Oil and Gas News Briefs
Compiled by Larry Persily
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China’s oil imports and refined products consumption in decline

(Reuters; Dec. 13) - China's refined oil consumption peaked in 2023 at 399 million tonnes (7.98 million barrels per day) and is expected to fall 1.3% to 394 million tonnes in 2024, CNPC Economics & Technology Research Institute said on Dec. 13. As a result, overall crude oil imports are expected to fall to 544 million tonnes this year, according to a presentation by the research arm of China's largest oil producer, China National Petroleum Corp., although the country remains the world's top oil importer.

CNPC's forecast underscores expectations that China's crude oil imports are on track to peak next year as transport fuel demand begins to decline for the world's top crude buyer, ending the country's decades-long run as the dominant driver of expanding oil consumption. By 2035, China's overall refined products consumption is expected to fall by 25% to 40% to 240 million to 290 million tonnes from the 2023 peak, CNPC said.

Gasoline consumption is forecast to fall to 80 million to 100 million tonnes in 2035, down 35% to 50% from 2023, as electric vehicles are expected to make up half of China's car fleet by then, the research institute added. The growth in trucks powered by alternative fuels such as electricity, liquefied natural gas and hydrogen is expected to reduce diesel demand to 100 million to 120 million tonnes in 2035, a 35% to 50% decline from 2023, CNPC said. Jet fuel or kerosene consumption will rise by 70% to 60.8 million tonnes in 2035 from 2023 on aviation demand, it added.

IEA forecasts global oil oversupply next year

(Bloomberg; Dec. 12) - Global oil markets face a glut next year despite last week’s decision by OPEC+ to delay supply increases, the International Energy Agency said. World markets will be oversupplied by a hefty 1.4 million barrels a day if the group proceeds with plans to revive its output starting in April, the IEA predicted in its monthly report. Even if OPEC+ cancels next year’s production hikes entirely, there’ll still be an overhang of 950,000 barrels a day, the IEA said.

The cartel led by Saudi Arabia and Russia on Dec. 5 agreed yet again to postpone plans to restore shuttered output amid faltering crude prices and slow the pace of increases once they do begin in the second quarter. Global oil consumption will grow by 1.1 million barrels a day in 2025, or roughly 1%, according to the Paris-based IEA, which advises major economies. But it projects that supplies outside OPEC+ will expand by roughly 36% more, led by the U.S., Brazil, Canada and Guyana.

The OPEC+ delay in restoring production “has materially reduced the potential supply overhang that was set to emerge next year,” the agency said. Nonetheless, “robust supply growth from non-OPEC+ countries and relatively modest global oil demand growth leaves the market looking comfortably supplied.” Crude prices have retreated about 16% since early July to trade near $74 a barrel in London as traders shrug off conflict in the Middle East and focus instead on faltering economic activity in China.

Evidence shows OPEC hasn’t been correct in its demand predictions

(Bloomberg; Dec. 13) - At the start of this year, the battle lines between oil forecasters were starker than ever. Finally, the winners and losers are becoming clear. On one side, the International Energy Agency in Paris predicted that demand growth would slow dramatically in 2024 as the post-pandemic boom fades and the shift away from fossil fuels gathers pace. It was countered by OPEC, which projected a growth surge twice as big, at more than 2 million barrels a day, in anticipation of continued gains in China.

But now the cartel is gradually conceding defeat. Over five consecutive monthly downgrades, the group’s secretariat in Vienna has slashed global demand estimates by 27%, with its outlook this week, making the biggest cutback so far. The organization’s view is now closer to that of the IEA, an institution that OPEC leader Saudi Arabia once accused of making “La La Land” projections about oil demand.

Arguably, OPEC’s forecasting blunder is somewhat academic. With their decision this month to once again delay the restart of halted output, members showed how little faith they place in the secretariat’s bullish estimates. Yet the organization is still making upbeat market predictions for next year, and the past week has brought further evidence of how precarious those could be. OPEC’s insistence that oil demand will keep rising to the middle of the century has been undermined by its failure to call this year correctly.

Russian state oil firm signs 10-year deal to supply refiner in India

(Reuters; Dec. 12) - Russia's state oil firm Rosneft has agreed to supply nearly 500,000 barrels per day of crude to Indian private refiner Reliance in the biggest ever energy deal between the two countries, three sources familiar with the deal said. The 10-year agreement amounts to 0.5% of global supply and is worth roughly $13 billion a year at today's prices. It would further cement energy relations between India and Russia, which is under heavy Western sanctions over its invasion of Ukraine.

Reliance said it works with international suppliers, including Russia, and its deals are based on market conditions. The company declined further comment on commercial matters, citing the confidentiality of supply agreements. The deal comes ahead of the planned visit by Russian President Vladimir Putin to India. Russian oil already accounts

for more than a third of India's energy imports. India became the largest importer of Russian crude after the European Union, previously the top buyer, imposed sanctions on Russian oil imports in response to the 2022 invasion of Ukraine.

India has no sanctions on Russian oil, so refiners there have cashed in on the cheaper crude supply. Sanctions have made Russian oil less expensive than rival grades by at least $3 to $4 per barrel. India's rising Russian imports have come at the expense of rival Mideast producers. The Reliance-Rosneft deal would represent another challenge for competitors, including Saudi Arabia. Competition among oil producers for a share of the Indian market is hot because it is one of the fastest-growing energy markets and is becoming more important as a driver of global demand as growth in China slows.

Oil spills from pair of 50-year-old Russian tankers damaged in storm

(Reuters; Dec. 16) - Russian authorities sought to limit the damage on Dec. 16 from oil spilled into the Kerch Strait by two aging tankers that were damaged during a heavy weekend storm, highlighting the environmental and insurance risks of Russia's so-called shadow fleet. One crew member was killed after the Volgoneft 212 split in half, with 12 rescued, while authorities said all 14 crew aboard the Volgoneft 239, which ran aground 260 feet from the shore near the port of Taman, were also rescued.

The more than 50-year-old ships were carrying some 62,000 barrels of oil products in total, Russian news agency TASS said, but how much leaked is being determined. The Volgoneft dates back to 1969 and the Volgoneft was built in 1973, certificates seen by Reuters showed. The spill could become one of the largest environmental disasters to affect the region in recent years. The shipping industry has raised concern in recent months over the risks and potential for collisions posed by hundreds of aging tankers, with little incentive for these vessels to follow cleaner shipping standards.

Russia has increasingly used a shadow fleet, deploying various techniques to bypass international sanctions. The Kerch Strait, which separates mainland Russia from the Moscow-annexed Crimea region, is a key route for grain and fuel exports. The Finland-registered Centre for Research on Energy and Clean Air think-tank said 369 vessels exported Russian crude and oil products last month, of which 206 were shadow tankers, and 28% of these were at least 20 years old. The number of tankers transporting Russian cargoes that are not regulated or insured by Western providers has grown.

Canadian oil sands producers are not slowing down growth

(Calgary Herald columnist; Dec. 12) - If three of Canada’s largest oil producers are nervous about next year’s challenges — from volatile prices to potential U.S. tariffs on the country’s exports — they’re not showing signs of it. On Dec. 12, producers Imperial

Oil, Suncor Energy and Cenovus Energy released their capital budgets and production outlooks for 2025, with $13 billion of combined capital expenditures on the books.

As the industry gears up for a new year with an unsteady global demand picture and geopolitical uncertainty — including the possibility of 25% U.S. tariffs on all Canadian exports — the oil sands producers share something in common. “All three are showing production is going up,” said analyst Phil Skolnick with Eight Capital in New York. “They see rising demand, and rising demand for heavy oil. It’s also that, for the first time in a number of years, there’s excess (pipeline) capacity, so they’re taking advantage of it.”

Imperial Oil announced its capital expenditures will reach $2 billion in 2025, up from an expected $1.85 billion this year, while its upstream production is expected to increase by 3% to average about 445,000 barrels of oil equivalent per day. The company also plans to start up its $720-million renewable diesel project at its Strathcona refinery next year. Suncor confirmed is targeting average production of about 825,000 barrels of oil equivalent per day in 2025, a 4% increase from this year’s guidance. Cenovus said it is planning to produce about 825,000 barrels of oil equivalent per day, up about 4%.

Energy consulting group sees 2030s’ boom cycle for oil prices

(Bloomberg; Dec. 13) - Oil prices are set for a new boom period from the middle of the next decade on continued demand growth in China and elsewhere, according to consultants Rapidan Energy Group. “As expectations of a 2030 peak in global demand recede, the reality of a structurally short supply side will come into view,” the firm founded by former White House official Bob McNally said in a report. “Spare capacity dwindles by 2035 and prices enter a boom cycle.”

World oil consumption will keep growing until 2050 in each of three scenarios mapped out by Rapidan, based on varying levels of electric vehicle growth, with consuming countries unwilling to accept the downsides of a mass shift to EVs, the analysts said. Global gasoline demand will keep growing through to 2035, and even in China — the core driver of EV sales — there’s “no end in sight” for consumption of the motor fuel.

Without sufficient investment in new oil supply projects, prices could surge to $150 a barrel, the consultant predicted. Other forecasters, from Vitol and Goldman Sachs to the International Energy Agency, predict that demand will stop growing this decade amid a shift away from fossil fuels. “In the near term, producers will have to sweat a few years of weak prices due to oversupply,” as output will remain “strong” from countries outside the OPEC+ alliance like the U.S., Brazil and Guyana, Rapidan added. Crude prices are set to decline to $55 a barrel for two or three years, it said, before escalating past 2035.

Russia grows more dependent on China to buy its oil and gas

(S&P Global; Dec. 13) - Russia is poised to increase its energy exports to China, primarily oil and gas, in 2025 to sustain its ongoing war, said Wu Dahui, deputy dean of Tsinghua University's Russian Institute on Dec. 11. "It is unlikely that a peace agreement between Russia and Ukraine will be reached in 2025, and the pattern of alternating between conflict and negotiation is expected to become the norm next year," Wu told S&P Global, adding that this situation will compel Russia to depend on exports to China.

The trade value between the two countries is projected to rise in 2025 as counterparties find ways to circumvent Western sanctions and streamline the payment process, he noted. Wu is a leading expert on Russian studies in China. The Russian Institute at Tsinghua University, one of China's premier institutions, was established to explore strategic bilateral needs while promoting cooperation between Beijing and Moscow.

"(President-elect Donald) Trump's approach to resolving the conflict fundamentally differs from (Russian President Vladimir) Putin's objectives, particularly regarding NATO, sanctions and territorial claims, making it too complex to achieve any actual peace agreement in the short term," Wu said in Beijing during the International Energy Executive Forum 2024. Consequently, Russia will increasingly rely on China and boost energy exports, particularly oil and natural gas, in 2025, he said.

UAE says it will reduce oil exports next year to match OPEC+ quota

(Bloomberg; Dec. 13) - The United Arab Emirates, a key member of OPEC+, will reduce oil shipments early next year as the alliance seeks stronger discipline in meeting production targets to shore up prices. Abu Dhabi National Oil Co., known as ADNOC, has cut the allocation of crude oil cargoes for some customers in Asia, according to companies with contracts to receive the shipments. Volumes were reduced by as much as 230,000 barrels a day across a range of crude grades, they said.

Oil traders have been closely scrutinizing flows from the UAE in recent months, as Abu Dhabi and its partners in OPEC attempt to defend faltering prices. Brent futures have lost 16% since early July to trade near $74 a barrel. While data compiled by the cartel shows the UAE mostly abiding by its output quota of 2.912 million barrels a day, some traders have been skeptical of the number. Estimates from the International Energy Agency in Paris suggest production may have been significantly higher.

Abu Dhabi has been eager to start up recent additions in its production capacity, boosting revenues and monetizing billions in investments. ADNOC says it can pump as much as 4.85 million barrels per day, almost 2 million barrels above its OPEC+ limit. The UAE’s determination to make use of its capabilities has led to clashes with group leader Saudi Arabia in recent years, threatening to shatter the entire OPEC+ coalition, though a compromise has been found each time.

Exxon and Chevron look to business of powering AI data centers

(CNBC; Dec. 14) - ExxonMobil and Chevron are jumping into the race to power artificial intelligence data centers, as the two oil majors bet tech companies will ultimately turn to natural gas to meet their tremendous energy needs. Exxon unveiled plans this week to build a natural gas plant to power a data center. The oil major says it would then use carbon capture and storage technology to reduce the plant's emissions by 90%.

"We're working with other large cap industrials to rapidly deploy a solution that would provide both high reliability and low carbon-intensity power to meet the growing demand for computing power for artificial intelligence," Exxon Chief Financial Officer Kathryn Mikells told Wall Street analysts Dec. 11, without disclosing names of the companies' the oil major is working with on the project. The gas plant would not rely on the electric grid and would be independent of utilities, allowing faster installation than traditional power projects, Mikells said. Exxon has not disclosed a customer or a timeline.

Exxon has invested heavily in building a carbon capture network along the Gulf Coast with more than 900 miles of pipeline to transport CO2 from several industrial customers to permanent storage sites. Exxon said decarbonizing AI data centers could represent up to 20% of its total addressable market for carbon capture and storage by 2050. Chevron is also working on ways to power data centers, Jeff Gustavson, president of the company's new energy business, said at the Reuters NEXT conference on Dec. 11.

Alphabet, Amazon, Microsoft and Meta have primarily bought wind and solar power for their data centers as they seek to lessen the impact of their businesses on the climate. But the power needs of AI data centers are growing so large that the tech companies are searching for sources of electricity that are more reliable than renewable energy.

Newest Louisiana project produces its first LNG

(Reuters; Dec. 13) - Venture Global LNG on Dec. 13 produced its first liquefied natural gas from its Plaquemines plant in Louisiana, the company said in a statement. This marks the first new U.S. plant in two years to produce LNG, beating Cheniere Energy's Corpus Christi, Texas, expansion project to market. With first production 30 months after the project got the financial go-ahead, Venture Global has now built two of the fastest greenfield projects to move from financial approval to production, the company said.

When fully completed Plaquemines, at 20 million tonnes annual production capacity, will be one of the largest LNG plants in the world and help keep the U.S. as the world's No. 1 exporter of the fuel. The start-up kicks off an extended commissioning period in which Venture Global retains all revenue from cargoes. Some long-term contract customers of the terminal may wait up to two years to get their cargoes under the commissioning schedule, which extends to 2026 in the first phase and 2027 in the second. The company said its strategy is to produce LNG while it continues to build out the plant.

Similar commissioning waits at another Venture Global Louisiana plant, Calcasieu Pass, have led to contract disputes sent to arbitration by BP, Shell, Edison, Repsol and Orlen. The disputes could cost Venture Global billions of dollars if it loses. The disputes stem from the company not starting shipments under its term contracts with customers at its Calcasieu Pass facility after beginning operations, and instead selling LNG on the higher-price spot market the past two-plus years, earning billions of dollars in profits.

High LNG prices prompt China to cut back imports, resell cargoes

(Bloomberg; Dec. 11) - A rapid increase in liquefied natural gas prices has prompted China — the world's biggest buyer — to cut back purchases and even resell some supply, providing relief to rival importers. The 30-day moving average of Chinese LNG imports has slumped over the past few weeks and is now 12% below the four-year average for this time of year, according to ship-tracking data compiled by Bloomberg.

The Asian LNG benchmark price is at about $14.50 per million Btu, roughly 30% higher than at the start of the year. That's too expensive to be economically viable to import spot shipments into China's cheaper domestic market. China also isn't in need of additional LNG. Import terminals — particularly those in southern parts of the country — are grappling with high inventories due to tepid demand for the fuel, as customers are choosing cheaper alternatives, according to traders.

Some Chinese LNG buyers are reselling shipments to take advantage of more attractive prices abroad. State-owned CNOOC is offering to sell a shipment for February from a project in Australia, while traders said PetroChina has sold some cargoes in the past month. This could help boost supply for buyers in other parts of Asia and farther afield. Russian pipeline deliveries are set to fall further at the end of the year as a transit deal in Ukraine expires, likely increasing demand for LNG in Europe.

Oman says LNG expansion will depend on private investment

(Bloomberg; Dec. 11) - Any expansion of Oman's liquefied natural gas production capacity hinges on private investments from some of the world's biggest energy companies. Oman's economy relies heavily on oil and gas production and increasing its exports would bolster its strained finances. But the government is no longer willing to provide state funds, and future projects must be financially viable on their own.

To gauge interest, the Ministry of Energy and Minerals will open discussions with gas producers in Oman, including BP, Shell and TotalEnergies in the first quarter of 2025, Energy Minister Salim Al-Aufi said. “If we are unable to get enough gas suppliers participating, then the whole project will be canceled,” he said. “It all depends on being

able to secure — without government intervention — the gas feedstock to the fourth (liquefaction) train. If we are unable to secure gas feedstock, then we call it a day."

Oman's public finances have long been among the weakest in the Gulf region. Since taking power in 2020, Sultan Haitham bin Tariq has taken measures to balance the finances that took a hit during the pandemic, and its credit rating has improved in the past few years. The government holds majority stakes in the country's three operational LNG production trains, alongside minority investors including international oil companies and large gas buyers. However, only companies that can commit gas supplies to the plant would be eligible to take an equity stake in Oman's fourth LNG train.

Britain will make it easier for clean-energy projects to move ahead

(Reuters; Dec. 13) - Britain on Dec. 13 launched a plan to make it easier for developers to build clean-energy projects, which it hopes will help the country meet its climate targets and create jobs. Britain has a target to largely decarbonize its power sector by 2030, which will mean reducing its reliance on gas-fired power plants and rapidly increasing its renewable power capacity.

The National Energy System Operator last month said reform of the system for connecting new projects to the grid, along with an overhaul to the planning process, would be needed to meet the decarbonization target. "Billions of pounds of clean-energy projects have been held up by a clogged-up planning system and a dysfunctional power grid queue that means renewables projects cannot get online," the Department for Energy Security and Net Zero said in a statement.

Under the new plans, onshore wind projects over 100 megawatts will be placed under the Nationally Significant Infrastructure Project regime in England, making it easier for them to get planning consent. It will also change the system for new projects to gain connection to the power grid by making sure slow-moving or stalled projects are removed from the queue to make room for viable ones.

New EU energy chief wants to cut all links with Russia

(Politico; Dec. 12) - Dan Jørgensen is making it his "main priority" to craft a plan that will finally sever all European Union energy links with Russia. In his first interview since taking office as the EU's new energy chief, Jørgensen warned that the EU is faltering in its multiyear campaign to shun Russian fuel and needed a plan to get things back on track. He pointed to the EU's rising purchases of Russian liquefied natural gas as a particular concern to be addressed.

“To have been able to bring down our dependency to such an extent that we have is actually quite an accomplishment,” Jørgensen said, speaking from his office in the European Commission’s Berlaymont headquarters. But “it’s obvious to everybody that something new needs to happen because … now it's beginning to go in the wrong direction,” he added, saying he would roll out “a tangible roadmap that will include efficient tools and means for us to solve the remaining part of the problem.”

Jørgensen said his plan will focus “on gas primarily, but also oil and nuclear (fuel),” and will land within the first 100 days of his taking office, effectively giving himself a mid-March deadline. The plan represents the next step in the EU’s massive effort to change how it powers life for 450 million people after Russia invaded Ukraine in 2022. The bloc has already imposed a blanket ban on Moscow’s seaborne coal and oil exports while slashing its dependence on pipeline gas supplies by roughly two-thirds.

U.S. offshore driller sues over costs of decommissioning bonds

(Reuters; Dec. 12) - W&T Offshore, an independent driller operating in the U.S. Gulf of Mexico, on Dec. 11 asked a federal judge to block insurance companies’ demands for $250 million in additional collateral for taking apart old oil infrastructure. The offshore drilling industry faces mounting pressure to provide bonds for decommissioning oil and gas infrastructure in federal waters. The Federal Bureau of Ocean Energy Management (BOEM) in June enforced a final rule that amended its financial assurance regulations in a bid to ensure that the industry — not the taxpayer — covers decommissioning costs.

“You’re at the mercy of the federal agency and you’re at the mercy of the surety providers, so there is really not a whole lot of control there,” W&T Offshore CEO Tracy Krohn told Reuters. “The regulatory agency has no real basis for requiring a great deal more bonding than what they already have,” Krohn added.

BOEM estimates offshore drillers would collectively pay just under $7 billion as a result of the final rule in new supplemental financial assurances to cover the potential costs of decommissioning work. As of June 2023, more than 2,700 wells and 500 platforms were overdue for decommissioning in the Gulf of Mexico, according to the U.S. Government Accountability Office. In the lawsuit, W&T Offshore asked a judge to declare that the insurers colluded to damage the company by using BOEM’s final rule to demand additional collateral and premiums.