Oil and Gas News Briefs
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U.S. oil exports to China drop by almost half in 2024

(Bloomberg; Dec. 26) – U.S. crude exports to China plunged by almost half in 2024 as shifts in the nation's economy weighed on demand and as it bought more barrels from other countries including Russia and Iran. Exports of U.S. oil to China plunged to 81.9 million barrels over the course of the year, down 46% from 150.6 million barrels last year, according to data from Kpler. That knocked China down to the sixth-largest buyer of U.S. crude, falling from second place last year.

China's slowing economic growth and its increasing use of electric vehicles and other energy sources such as liquefied natural gas are reducing the country's appetite for crude, with its 2024 imports from all nations sliding 7.2% from a year earlier. That softening demand in China has helped drive global oil prices lower this year, and the outlook for 2025 is a top focus for the market.

China also is shifting its supply sources. It imported about 26% of its seaborne crude from Russia, Iran and Venezuela in 2024, up from 24% in 2023, the Kpler data show. Overall, the country still relies primarily on the Mideast for about 60% of seaborne oil imports. Meanwhile, Europe has become an increasingly important destination for U.S. crude. The continent has been the top destination for U.S. crude for three years since supplanting Asia as the biggest buyer after the onset of Russia's war in Ukraine.

Permian Basin has changed since Trump's first term

(Wall Street Journal; Dec. 28) - President-elect Donald Trump wants U.S. oil producers to rekindle their once-frenzied drilling, but the country's shale patch has changed since his first administration. Wildcatters are mostly gone, replaced by more disciplined oil giants. Wall Street has helped instill that discipline, pushing oil companies to focus more on producing cash for investors. Meanwhile, production in most U.S. crude regions is set to decline as fields mature and sweet spots dwindle.

The oil patch is unlikely to see the kind of breakneck growth it saw in Trump's first term, when daily crude production shot up from about nine million barrels to roughly 13 million. Meanwhile, three of the largest U.S. oil producers have taken over some of the best acreage in the Permian Basin. The changes are reshaping the Permian Basin of West Texas and New Mexico, the largest oil field in the U.S.

A decade ago, 30 companies produced about a third of the crude there. As of July, Exxon, Diamondback Energy and Occidental cranked out a similar share of the basin's output. A telltale sign of shale's ripening is the fates of rapidly disappearing wildcatters that ignited the boom with new drilling techniques and hydraulic fracturing. Private firms now run about 25% of rigs in the Permian, down from roughly 50% in January 2022, said Rob Wilson, an analyst with energy analytics firm East Daley Analytics.

Instead of additional drilling, companies are focused on squeezing more oil out of what remains. "We've been drilling 300 wells a year here for, you know, eight years. We better get better at what we do," Diamondback President Kaes Van't Hof said.

U.S. natural gas industry looks to more LNG exports, more pipelines

(Wall Street Journal; Dec. 26) - Toby Rice, who leads one of America's largest natural gas producers, says the "Drill, Baby, Drill" mantra that resurfaced during the presidential campaign is passé. Now, it's all about "Build, Baby, Build." U.S. gas investors are looking to potential growth after a year in which historically low prices dinged profits and drilling. At the same time, the Biden administration questioned the benefits of making the U.S. liquefied natural gas export machine — the world's biggest — even bigger.

Now, with President-elect Donald Trump set to take office, climate concerns are out and new LNG export hubs are set to come online. The White House-in-waiting has promised to fast track infrastructure and pipelines that could help gas companies move fuel to new buyers at home or abroad — potentially locking in another era of development.

"Political force has overwhelmed market forces," said Rice, CEO of Pittsburgh-based EQT, which produces gobs of gas in the Marcellus Shale stretching across Appalachia. "Let market forces work." The U.S. gas market has been constrained in recent years by public aversion to new pipelines and an arduous permitting process that Washington has tried and failed to overhaul. Rice says this Congress could be different. For an industry with a long history of over-drilling into painful busts, the longer-term threat now might be overbuilding export facilities in the face of a potential global glut.

Rice doesn't buy it, adding that his recent meetings in Washington suggested an evolution in thinking on energy. "People are reassessing how we got here, and the conclusion they're going to get to is we need to build more of everything."

Newest U.S. LNG terminal ships out its first cargo

(S&P Global; Dec. 26) - Venture Global's Plaquemines LNG terminal in Louisiana exported its first commissioning cargo on Dec. 26, headed to German utility EnBW, the company said. The start of exports from the eighth major U.S. LNG export terminal reinforces the country's status as the world's top supplier. The ramp-up in gas deliveries to Plaquemines helped push overall U.S. LNG feed gas demand to an all-time high of more than 15.3 billion cubic feet on Dec. 25, S&P Commodity Insights data showed. That's almost 15% of the average daily U.S. gas production.

Venture Global already operates the Calcasieu Pass LNG terminal in Louisiana, with the capacity to produce 10 million tonnes per year. Venture Global, among the beneficiaries of a flurry of commercial activity tied to U.S. projects as Europe turned increasingly to LNG to offset the loss of Russian pipeline gas, reached a final investment decision on the first phase of Plaquemines in May 2022. The developer gave the go-ahead for the rest of the project in March 2023, at a nameplate capacity of 20 million tonnes per year.

The company indicated in a Dec. 20 filing for an initial public offering that it plans to sell LNG from Plaquemines on the spot market over an extended commissioning period, similar to what it has done at Calcasieu Pass. The developer is targeting the start of commercial operations and contract deliveries from Plaquemines in the third quarter of 2026 for the first phase of the project, followed by commercial deliveries from the plant's remaining liquefaction trains in the second quarter of 2027.

At Calcasieu Pass, Venture Global faces arbitration from foundational customers over the operator's failure to deliver contracted volumes, despite beginning exports in March 2022. Venture Global, which has denied its customers claims and said it is honoring the long-term contracts, said in the IPO filing that it is targeting the start of commercial operations at Calcasieu Pass in March 2025. It's been selling the cargoes on the higher-price spot market, where it earns more than the contract price under its term deals.

Tanker offloads Russian LNG into storage; unable to find buyer

(Bloomberg; Dec. 26) - A vessel carrying a sanctioned shipment of Russian liquefied natural gas appears to be offloading the fuel into storage in the nation's far east, having failed to find a buyer willing to circumvent U.S. restrictions despite a four-month across-the-world journey. The Pioneer tanker, carrying a cargo from Russia's Arctic LNG 2 facility, docked next to the Koryak floating storage unit in Kamchatka on Dec. 26, according to ship-tracking data compiled by Bloomberg. The gas is likely to be held there until a customer can be found.

Arctic LNG 2, Pioneer and Koryak have all been sanctioned by the U.S. Pioneer was spotted on satellite images picking up the first shipment from the Arctic LNG 2 facility in early August — despite camouflaging the move with misleading location information — but then spent well over four months hunting for a customer. The lengthy journey underlines just how U.S. restrictions are hampering Moscow's plans to expand LNG exports threefold by 2030.

While several shipments have been exported from Arctic LNG 2, Russia's newest gas liquefaction facility, all have used dark-fleet vessels and none have docked at a foreign port, as potential buyers fear U.S. retaliation. Arctic LNG 2 was forced to temporarily shut production in October due to a lack of buyers and also vessels able to navigate the facility's icy waters. Russia is rushing to build icebreaker vessels, with ship-tracking data indicating that the first such tanker is undergoing sea trials.

Europe's imports of LNG dropped 25% in 2024

(S&P Global; Dec. 27) - Europe's LNG regasification capacity surged after the Russia-Ukraine war to allow for a heavier reliance on imports. However, the build-out of import capacity outpaced the demand for LNG imports in 2024. Unlike other geographical hubs, Europe's strong pipeline infrastructure with major gas supply hubs, such as Norway and Algeria, allowed it to satiate demand with pipeline gas atop LNG inflows.

While the expansion of LNG capacity opened Europe to a global market, continued healthy flows of pipeline gas from Russia, Norway and Algeria capped increases in LNG imports. Europe has imported 100.01 million tonnes of LNG so far this year, or 1,650 cargoes, a 25% drop from 2023, S&P Global Commodity Insights data showed as of Dec. 27. Over the same period, the continent imported 124.15 million tonnes, or 2,077 cargoes, in 2023 and 126.02 million tonnes, or 2,158 cargoes, in 2022, the highest ever.

By the end of December, the regas capacity in Europe will be 21.15 million tonnes per month, an increase from 20.08 million at the end of 2023, according to Commodity Insights data. Europe's utilization rate for its LNG import terminals has averaged about 40% in 2024. "There's so much regas which has kept LNG and gas prices narrow, but given these tight spreads the economics of importing LNG aren't as favorable as buying pipeline (gas)," an LNG trader said of the lower utilization of regas terminals.

Europe's energy majors scale back plans for renewables

(Reuters; Dec. 26) - Major European energy companies doubled down on oil and gas in 2024 to focus on near-term profits, slowing down — and at times reversing — climate commitments in a shift that they are likely to stick with in 2025. The retrenchment comes after governments around the world slowed the rollout of clean energy policies and delayed targets as energy costs soared following Russia's invasion of Ukraine in 2022.

Big European energy companies that had invested heavily in the clean-energy transition found their share performance lagging U.S. rivals ExxonMobil and Chevron, which had kept their focus on oil and gas. Against this backdrop, the likes of BP and Shell this year sharply slowed their plans to spend billions on wind and solar power projects and shifted spending to higher-margin oil and gas projects.

BP, which had aimed for a 20-fold growth in renewable power this decade to 50 gigawatts, announced in December it would spin off almost all its offshore wind projects into a joint venture with Japanese power generator JERA. Shell, which once pledged to become the world's largest electricity company, largely stopped investments in offshore wind projects, exited power markets in Europe and China and weakened carbon reduction targets. Norway's state-controlled Equinor slowed spending on renewables.

First Russian-built ice-class LNG tanker enters sea trials

(Reuters; Dec. 27) - The first Russian-built ice-class liquefied natural gas carrier has entered sea trials, LSEG data showed on Dec. 27, as part of Russia's efforts to raise its global LNG market share despite U.S. sanctions. The tanker, named Alexey Kosygin after a Soviet statesman, was built at the Zvezda shipyard and is due to join the fleet of vessels serving Russia's new Arctic LNG 2 plant, which has endured production and export delays because of the U.S. sanctions Russia's war on Ukraine.

The U.S. has also placed sanctions on the new vessel, which Russia's leading tanker group Sovcomflot ordered built at Zvezda, Russia's most advanced shipbuilding yard. LSEG ship-tracking data shows it is anchored near the Pacific port of Vladivostok. Novatek, which owns 60% of Arctic LNG 2, has said that 15 Arc7 ice-class tankers able to cut through ice more than six feet thick to transport LNG from Arctic projects will be built at Zvezda.

Novatek shut down commercial operations at the first and only operational train of its Arctic LNG 2 project in October with no plans to restart it during winter when ice-class tankers are needed. So far, only three suitable tankers have been built for Arctic LNG 2, according to public information, including the Alexey Kosygin. Six more Arc7 tankers were due to be built by South Korea's Hanwha Ocean, formerly Daewoo Shipbuilding, including three for Sovcomflot and three for Japan's Mitsui O.S.K. Lines. However, the tankers ordered by Sovcomflot were cancelled due to the sanctions against Russia.

U.S. loans money for gas-fueled power project in Guyana

(Gas Processing and LNG; Dec. 27) - The U.S. Export-Import Bank approved a $526 million loan to Guyana for a project designed to double the South American country's installed electric capacity, the Guyanese government and Ex-Im said on Dec. 26. The project, which falls under Ex-Im's mandate to help U.S. equipment and services exporters facing competition from China, will use gas turbines to generate electricity.

Ex-Im said the project will reduce carbon dioxide but environmental groups said the financing contradicts the Biden administration's commitment to aid the transition away from fossil fuels agreed at COP28 in Dubai. Ex-Im said the loan will support a joint venture that involves Texas-based Lindsayca and Puerto Rican firm CH4 Systems, with services provided by ExxonMobil, and will create 1,500 U.S. jobs. The two companies faced direct competition from China for the Guyana contract, according to Ex-Im.

The project will include construction of a gas separation plant, a 300-megawatt combined-cycle gas turbine power plant and a gas pipeline near Guyana's capital, Georgetown. Guyana has become a substantial oil producer, pumping more than 600,000 barrels a day from Exxon-led development of offshore fields, and next wants to tap its natural gas reserves to help electrify the country.

New York state law requires oil companies to pay for climate projects

(Albany Times Union, NY; Dec. 26) - Oil and gas companies could be on the hook for billions of dollars to compensate for environmental pollution after New York Gov. Kathy Hochul on Dec. 26 signed the Climate Change Superfund Act, a long-cherished priority for advocates who blame global warming on fossil fuels. Democratic lawmakers and environmental advocates have asserted that fossil fuel producers have historically knowingly downplayed the effects of the production of fossil fuels on the environment and have been responsible for the emission of greenhouse gasses.

The solution, advocates have suggested, is to compel those companies to pay into a $75 billion superfund that would be used to pay for climate resiliency projects around New York state. Business groups opposed the legislation, noting that the regulations would likely drive up costs for households and businesses. The legislation will likely face court challenges. The bill passed the Legislature in June after debate over its feasibility.

As a model for the New York program, proponents have pointed to the federal superfund law, which Congress created in 1980 to fund cleanup of sites contaminated by hazardous waste. The program compels the parties responsible for that waste to either clean up the sites or to reimburse the federal government for the costs. Payments to the state program are intended to be collected over the next 25 years.