Oil and Gas News Briefs
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China's imports of Russian crude fall to lowest level of the year

(Newsweek; Aug. 22) - China has sharply reduced its imports of Russian oil in recent months, according to statistics from China's customs authority. Russian oil flows to China, from both pipelines and tanker shipments, fell to 1.76 million barrels per day last month, a year-on-year drop of 7.4% and the lowest amount so far this year. This figure marks a continuing decline. Russian oil flows to China in July were down by 22% since December and 30% since March, the Moscow Times reported.

It's a concerning trend for Russia, continuing even after President Vladimir Putin's high-profile talks with Chinese President Xi Jinping in May. Russia last year overtook Saudi Arabia as China's No. 1 source of fossil fuel, accounting for nearly one-fifth of the world's second-largest economy's oil intake. Russia has come to rely heavily on trade with China following international sanctions imposed over Moscow's 2022 invasion of Ukraine and the loss of much of the European market for its oil.

Meanwhile, China, the world's largest importer of crude oil, has ramped up shipments from Russia's competitors in other regions. Oil imports from Saudi Arabia were up by 13%, or 6.41 million tons, since July 2023, per Reuters. Oil shipments from China's third-largest source of oil, Malaysia, increased by 61% year-on-year. Malaysia is a major regional hub for oil shipments, including those reportedly from Iran and Venezuela, which are subject to international sanctions over their nuclear programs and political regimes, respectively. China did not report importing oil from either of these countries.

China's future demand for crude oil imports highly uncertain

(Reuters commentary; Aug. 22) - Is it time to ask whether China's crude oil imports have peaked? The world's biggest oil importer brought in record volumes last year, a feat that seems unlikely to be repeated in 2024 given the decline in arrivals in the first seven months. The market consensus so far, though, is that the weakness in 2024 is temporary and China's import of crude oil will resume an upward trend as soon as the world's second-largest economy regains momentum.

But what if there are structural changes to China's oil demand that could alter the path of its fuel consumption going forward? China's oil imports rose for 19 years from 2001, when they were just 1.2 million barrels per day, to 2020 when they hit 10.85 million, the second-highest total on record. While volumes then declined for two years, largely due

to China's strict COVID-19 lockdown, imports hit an all-time high of 11.29 million barrels per day in 2023. But in the first seven months of 2024, arrivals fell to 10.90 million.

Perhaps the biggest factor that may weigh on oil imports in 2024 and the coming years is China's transition to what it calls new-energy vehicles — fully electric cars and trucks and hybrids. Passenger car NEV sales for the first time exceeded internal combustion engines in July, said the China Association of Automobile Manufacturers. China's diesel demand is also softening, and the U.S. Energy Information Administration reported that it dropped by 11% in June from the same month in 2023. This is due to the slowdown in construction and the switch to LNG in trucks. It's likely that trend will accelerate.

Another factor likely to limit future imports is China's domestic production. Domestic oil production rose by 2.1% over the January to July period to 4.28 million barrels per day. While this is a modest gain, it shows that some imports are being displaced. It should also be noted that Beijing is likely very keen to lower crude imports, partly to cut its import bill, but also to lessen reliance on imported fuel that has historically been subject to sharp price swings and threats of supply disruptions.

Morgan Stanley trims global oil demand growth forecast

(Reuters; Aug. 23) - Morgan Stanley has lowered its global oil demand growth forecast for 2024, mainly due to China's slower economic growth, increased electric vehicle use there and a rise in the number of trucks in China powered by liquefied natural gas. The bank cut its global oil demand growth forecast for 2024 to 1.1 million barrels a day from 1.2 million. It also lowered its Brent price forecasts modestly and sees prices averaging $80 per barrel in the fourth quarter of 2024 compared to $85 per barrel previously.

The shift to LNG trucks has cut China's oil demand growth by 100,000 to 150,000 barrels per day, while gasoline displacement by EVs has reduced it by about 100,000 barrels, Morgan Stanley analysts said in a note dated Aug. 22. Additionally, growth in petrochemical capacity expansion — which boosts LPG, ethane, and naphtha consumption — has slowed due to low petrochemical margins, the note said.

The note chimes with last week's cut by the Organization of the Petroleum Exporting Countries in its oil demand growth forecast for this year and 2025, also citing softness in China. For now, the balance in the oil market is tight, with inventories being drawn down by about 1.2 million barrels per day in the past four weeks, a trend which is expected to continue for the rest of the third quarter, Morgan Stanley said. "However, with demand set to slow after summer, and both OPEC and non-OPEC supply to increase from the fourth quarter, we foresee a softening balance, turning to surplus in 2025," it added.

Escalating dispute threatens Libya’s oil exports

(Bloomberg; Aug. 26) - Libya’s eastern government said it will shut down crude output and exports, as a struggle with its Tripoli-based rival for control of the central bank and the nation’s oil riches threatens a new round of conflict. Brent crude jumped as much as 3.2% to above $81 a barrel, after the eastern authorities said Aug. 26 in a statement on Facebook that a “force majeure” applies to all fields, terminals and oil facilities. The country produced a total of about 1.15 million barrels a day of oil last month.

Waha Oil Co., which supplies Es Sider — the country’s largest export terminal — said it will start cutting shipments gradually. Sirte Oil Co. also said it will start reducing output. Deep-seated political divisions in Libya’s east and west, despite a 2020 United Nations-backed cease-fire deal aimed at ending their fighting, have often resulted in battles and blockades that target its most valuable resource. The nation sits atop Africa’s biggest known crude reserves, but production has suffered after a decade of political strife.

Libya has been wracked by unrest since the 2011 overthrow of dictator Moammar Al Qaddafi, with dueling governments undercutting efforts to revive the economic fortunes of the nation of 6.8 million people. Clashes between groups loyal to different factions or individuals frequently shut key fields as they vie for oil revenues. A row over who leads the central bank, the manager of billions of dollars of energy revenues, has been brewing for over a week, deepening political divisions and threatening a peace deal.

India top buyer of Russian crude in July

(Reuters; Aug. 22) - India overtook China as the world's biggest importer of Russian oil in July as Chinese refiners bought less because of lower profit margins from producing fuels amid weak demand, a comparison of import data showed. Russian crude made up a record 44% of India's overall imports last month, rising to a record 2.07 million barrels per day, 4.2% higher than in June and 12% more than a year ago, data on Indian shipments from trade and industry sources showed.

That surpassed China's July oil imports from Russia of 1.76 million barrels per day via pipelines and tankers, based on China’s customs data. India’s refiners have been gorging on Russian oil sold at discounts after Western nations imposed sanctions against Moscow response to Russia's invasion of Ukraine. "India's requirement for Russian oil is going to go up as long as there are no further tightening of sanctions," an Indian refining source said.

India's trade with Russia has increased since Russia began its war against Ukraine in 2022 mainly because of oil and fertilizer imports, a move helping to keep a lid on global prices and controlling inflation. India's rising purchases are changing the flow of Russian ESPO Blend crude from traditional Chinese buyers to South Asia. ESPO imports to India jumped in July to 188,000 barrels per day as larger vessels were used, according

to the data. Refiners in northeast China are typically the biggest ESPO buyers because of their close proximity, but their demand has fallen because of tepid fuel demand.

Another setback for new gas line from Russia to China

(Radio Free Europe; Aug. 21) - Mongolia's government voted not to include the Power of Siberia 2 natural gas pipeline that would connect Russia to China through its territory in its spending plans for the next four years, a sign that the megaproject may be on hold. Mongolia's new coalition government voted Aug. 16 on its action program for its four-year term and notably did not include the 1,600-mile pipeline, meaning they don't expect the ambitious project to begin construction during that span.

While the bulk of the project rests on Beijing and Moscow reaching an agreement, Mongolia would need to be involved in construction and transmission fee negotiations. Power of Siberia 2, a joint project between the China National Petroleum Corp. and Gazprom, would take at least five years to build and would look to bring gas from the huge Yamal Peninsula reserves in western Siberia to China. Much of these reserves were originally intended to be sold to European Union nations, but Russia's full-scale invasion of Ukraine has left Moscow looking for a new market in China.

But Beijing currently has no particular incentive to agree to the new pipeline, and there have been ongoing disputes and tough negotiations between China and Russia over price and supply levels. In June, the Financial Times newspaper, citing "people familiar with the matter," reported that talks are frozen over what Russia sees as China's unreasonable demands. The decision by Mongolia's government is seen by some analysts as the latest sign that the pipeline is facing setbacks. The first Power of Siberia gas pipeline started operations in 2019 and continues to ramp up toward full capacity.

West Texas natural gas sells at negative prices

(S&P Global; Aug. 21) - Natural gas prices at the West Texas Waha hub opened in negative territory again Aug. 21, marking nearly a month of consecutively negative pricing there as producers eagerly await new, incremental production takeaway capacity expected in September from the start-up of the Matterhorn Express Pipeline with capacity to move 2.5 billion cubic feet per day of gas.

After 26 days in the red, producers in the Permian Basin have now endured the longest stretch of negative prices going back at least a decade. Since entering negative territory in late June, gas prices at Waha have averaged minus $1.32 per million Btu. On Aug. 21, Waha was trading just above that at minus $1.17, data from Intercontinental Exchange and S&P Global Commodity Insights showed.

The extended stretch of negative prices comes as gas production continues to hover near record highs, making the Permian supply-demand balance especially sensitive to pipeline maintenance, which has limited capacity much of the summer. So far in August, gas production in the Permian has averaged over 19.5 bcf per day to trend at its highest monthly average on record, testing the limits of available takeaway capacity.

On more than a handful of days this summer, some Permian producers have paid end-users of last resort as much as $3 to $4 per million Btu to take surplus gas, which has been increasingly stranded in the local market. With no immediate end to negative gas prices in sight, many producers are turning their attention to the looming start-up of Matterhorn Express Pipeline for relief — especially as summer demand begins to fade.

Louisiana LNG plant nears start of test mode

(Maritime Logistics; Aug. 23) - A tanker filled with liquefied natural gas docked at Venture Global LNG's Plaquemines export plant in Louisiana, according to data from LSEG on Aug. 23, in what energy analysts said was an indication the plant could start up in test mode soon. The vessel originated from Norway loaded with LNG, according to LSEG data and energy experts. LNG plants under construction, like Plaquemines, use an initial cargo to test and cool equipment in preparation for start-up.

Plaquemines began pulling in natural gas from U.S. pipelines in late June, indicating plant testing was near. The export terminal is Venture Global’s second in Louisiana, as it grows into one the largest LNG producers in the country. The first phase of the plant is designed to handle 1.8 billion cubic feet of gas per day. The second phase would add 1.2 billion cubic feet per day of additional capacity, bringing total output capacity to 20 million tonnes of LNG per year by 2026.

The U.S. is already the world's largest LNG exporter with seven export plants able to turn about 13.8 bcf a day of gas into about 104.6 million tonnes a year of LNG. Analysts anticipate U.S. LNG export capability will increase to around 17 bcf per day of gas or 129.4 million tonnes per year of LNG in mid-2025 as the first stage of Plaquemines and Cheniere Energy's expansion at its Corpus Christi, Texas, plant start to go into service.

Santos says FID on Papua New Guinea LNG project likely in 2025

(Argus Media; Aug. 22) - A final investment decision on the Papua LNG project in Papua New Guinea is likely to be taken in late 2025, Australian independent Santos' CEO Kevin Gallagher said in an investor call marking the firm's half-year financial results. The joint-venture partners are working to reset the initial engineering phase of the project, Gallagher said, with design optimizations under way to reduce capital expenditure on Papua LNG, planned for 5.6 million tonnes annual production capacity.

Santos' "best estimate" is that the project partners would reach an FID toward the end of 2025, Gallagher said. The $10 billion project to build Papua New Guinea's second LNG export terminal was initially expected to reach an FID by early 2024 ahead of first production in early 2028, but this was postponed in April for more commercially viable engineering, procurement and construction contracts, operator TotalEnergies said. TotalEnergies holds a 37.55% stake in Papua LNG, with ExxonMobil controlling 37.04%, Santos 22.83% and Japanese upstream company JX Nippon 2.58%.

Vietnam on track to open second LNG import terminal

(Reuters; Aug. 23) - Vietnam's Cai Mep liquefied natural gas import terminal is seeking a cargo to initiate commissioning tests, two industry sources said, putting it on track to become the country's second terminal to import the fuel. As it seeks to reduce reliance on coal, Vietnam has ambitious plans to build up its LNG terminals and a fleet of 13 LNG-fired plants that could account for 15% of the country's power-generation capacity by 2030. Sources and analysts, however, say the target is at risk of being missed.

The new terminal is operated by Cai Mep LNG, a joint venture between Singapore-based Atlantic, Gulf and Pacific LNG and Vietnamese petroleum trader Hai Linh. Two of the four sources that spoke to Reuters said the cargo sought to commission the terminal will be for delivery in October. "Given we have just received the import license, we are now working on accelerating the commissioning and target to complete (it) in the next three months," said AG&P LNG CEO Karthik Sathyamoorthy.

The Cai Mep LNG terminal is located in Vietnam's southern Ba Ria Vung Tau province, and has the capacity to import 3 million tonnes of LNG a year. Vietnam has so far imported over 300,000 tons of LNG on a spot basis via its first LNG import terminal, the Thi Vai terminal by PetroVietnam Gas. The cargoes were shipped in mostly to fuel existing power plants to meet surging power demand during heatwaves earlier this year.

Novatek postpones plans for third production unit at Arctic LNG

(Reuters; Aug. 22) - Russian natural gas company Novatek has postponed the start of operations at the third line of its Arctic LNG 2 project to 2028 from 2026, RBC media reported on Aug. 22, citing two sources familiar with the project implementation. Arctic LNG 2, which has yet to start full-scale liquefied natural gas exports from the Gydan Peninsular, is subject to Western sanctions over Russia's conflict with Ukraine.

The sanctions have made it difficult for Novatek to secure enough LNG carriers for shipments as well as access to the necessary equipment for liquefying the gas. Reuters reported in April that Novatek might scale back Arctic LNG 2 after Western sanctions

curbed its access to ice-class tankers and that it could instead focus on developing its project at the ice-free port of Murmansk.

The head of Arctic LNG 2 stakeholder TotalEnergies said in February that the project's third train had been put on hold. The plant's second liquefication train arrived at the project site earlier this month after construction at a shipyard but has yet to be put into production. The possible scaling back of Arctic LNG 2 would complicate Moscow's aim of boosting its share of the global LNG market to 20% between 2030 and 2035, up from about 8% now. The project had been due to become Russia's largest such plant with eventual output of 19.8 million tonnes of LNG per year from three production trains.

Russia's 'shadow fleet' of LNG carriers operates in Norwegian waters

(High North News; Aug. 22) - Multiple LNG carriers of Russia's emerging dark fleet continue to operate in the waters of northern Norway, spoofing their transponder signal to "disappear" and load sanctioned liquefied natural gas. The vessels carry no or insufficient maritime insurance and fly flags from countries with a poor safety record and are considered high risk. Norway's Arctic waters are increasingly taking part in a game of geopolitical chess between Russia and the West.

Multiple LNG carriers have traveled through Norway's waters of the Barents Sea in an effort to load sanctioned liquefied natural gas from Russia's Arctic LNG 2 facility, seemingly without repercussions. LNG carriers Pioneer and Asya Energy both traveled to the same coordinates just outside Norway's Exclusive Economic Zone, illegally turned off or spoofed their transponder signals, headed to the sanctioned Arctic LNG 2 project, and then reappeared at their previous location approximately a week later.

A third vessel, under the same management and ownership, is currently holding position at the same coordinates and may become the third known vessel of the shadow fleet. The events seemingly took place just outside Norway's Exclusive Economic Zone in an area known as the "Loop Hole," to the west of the boundary accepted in the 2010 Treaty with Russia on Maritime Delimitation and Cooperation in the Arctic Ocean and Barents Sea. The disabling or spoofing of signals represents a violation of International Maritime Organization's International Convention for the Safety of Life at Sea conventions.

U.S. imposes sanctions on 7 LNG carriers linked to Russia

(Bloomberg; Aug. 23) - The U.S. has imposed sanctions on seven liquefied natural gas carriers linked to Russia, including vessels believed to have loaded at its newest export terminal in the Arctic region. LNG vessels included Pioneer and Asya Energy, which loaded the first two shipments from the Arctic LNG 2 project previously sanctioned by the U.S., according to a list published Aug. 23 by the U.S. Department of the Treasury.

The sanctions are a fresh blow to Russia as it spent months developing what is believed to be a shadow fleet of tankers for LNG in a similar way it did for transporting crude oil and refined products. Such vessels have opaque ownership, unknown insurers and deploy practices such as hiding their location by switching off or manipulating their automatic identification systems. The loadings of the two LNG shipments were registered by satellite images. The buyers of the cargoes remain unclear.

The U.S. imposed sanctions on the Arctic LNG 2 plant late last year, preventing the start of exports. While the restrictions kept foreign companies away and stopped the delivery of ice-ready carriers, Russia likely managed to circumvent the curbs by using the shadow fleet. The Everest Energy, part of a suspected "dark fleet" of vessels assembled by Moscow to take gas to willing buyers, appears to be the third tanker approaching the plant. It has also been put in the fresh list of U.S. sanctions.

Sanctioned oil tankers have ties to Barbados office in London

(Bloomberg; Aug. 22) - Three oil tankers that are under British sanctions for transporting Russian petroleum are sailing under the flag of a nation that bases its operations in London. The Galaxy, Liberty and Rigel, all of which moved barrels for Moscow this year, have switched to sail under the flag of Barbados, one of the world's more-reputable vessel-registration nations, industry data show. The Barbados Maritime Ship Registry is based at the country's High Commission in London, which has diplomatic immunity.

The London connection will be awkward for the U.K. government. At one point, they had different names, were owned by Russian state company Sovcomflot and sailed under the flag of Gabon. Ships will very often sail under what are known as open registries in countries that are unrelated to where the vessels are owned. This can be to make compliance with international maritime regulations more cost effective. Those so-called flag states have an important role to play in ensuring industry safety standards.

The U.K.'s Foreign, Commonwealth and Development Office referred questions to the Treasury. The Treasury didn't immediately respond to a request for comment. Giovanni Ciniglio, CEO of the Barbados registry, confirmed the ships are provisionally registered under the country's flag, but declined comment. Since the U.K. sanctions, ownership of two of the tankers has switched to "unknown" entities on maritime databases.

Uganda explores new regions, looking to add to its oil resources

(Reuters; Aug. 21) - Uganda is exploring for oil in two new regions where potential discoveries of crude could increase the East African country's proven reserves of 6.5 billion barrels, its energy minister said on Aug. 21. Commercial quantities of oil were discovered in the Albertine Graben basin in Uganda's west near the border with the

Democratic Republic of Congo nearly two decades ago, but production is not projected to start until next year.

Government geologists are exploring two new regions located in Uganda's north and northeast, Energy Minister Ruth Nankabirwa told a press conference in the capital Kampala. "The ministry is conducting preliminary petroleum exploration studies in the Moroto-Kadam Basin to assess its oil and gas potential. Similar surveys have started in the Kyoga Basin," she said, referring to the two new regions. "Early results suggest the potential for commercial oil and gas in the Moroto-Kadam Basin."

Uganda has five basins where hydrocarbon potential is suspected, with only one, the Albertine, successfully explored so far, the energy ministry said. The two oil fields in the Albertine basin — Tilenga and Kingfisher — are majority-owned by TotalEnergies with a 56.7% stake, while China's CNOOC and the Uganda national oil company own the remaining share. Commercial production has been delayed by various factors including disagreements with oil firms over field development strategy and taxation, and a lack of infrastructure and funding for development.

Norwegian gas industry's annual maintenance comes at crucial time

(Bloomberg; Aug. 22) - Norway's vast natural gas industry is about to embark on its annual heavy maintenance spree at a crucial time for the wider continent. For about three weeks as of late August, Europe will miss flows equivalent to daily gas needs in Italy or France. While the works are a routine practice for gas facilities during summer — when demand is typically lower — the stakes are high this time as it coincides with a bout of intense price volatility.

Europe's gas market has been particularly sensitive to disruptions this summer, as heat waves in other parts of the world have ramped up competition for the fuel. Traders are bracing for a possible halt to flows from Russia after a Ukrainian incursion on its border, and an escalation of the conflict in the Middle East could spell further trouble. "Europe is already struggling," said Florence Schmit, a European energy strategist at Rabobank. "Any deviation to the planned maintenance season can cause significant fluctuations in gas availability and, in turn, market prices, especially this year."

Since Moscow's invasion of Ukraine two years ago left Europe scrambling for gas, Norway has overtaken Russia as Europe's top supplier, relying extensively on a single company, Equinor. In previous rounds of maintenance, it's been common for the schedule to change throughout the process. The repairs involve careful balancing of pipeline pressure, while the complexity of the facilities and the North Sea's harsh environment means it's not unusual for additional maintenance needs to be discovered.

Price cap on home energy bills in U.K. will go up 10%

(Bloomberg; Aug. 23) - The U.K.'s energy price cap will rise 10% in October, pushing up bills for millions of homes just as the winter heating season begins. The level will increase to £1,717 ($2,251) from Oct. 1, according to figures released Aug. 23, and is driven by higher power and gas prices in wholesale markets. Price caps are revised every three months by the regulator Ofgem.

Chancellor of the Exchequer Rachel Reeves is likely to face criticism as the increase coincides with new rules limiting the number of pensioners eligible for heating subsidies in winter. The cap, which represents an annual bill for a typical household, is expected to rise again by about 3% in January, according to Cornwall Insight. That would mean two consecutive hikes — making it even harder for the new government to fulfill the election promise to lower bills. Soaring energy tariffs have been a driver of inflation and the cost-of-living crisis in Britain, a key issue for voters in the July general election.

Prime Minister Keir Starmer has presented the new state-owned energy company Great British Energy as a solution for lowering bills by investing in renewable energy supply. But building new infrastructure isn't a quick fix and it could take years for the benefit to be felt. Energy poverty charities have been sounding the alarm since the announcement that some pensioners will miss out on a subsidy known as the Winter Fuel Payment, with only those on means-tested benefits being able to claim.