have been willing to pay almost any price — either for long-term contracts or more recently spot cargoes — to ensure energy security. From here on out, however, demand growth will rely on poorer countries that are happy to use cheaper — and usually dirtier — alternatives.

Some suppliers, such as Qatar, understand the change and how it will affect the market. That’s why the Persian Gulf nation, a low-cost producer, is going ahead with a massive expansion that will unleash a flood of LNG exports later this decade. Meanwhile, though LNG prices are down, they are roughly a third higher than the 2015-2020 average. That is probably not low enough to sustain strong buying from Asia’s emerging markets. LNG suppliers shouldn’t take demand growth for granted. The new batch of buyers is looking for the best deals. If the price isn’t right, LNG may end up being a bridge to nowhere.

Morgan Stanley forecasts LNG oversupply in coming years

(CNBC; April 1) - The recent heyday in liquefied natural gas trade has boosted prices and profits, spurring a wave of investment. More than 150 million tonnes per year of LNG export capacity is under construction, marking a "record wave of expansion," Morgan Stanley said in a recent note. For a market that currently stands at over 400 million tonnes per year, it represents "significant supply growth,” the analysts said. "We expect gas market oversupply to reach multi-decade highs over the coming years.”

"Global natural gas prices have been trending downward, owing to mild winter conditions experienced in the Northern Hemisphere regions like the U.S., Europe and North Asia," Zhi Xin Chong, S&P Global's head of emerging Asia gas and LNG markets, told CNBC. The resulting higher-than-average storage levels have had a "major impact on prices" which have been trending downward since October, he added.

"Countries in Europe will definitely benefit the most from these low prices," Chong said. Other key beneficiaries include India and Southeast Asia, said Morgan Stanley. Lower LNG prices benefit India and Thailand the most as imported gas constitutes 30% to 50% of their energy supplies. India's gas demand is among the most elastic, meaning consumers would buy more as prices fall.

U.S. set gas production record in 2023; leads world in LNG exports

(The Hill; April 1) - The U.S. was the world's largest exporter of liquified natural gas in 2023, according to federal data released April 1. U.S. exports of the fossil fuel last year surpassed those of major exporters Qatar and Australia, and amounted to 12% more U.S. gas than in 2022, the Energy Information Administration said. The increase comes as Europe, the primary customer for U.S. gas exports, is looking to move away from its major supplier, Russia, in the wake of that country's 2022 invasion of Ukraine.

It also comes as the Biden administration is facing increasing political pressure — particularly from climate activists — over the nation's gas exports. In response to objections to the growing gas exports, the administration paused approvals for new LNG export projects earlier this year — though that pause does not impact existing exports or projects that are already under construction. The U.S. broke records for gas production last year, and by December wells across the Lower 48 states were generating nearly 106 billion cubic feet of gas per day, exporting about 12% of it.

Experts have also debated the environmental impacts of U.S. natural gas exports, given that the fuel does contribute to climate change but displaces even-dirtier coal in some nations. High oil and gas production numbers have presented a political tightrope for the Biden administration — as it seeks to show Democrats that it is taking climate action seriously, while also combatting Republican attacks over not being friendly-enough to fossil fuels. U.S. LNG export levels set records in November and December.

Qatar LNG carrier fleet expansion now totals 104 ships

(Gulf Times; March 31) - QatarEnergy's historic fleet expansion now totals 104 new LNG carriers after long-term charter agreements with four international shipowners for the operation of 19 more vessels. "Today's signings form a significant milestone in QatarEnergy's LNG fleet expansion," said Minister of State for Energy Affairs Saad Sherida al-Kaabi, who also is CEO of QatarEnergy. "(It's) a massive undertaking that is the largest shipbuilding and leasing program ever in the history of the industry."

"These ships will support our expanded LNG production capacity from the North Field in Qatar and Golden Pass (Texas) in the U.S., while also meeting our long-term fleet replacement requirements," al-Kaabi added. The $10 billion Golden Pass LNG export project — with ExxonMobil as a 30% partner — is scheduled to start operations next year. Qatar's expansion of its own LNG production capacity from 77 million tonnes a year to 126 million tonnes is scheduled for completion by 2027.

Tanker shortage forces Novatek to halt production at Arctic LNG plant

(Reuters; April 2) - Novatek, Russia's largest producer of liquefied natural gas, has suspended production at its Arctic LNG-2 project due to sanctions and a shortage of gas tankers, sources told Reuters on April 2. Novatek had been hoping to start commercial deliveries in the first quarter of this year, but plans were complicated last year when it was included in Western sanctions over Russia's war on Ukraine, prompting foreign shareholders to freeze participation and Novatek to issue a force majeure on deliveries.

The decision to suspend liquefying natural gas to LNG is a blow to Russia's goal to capture a fifth of the global LNG market by 2030-2035. It is currently the world's fourth-largest LNG producer, with annual exports of 32.6 million tonnes. Novatek started tentative LNG production at the first of its new plant's planned three trains in December. "Train one will remain shut until at least the end of June," one of the sources told Reuters, adding that construction activities for the project were still ongoing.

The other two liquefaction trains are due to be delivered to the site by sea in the future from the port of Murmansk, where they are being assembled atop massive platforms. The three trains are together targeted to produce 19.8 million tonnes per year of LNG and 1.6 million tons per year of gas condensate. The sources said the main problem was a lack of specialized tankers capable of transporting LNG and cutting through thick sea ice. Russia faces challenges in getting the ships, as Western sanctions have stopped delivery of six of the ships from the South Korean shipyard whey are built.

Novatek could scale back Arctic LNG project due to tanker shortage

(Reuters; April 4) - Russia's Novatek is being forced to scale back its $21 billion Arctic LNG-2 project after Western sanctions curbed its access to ice-class tankers and will focus instead on developing its gas export project at the ice-free port of Murmansk, industry sources said. Russia has been focusing on developing global sales of seaborne LNG to make up for a drop in pipeline gas exports to Europe.

The possible scaling back of the Arctic LNG-2 plant in the Gydan Peninsular would complicate Moscow's goal to boost its share of the global LNG market to a fifth by 2030-2035 from around 8% currently. The project had been due to become Russia's largest such plant with eventual output of 19.8 million tonnes per year of LNG and 1.6 million tonnes per year of stable gas condensate from three production trains.

The company began liquefied natural gas production at the first train in December but has been behind schedule in supplying its first cargoes amid shortages of ice-class carriers which are essential to delivering cargoes from the Arctic facility. Sources have said that liquefaction operations have now been suspended at the plant. Its second and third lines were due to begin operations in 2025 and 2026, respectively, with its second production train under construction at a plant in the Murmansk region.

However, the third train could be used instead at the Murmansk LNG plant announced by Novatek last June. The Murmansk project is slated to be even larger than Arctic LNG-2, with eventual output of 20.4 million tonnes per year. It is projected to start production by the end of 2027, with full operations in 2029. One of the advantages of the Murmansk project would be its access to the ice-free port in the Barents Sea.

Chinese builder delivers next module for Russian LNG project

(The Barents Observer; April 3) – A 525-foot-long heavy-load carrier pulled into the industrial hub near the Russian port city of Murmansk on March 31 to deliver a massive production module for the second liquefaction train destined for the Arctic LNG-2 project several hundred miles away. The heavy-load delivery ship had sailed for 2½ months from a Chinese construction yard, traveling around the southern end of Africa rather than transiting the icy waters of the Northern Sea Route across Russia.

With the delivery of the module, Novatek, the operator of Arctic LNG-2, is likely to soon complete construction of its second liquefaction unit atop a gravity-based production platform for the project. The building of the first unit was finished in 2023 and towed to the project site on the coast of the Gydan Peninsula. Each of the three units planned for the project has a production capacity of 6.6 million tonnes per year. According to plan, the second unit is due to be towed to Gydan this fall and start production in early 2025.

It is not clear whether Novatek will be able to build the third production unit as planned. Following the introduction of international sanctions in early 2022, Novatek was forced to look for alternative manufacturers of technology for the project. So far, Chinese companies have helped out. But international sanctions are increasingly complicating the development of the project. Novatek reportedly has halted LNG production at its first liquefaction unit as sanctions have created a shortage of tankers to deliver the fuel.

No change in OPEC+ policy as global oil benchmark pushes $90

(Reuters; April 3) - A meeting of senior OPEC+ ministers kept oil output policy unchanged and pressed some countries to increase compliance with output cuts, a decision that spurred international crude prices to their highest in five months at nearly $90 a barrel. A ministerial committee of the Organization of the Petroleum Exporting

Countries and allies led by Russia, known as OPEC+, met online on April 3 to review the market and members' implementation of output cuts.

Oil has rallied this year, driven by tighter supply, attacks on Russian energy infrastructure and war in the Middle East. Brent crude rose to trade near $90 on April 3, its highest since late October 2023, after the meeting ended. "OPEC+ decided to stick with oil supply cuts for the first half of the year, keeping global markets tight and potentially sending prices higher," said Saxo Bank's Ole Hansen.

OPEC+ members, led by Saudi Arabia and Russia, last month agreed to extend voluntary output cuts of 2.2 million barrels per day until the end of June to support the market. In a statement following the April 3 meeting, OPEC+ noted the "high conformity" of members with pledged oil output cuts, although it said some countries had promised to improve their adherence and report on progress. The panel scheduled its next meeting for June 1, the same day as the next full OPEC+ meeting to decide policy.

Iraq oil production still exceeds OPEC+ target

(Bloomberg; April 3) - Iraq again missed its OPEC+ oil production target in March, potentially setting itself up for added scrutiny as the alliance prepares to review the country’s plan for supply. OPEC’s second-biggest producer pumped 4.17 million barrels per day last month, 30,000 less than in February, according to a Bloomberg survey. While that’s Iraq’s lowest output level this year, it’s still about 170,000 barrels per day more than pledged as the alliance curbs production to prop up the market.

Oil Minister Hayyan Abdul Ghani last month said the country would trim both output and exports, after breaching its production quota in January and February. In an OPEC+ committee meeting on April 3, Iraq again pledged “to achieve full conformity as well as compensate for overproduction,” according to a statement after the talks. It’s expected to submit a detailed plan by the end of April. Iraqi output has been a matter of debate in recent months. Data from OPEC shows the country has exceeded its production target with the group since July. Baghdad has a long history of breaking its output pledges.

Mexico to curb oil exports to keep crude for its own refineries

(Bloomberg; April 1) - Mexico’s state-controlled oil company plans to halt some crude exports over the next few months, a move that would cut supply from a tightening global market. Petroleos Mexicanos, also called Pemex, canceled contracts to supply its flagship Maya crude to refiners in the U.S., Europe and Asia, according to people with knowledge of the matter, who asked not to be named because the information is private.

The export cut, coming at a time when OPEC and its allies are already curbing output, threatens to drive up prices that are at a six-month high. Physical supplies — especially heavier, sour grades such as Maya — are tightening even further with Venezuelan exports set to fall after the reinstatement of U.S. sanctions on its oil industry. JPMorgan Chase last week warned that global benchmark could reach $100 a barrel this year.

Pemex's plan to suspend some exports is part of an effort to produce more domestic gasoline and diesel ahead of the June 2 presidential election, the people said. President Andres Manuel Lopez Obrador, whose term is coming to an end, won office with the promise of weaning the country off of costly fuel imports. In February the country's six refineries operated near the highest rates seen in more than six years. Oil use should keep rising as Pemex works to start commercial operations of the new Olmeca refinery, also known as Dos Bocas, with capacity to process 340,000 barrels of crude a day.

A lot more than just oil at stake in Chevron/Exxon dispute

(Bloomberg; April 3) - The prize is called Stabroek — a series of oil fields off the coast of Guyana, the Latin American nation bordering Venezuela and Brazil. The potential riches are incredible — about 11 billion barrels of oil. But Stabroek is now at the center of a legal battle that hinges on the meaning of a few words contained in a secret partnership document, probably about 100 pages long, that details the operating agreement for Stabroek. The outcome of arbitration proceedings could reshape Big Oil.

ExxonMobil owns a large chunk of Stabroek, having been part of the consortium that found oil there in 2015. Chevron is now trying to muscle in, after announcing a deal in October to buy Hess in an all-stock transaction worth $60 billion, including debt. Hess is a partner in Stabroek, owning 30% of the block. Exxon is the operator, controlling 45%, and Chinese state-owned giant CNOOC owns the remaining 25%. The Hess deal would give Chevron access to the Stabroek oil riches, transforming its long-term prospects.

But arch-rival Exxon has sued to block it, trying to open the door to control an even larger share of the oil riches and beef up its leadership position among Big Oil. It's a nasty fight — one that will remake either of the participants. If Chevron wins, it would secure an expansion of its production beyond the U.S. and its prized assets in Australia and Kazakhstan, helping to boost its valuation. But if Exxon prevails and boosts its stake in Guyana, it would consolidate its dominance over what many consider the most significant discovery of the past 25 years. For the future of Big Oil, there's a lot at stake.

New $20 billion refinery starts production in Nigeria

(Reuters; April 2) - Nigeria's Dangote oil refinery started supplying petroleum products to the domestic market on April 2, a company executive and fuel marketing associations said, a major step in the country's quest for energy independence. The refinery, Africa's largest, was built on a peninsula on the outskirts of the commercial capital Lagos at a cost of $20 billion by the continent's richest man, Aliko Dangote, and was completed after several years of delays. It can refine up to 650,000 barrels per day and will be the largest in Africa and Europe when it reaches full capacity this year or next.

The Dangote refinery is touted as the turning point to end Nigeria's reliance on imported petroleum products. Nigeria is Africa's most populous nation and its top oil producer, yet it imports almost all its fuel due to lack of refining capacity.

Oil and gas drillers consider small nuclear reactors to run operations

(Bloomberg; April 1) - U.S. oil and gas companies including Diamondback Energy are considering small nuclear reactors to power drilling operations in Texas' Permian Basin, a move aimed at cutting carbon emissions and ensuring reliable access to electricity. Diamondback, the largest independent producer headquartered in the shale oil region, has signed a nonbinding letter of intent with Oklo Inc. to deploy small reactors for some of its future power needs, according to Diamondback President Kaes Van't Hof.

Oklo, which is developing an advanced fission reactor, has held similar discussions with other oil companies, its chief executive officer said in an interview. Permian producers have increasingly shifted their operations from diesel generators to electricity supplied by the power grid. But the Texas grid can be shaky, especially in remote parts of the oil patch. A drilling site with its own nuclear plant would offer reliability without greenhouse gas emissions, since reactors generate power without spewing carbon dioxide.

"Small nuclear reactors could make sense as a low-cost, low-carbon, high-reliability alternative energy source for a company like Diamondback whose energy needs continue to increase," Van't Hof said by email. It won't happen soon, however. Oklo and other companies developing small reactors are years away from delivering commercial systems. Oklo's 15-megawatt system would be far smaller than the conventional reactors used today, which typically produce 1,000 megawatts of electricity. (A megawatt is enough to power 200 typical Texas homes.)

Persistent drought in Western Canada will cost oil and gas drillers

(CBC News; April 3) - Persistent and severe drought conditions across Western Canada could have a devastating effect on the oil and gas sector, which has drilling operations in some of the driest areas, according to a new report by Deloitte. Limited water supply could have significant effects on the production of oil and gas, the report warns, and the timing couldn't be worse for the industry as many companies are wanting to increase production and drilling with new export pipelines and facilities nearing completion.

The past several years have been parched in parts of Western Canada, but there is extra concern this year because of the below-average snowpack in the mountains. "It's not going to be as simple to just pipe fresh water in. You may need to move it and truck it to different locations," said Andrew Botterill, an energy analyst with Deloitte Canada, in an interview with CBC News. Trucking in water and recycling water will result in more "expensive and complicated" operations for companies, he said.

The amount of water used to produce oil and gas can vary, with drilling activity in some regions using up to 10 times more water than other areas, depending on geological factors, according to the Alberta Energy Regulator. Water is used for drilling and for fracking — where a high-pressure mixture of water, sand and chemicals is injected into an underground rock formation to create cracks and access oil and natural gas. Using recycled water can impact the effectiveness of drilling, which can increase costs.

Saudi Aramco will spend billions to expand gas processing volume

(Bloomberg; April 2) - Saudi Aramco is moving ahead with plans to expand the Fadhili gas processing facility in the kingdom's Eastern Province as part of its strategy to tap vast and underdeveloped gas resources. The state-run company has awarded contracts worth $7.7 billion to expand the plant to 4 billion cubic feet per day from 2.5 billion. Korea's Samsung Engineering and GS Engineering & Construction were selected for engineering contracts alongside local firm Nesma & Partners Contracting Co.

Global demand for natural gas has surged over the past three years as countries turn toward cleaner-burning fuels and European nations that traditionally sourced most of their gas from Russia look for alternative suppliers. Saudi Arabia has some of the biggest gas reserves in the world. Aramco is developing the Jafurah field, which is estimated to hold 200 trillion cubic feet of gas, and other fields which will supply the domestic market and be used to make blue hydrogen, it has said.

Global LNG trader obtains financing from two Japanese banks

(LNG Prime; April 1) - Commodity trader Trafigura has secured a loan worth about $560 million from two Japanese banks to supply liquefied natural gas to a Japanese utility. State-owned Japan Bank for International Cooperation said in a statement it has signed a loan agreement for up to $390 million with Singapore-based Trafigura. JBIC said the loan is co-financed with Sumitomo Mitsui Banking, bringing the total co-financed to about $560 million, meaning that Sumitomo Mitsui will provide about $170 million.

The loan is intended to provide the funds required for a Japanese utility to import LNG from Trafigura, JBIC said. It did not provide the name of the utility. "Amid the growing global demand for LNG and the increasing uncertainty over resource prices, the loan, which supports the Japanese utility company in procuring term LNG through Trafigura, will contribute toward securing a stable supply of LNG, which is an important energy resource for Japan," JBIC said.

Trafigura buys LNG from various sources, including under a long-term deal with U.S. LNG exporting giant Cheniere. It recently signed LNG deals with Canada's largest natural gas producer Tourmaline as well.

Chevron signs MOU with Japanese firm to evaluate carbon storage

(World Oil; March 31) - JX Nippon Oil & Gas Exploration and Chevron New Energies, a division of Chevron U.S.A., have signed a memorandum of understanding that provides a framework to evaluate the export of carbon dioxide from Japan to carbon capture and storage projects in Australia and other countries in the Asia-Pacific region. The main objective is to evaluate the feasibility of the CCS value chain, including capture of CO2 emitted from industries located in Japan, including JX's affiliates, and transportation by ship from Japan to Chevron's greenhouse gas storage portfolio in Australia.

The collaboration will also explore the opportunity to develop suitable transboundary policies and the potential development of CO2 storage sites in other countries in the Asia-Pacific region. "JX has positioned CCS as an important initiative in its business strategy under its 'Two-Pronged' approach, in which, in addition to the conventional oil and natural gas development business, decarbonization initiatives centered on CCS/CCUS are another prong of the company's operations such as the Petra Nova CCUS project in Texas," said Tetsuo Yamada, executive vice president of JX.

Privately run Chinese company wants back into gas business

(Reuters; April 1) – Privately run Chinese power company GCL Holdings is rebuilding its natural gas business after offloading hundreds of solar installations as part of its new plan to set up gas import capacity and also a gas trading operation, company officials said. If successful, GCL would join second-tier liquefied gas players in China such as city-gas companies ENN and Beijing Gas Group that aim to ramp up imports of the fuel alongside state majors to meet growing demand from the world's top energy user.

GCL's return to gas after several years comes as global spot LNG prices have fallen to near three-year lows on growing supply, and as demand is set to expand in China which reclaimed its title as the world's top LNG buyer last year. The group's Hong Kong-listed unit GCL New Energy Holdings last month hired Xiong Xin, former vice president of ENN Natural Gas, as head of gas trading to lead a team based in Beijing that will expand to about 20 people by year-end, company executives told Reuters.

Once China's largest privately controlled solar power producer, GCL entered the gas business about a decade ago and had rights to explore for hydrocarbons in Ethiopia. By 2018, it had plans to invest billions of dollars to build five LNG receiving terminals along China's coast. But deep debt at its solar power generating unit, hurt by industry-wide overcapacity and Beijing's phase-out of subsidies, hobbled its gas ambitions until now.

China moving to remove price caps on residential gas

(Bloomberg; April 2) - Natural gas distributors in Chinese cities are likely to raise prices for households as the government moves to support the companies by insisting that they pass on more of the costs of imported fuel. The National Development and Reform Commission, the country's top economic planner, opened discussions in recent months with local authorities and major gas distributors to request they remove fixed household price caps by September, according to people with knowledge of the matter.

Removing curbs will probably lead to higher costs for residential gas consumers. The changes will also impact industrial consumers, who have previously paid higher prices for gas and will benefit as differing tariffs charged to households and businesses are abandoned in favor of market-based pricing. Distributors have typically had to supply households at fixed rates but pay market prices for the majority of their fuel, meaning profits were eroded by expensive imported liquefied natural gas.

China's government began easing rules last year, allowing more frequent updates to fixed rates for industrial or residential consumers. That helped to support earnings last year for gas distributors. Officials aim to now accelerate those reforms. Changes to pricing rules would make it more attractive for the firms to import additional LNG, as the low domestic fixed rates have been a deterrent for companies to stock up on supplies.