Oil and Gas News Briefs
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OPEC+ created its own problem by helping competitors

(Bloomberg columnist; Dec. 2) - The best scandals are those that start when someone, somewhere, decides to say something utterly shocking: the truth! A senior official of the OPEC+ oil cartel has said publicly what many thought privately — the group has been keeping oil prices too high, effectively subsidizing its rivals. The result? It cannot increase its own production and instead relies on ever-increasing cuts to its output.

Afshin Javan, the No. 2 official in the Iranian delegation to OPEC+, published a commentary on his country's state-run news agency Shana on Nov. 26. The group, he argued, faced a "a supply glut" largely of its own making following several years of production cuts. "This strategy in support of prices has effectively encouraged higher supply outside the group, particularly on the part of the U.S.," he said.

The commentary went on to state a truth that few will even discuss behind closed doors: The current policy prompted Angola to quit OPEC+ and others could soon follow. Within hours, the op-ed was deleted without explanation. But the damage was done. Meanwhile, Riyadh is trying to arm-twist Iraq and Kazakhstan into respecting OPEC+ production limits. Both nations have regularly pumped above their quotas, along with Russia and the United Arab Emirates. Kazakhstan, which has spent billions expanding its largest oil field, wants the group to recognize its right to produce more oil next year.

Ultimately, the Iranians are right: OPEC+ is subsidizing the growth of its rivals, and the longer it persists the more difficult it will be to find an exit strategy. The longer OPEC+ pushes for too high prices, the deeper the hole it digs for itself, unable to increase production. OPEC+ officials know it, but few dare to speak up. They need to do so.

OPEC+ again postpones any production increase

(Bloomberg; Dec. 5) - OPEC+ on Dec. 5 delayed the revival of its oil production by three months, the third time it's deferred the move while crude prices struggle amid a looming surplus. The group led by Saudi Arabia and Russia pushed back the series of supply increases, which had been due to begin with a hike of 180,000 barrels a day in January. It will instead start in April and unwind the cuts at a slower pace than previously planned, according to a statement from the alliance.

The United Arab Emirates also won't increase production until April. The nation had previously won the right — separate from the group's production cuts — to gradually

add 300,000 barrels a day in monthly stages starting January, in recognition of its recent investments in production capacity. “OPEC has bought itself some time,” said Harry Tchilingurian, head of oil research and analytics at Onyx Commodities. “However, prices wait for no one, and if the demand outlook deteriorates further, then the support coming from current cuts will see diminishing returns and we could test a figure in the $60s.”

OPEC and its partners had announced in June they would restore output halted since 2022, gradually reviving 2.2 million barrels per day. But its plans have been thwarted as oil demand falters in top consumer China, while supplies boom from the U.S., Brazil and Canada. Global markets face a surplus in 2025 even if OPEC+ doesn’t add a single barrel, according to the International Energy Agency. Oil prices have declined about 18% since early July as traders shrugged off turmoil in Middle East and focus instead the slowdown in China. Citigroup and JPMorgan Chase have predicted that crude will keep sliding into the $60s next year, even if OPEC+ continues to restrain production.

Saudi’s influence over OPEC and oil markets on the wane

(Wall Street Journal; Dec. 4) - Saudi Arabia’s sway over OPEC long meant unquestioned dominance of the global oil market. Those days are over, at least for now. The kingdom is struggling to execute its plan to keep prices elevated to help pay for its infrastructure-spending spree, including $1 trillion of projects designed to rapidly pivot the economy away from oil. But the cartel’s increasingly fractious members are pushing to pump more and maximize short-term profits, in part due to the expectation of growing competition from U.S. shale emboldened by President-elect Donald Trump’s victory.

That creates a dilemma for OPEC’s de facto leadership in Riyadh: Continue defending the price of oil or fight to take back market share. It appears the Saudis aren’t inclined to start another price war. Saudi officials say the kingdom is likely to keep the spigots tight on its own flow, further pushing back plans to loosen them. The Saudis tried to fight U.S. shale by waging a price war in 2014 and 2020 but ultimately failed to rein in mounting American production. This time around, the kingdom is wary of making a bold move before Trump signals where he would like prices to be, Saudi officials said.

Oil output in the Americas has already helped slash the OPEC+ slice of global supplies to some of its lowest levels. “It’s really easy to be part of a cartel when a market is growing,” said Jorge León, a Rystad Energy analyst who formerly worked for OPEC. “Nobody wants to be in a cartel where they are cutting production.” The upshot is that OPEC+ has lost some of its geopolitical heft in Washington. OPEC watchers say the shift in power has undermined Saudi Arabia’s ability to corral the cartel’s members.

Saudi Oil Minister Abdulaziz bin Salman has at times appeared openly frustrated at the kingdom’s waning influence. In September, he warned prices could drop to as low as $50 per barrel if so-called cheaters within OPEC+ didn’t stick to production limits. For

some analysts, Saudi’s strategy to hold back production and defend higher prices amounts to a gamble on waiting out U.S. shale’s projected peak in the coming years.

China’s oil imports could peak as soon as next year

(Reuters; Dec. 2) - China's crude oil imports are on track to peak as soon as 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. The speed of its transition to electric mobility has stunned oil producers and investors. No single market is positioned to replace China’s demand, which has made up 41% of annual global oil consumption growth averaging 1.1 million barrels per day over the past three decades, according to the Statistical Review of World Energy.

Electric and hybrid vehicle sales in China topped combustion engine vehicle sales for the first time in July, eating into China's need to import crude for refiners to make gasoline, with prolonged economic weakness also slowing overall oil consumption. Demand for transportation fuels began to decline this year in a three-year plateau that started in 2023, said Ciaran Healy, demand analyst at the International Energy Agency, a view echoing a Chinese oil researcher's. The plateau has come around two years earlier than the 2025-2027 period the IEA forecast as recently as June, Healy said.

As a result, producers and investors face the prospect that Chinese crude imports are nearing their peak, with only China's expanding petrochemicals sector poised to underpin oil consumption in coming years. "Other countries are picking up the slack a little bit, but the incoming data is such that they're not offsetting the deceleration that we've seen in China," said Martijn Rats, chief commodity strategist at Morgan Stanley. "If China doesn't grow at its historical trend rate, then it's very unlikely that the world will grow at its historical trend rate," he said. "The oil industry is sort of figuring it out.”

China finishes last section of gas pipeline from Russia

(Reuters; Dec. 2) - China has completed and connected the 3,175-mile Power of Siberia pipeline to deliver gas from Russia's Siberian fields to users as far as the financial hub of Shanghai, Chinese state media reported on Dec. 2. The completion will allow the project to reach its full annual designed capacity of more than 3.6 billion cubic feet per day of gas in 2025, roughly 9% of China's total gas consumption this year.

Chinese builders added the last section, a 104-mile line from Nantong to Luzhi in the eastern province of Jiangsu, in mid-November, completing the massive project seven months ahead of schedule. The line, at 56 inches in diameter, has the largest transport capacity for a single pipeline, state television said. The Power of Siberia pipeline began pumping gas in late 2019, and Russia has been ramping up supplies since then.

The latest increase in daily deliveries makes Gazprom the largest supplier of pipeline gas to China, surpassing Turkmenistan with a lot of room to spare. Russia has long been the leading overall supplier of gas — pipeline gas plus liquefied natural gas — to China, according to a report by Interfax, a Russian news agency.

Australia's southeast could start running short of gas in 2026

(The Sydney Morning Herald; Dec. 1) - Homes and businesses are in danger of facing temporary gas shortages as soon as the winter of 2026 unless the states of Victoria or New South Wales start importing the fuel, as new forecasts say local gas production is dropping far more quickly than demand. The speed and scale of declining output from ExxonMobil's 50-year-old gas fields in the Bass Strait, which have traditionally supplied most of the gas for local use, have intensified concerns that demand spikes on cold winter days could lead to sporadic gas shortfalls within two years.

More Australians are replacing their gas appliances with electric alternatives but the shift is not happening fast enough to avert the threat of shortfalls in Victoria and New South Wales, with a combined population of more than 15 million, Australian energy consultancy EnergyQuest said in a report. Seasonal supply gaps are expected from 2026, it said, while the entire East Coast gas market is facing an annual deficit from 2028, a forecast in line with official warnings from the national energy market operator.

"These two states will be reliant on liquefied natural gas imports within a few short years, or there simply won't be enough gas supply to meet demand, and gas users will be unable to source gas at any price," EnergyQuest CEO Rick Wilkinson said. The looming shortage of gas, a key source of planet-warming carbon dioxide and methane emissions, presents a challenge for Australia, which is being forced to balance efforts to combat climate change with the need to shore up traditional energy supplies.

Australia is one of the world's top exporters of liquefied natural gas, but most of it is produced far from the populous Southeast. Fearing time has run out to develop local gas projects or new pipeline capacity, government and industry leaders are increasingly looking to LNG imports to fix the supply crunch facing Victoria and New South Wales.

Locals, environmentalists oppose LNG import plan in Australia

(Australian Broadcasting Corp.; Dec. 1) - A plan to import natural gas into Victoria to protect the Australian state from energy shortages is being opposed by locals and environmental groups. Victoria, with 7 million residents, is facing a looming natural gas shortage because supply traditionally taken from Bass Strait is running out. A new, floating gas import terminal off the coast is designed to be a cost-effective solution for the 90% of Victorian households reliant on gas-powered cooktops and heating.

However, critics of the project say the terminal, which will take in liquefied natural gas from other parts of Australia or the world, will be located too close to homes and businesses. They also argue the environmental impacts of the project have not been properly assessed. Energy company Viva Energy has proposed the LNG import terminal be built adjacent to its Geelong Refinery in Corio Bay.

After Victoria reduces its dependence on gas, Viva Energy plans to relocate the floating LNG terminal and repurpose the remaining infrastructure. Viva's chief strategy officer Lachlan Pfeiffer said the terminal is the solution for Victoria that could be delivered in time for predicted gas shortfalls in winter 2028. Viva submitted an environmental effects statement to the Minister for Planning in 2022 but was ordered to prepare a supplementary review to further explore the project's effects on the marine environment, noise, air quality and underwater Aboriginal cultural heritage. That review is underway.

Analysts say rising costs reduce competitiveness of U.S. LNG

(Reuters; Dec. 3) - Rising costs of building and equipping new U.S. liquefied natural gas plants will reduce the competitiveness of U.S. gas exports, LNG analysts at Poten & Partners predicted on Dec. 3. U.S projects have faced rising construction costs, with Venture Global's Plaquemines export plant under construction in Louisiana over budget by $2.3 billion, and Golden Pass LNG, a joint venture between ExxonMobil and QatarEnergy, more than $2 billion over its original budget.

U.S. natural gas prices could also go to as high as $6 per million Btu because of increased demand from LNG export plants, a possible 20% growth in electricity use and the need for significant investment in infrastructure, said Jason Feer, Poten and Partners' business intelligence chief. "We've got a lot of gas in the U.S., but we don't really have vast amounts of really cheap gas," Feer said.

The Biden administration's export permitting pause likely will keep global LNG prices higher for longer and benefit existing exporters, Feer said at Poten's Global LNG Outlook conference. He added that for the firms proposing new export plants along the U.S. Gulf Coast, landing new customers will present a greater risk than regulation. "There is this idea that China will switch from coal to gas. We think that is very unlikely ... that will make China dependent on the U.S. or Qatar. That's expensive and a potential risk to their national security, so I don't see that happening," Feer said.

Property tax breaks for LNG projects cost Louisiana parishes billions

(Louisiana Illuminator; Dec. 3) - Tax breaks to the liquified natural gas export industry could deprive Louisiana communities of more than $21 billion in much needed infrastructure funds through 2040, according to a new report. The report, which the

Sierra Club released De. 2 with other environmental advocacy organizations in Louisiana, criticizes Gov. Jeff Landry's decision to leave the Industrial Tax Exemption Program (ITEP) untouched during the recent special session to overhaul tax policy.

Lawmakers raised sales taxes to compensate for flat personal and corporate income tax rates. In addition, a handful of business tax incentives will end to help balance the state budget. Calcasieu, Cameron and Plaquemines parishes are listed in the report as most negatively affected by the liquefied natural gas export industry as far as lost property tax revenue due to the state's incentive program. The three operating LNG export facilities in Louisiana are all in Cameron parish. Six more facilities are either under construction or proposed, with two in Cameron, three in Calcasieu and one in Plaquemines Parish.

"Local and state officials forgo vast sums of public money in tax giveaways, sacrificing everything from public health to local fishing and tourism industries, in exchange for inadequate promises of jobs or investment," Alison Kirsch, Sierra Club senior analyst and report author, said in a news release. Every proposed or operating onshore LNG export terminal in Calcasieu and Cameron parishes has secured ITEP breaks for at least 80% of their property tax bills, according to the report. That will result in $20.2 billion in lost tax revenue through 2040 if all the planned LNG export terminals are built.

U.S. natural gas inventories start winter at highest level since 2016

(U.S. Energy Information Administration; Dec. 2) - Working natural gas storage in the Lower 48 states ended the gas injection season at 3.922 trillion cubic feet, according to estimates based on data from the U.S. Energy Information Administration's weekly gas storage report released last month. U.S. inventories are starting the winter with the most gas since 2016. Inventories are currently 6% above the five-year (2019–2023) average. Less gas than the five-year average was injected in nearly every week during the 2024 injection season, in part because inventories were relatively full.

Gas inventories in the Lower 48 states at the end of March 2024 (the end of withdrawal season) totaled 2.282 tcf, 25% more than at the same time in 2023 and 40% more than the five-year average for March. This enabled storage operators to reach their end-of-season targets with smaller gas injections. Low natural gas prices in 2024 encouraged producers to curtail production, which also reduced natural gas available for injections.

Canada's ambitions to export ammonia derailed by insurance costs

(S&P Global; Dec. 2) - Though a rail prohibition is often seen as the major obstacle to exporting low-carbon ammonia from Canada to Asia, Transport Canada and sources confirmed the primary challenge is high insurance costs associated with transporting the product to export terminals, leading a developer to abandon the region. "For the Canada

project, we weren't able to move forward with the next development stage without certainty on the rail situation," the developer, who requested anonymity, said.

Western Canada's ambition to become a key exporter of low-carbon ammonia to the Asia-Pacific region faces similar challenges to liquefied natural gas projects, with domestic rail transportation and insurance costs said to pose significant obstacles to delivering ammonia to markets like South Korea and Japan. "Ammonia is currently transported by rail and truck within Canada for domestic uses and is considered a dangerous good, subject to the requirements of the Transportation of Dangerous Goods Act 1992," a Transport Canada representative told S&P Global Commodity Insights.

"There will definitely be an inflated cost to rail the ammonia (to a West Coast export terminal) and to get insurance, since ammonia is a hazard to transport and the Transport Canada discussions will likely involve increased risk mitigation and insurance provisions," a low-carbon ammonia developer said. Despite these challenges, Western Canadian projects are said to be competitive due to affordable natural gas to make the ammonia and a shorter route to Asia, bypassing the Panama Canal.

Argentine gas producers sign on for LNG project

(Bloomberg; Dec. 3) - A plan to export liquefied natural gas from Argentina is gaining momentum, with four drillers in the country’s shale patch now signed on to supply a facility with the fuel. London-based oil company Harbour Energy announced this week that it would acquire a 15% equity stake in the roughly $3 billion floating liquefaction project spearheaded by driller Pan American Energy and vessel provider Golar LNG.

Harbour recently acquired drilling assets in Argentina from Germany’s Wintershall Dea that include areas in the Vaca Muerta shale formation. Wintershall’s offshore venture with Pan American — which is 50% owned by BP — and France’s TotalEnergies were also part of the acquisition. Harbour follows Pampa Energia, which said on Nov. 29 that it will have a 20% stake in the project, and Argentina’s top oil and gas producer state-run YPF, which also intends to pipe fuel to the floating liquefaction operation. The facility is scheduled to start operations on the Atlantic coast in 2027.

Argentina’s LNG ambitions put it in competition with growth in the U.S. and Qatar, two of the world’s top natural gas suppliers. Demand for the fuel has been on the rise in Europe, where importers are cutting back on gas piped from Russia, and in Southeast Asia, where new buyers are decarbonizing their energy portfolios. “Argentina is estimated to have 802 trillion cubic feet of technically recoverable shale gas,” second in the world to Qatar, according to the U.S. Energy Information Administration.

Enbridge cancels plans for gas pipeline to Canada’s West Coast

(Financial Post; Canada; Dec. 3) - Enbridge has cancelled plans to build a natural gas pipeline project in northern British Columbia that was once touted as a key supply route for liquefied natural gas export terminals near Prince Rupert. The Canadian pipeline giant on Dec. 3 said it is no longer developing its Westcoast Connector Gas Transmission project after allowing its environmental certificate to expire on Nov. 25.

“This was a business decision based on an assessment of project viability,” a company spokesperson said. The project was planned to carry 4.2 billion cubic feet of gas a day over 530 miles from northeast B.C. to the Prince Rupert area to feed Shell’s proposed LNG export facility in the port city. Shell scrapped that project in 2017, but the pipeline was revived and is in contention to supply a new proposed export terminal just north of Prince Rupert, Ksi Lisims LNG, Canada’s second-largest proposed terminal after the Shell-led LNG Canada project nearing start-up in Kitimat, B.C., south of Prince Rupert.

But the fate of the Enbridge project may have been sealed in March when the partners behind Ksi Lisims announced an agreement to purchase TC Energy’s rival Prince Rupert Gas Transmission (PRGT) pipeline project, which left Enbridge without an LNG export facility to serve. Though technically approved in 2014, PRGT still faces regulatory hurdles. Proponents are seeking approval from the provincial regulator to change and shorten the pipeline’s proposed route to terminate at the Ksi Lisims LNG site.

Germany shifts to gas-fired power generation to cover drop in wind

(Reuters; Dec. 4) - Gas-fired electricity production in Germany jumped by a record 79% in November from the month before as utilities scrambled to offset a second straight month of sharply below-normal output from wind farms. Wind power output was 25% below year-prior levels in October and November due to slow wind speeds, depriving power firms of a key electricity source just as winter set in. Wind farms supplied 27% of German utility electricity in 2023.

The 79% boost in gas-fired power generation was the largest ever monthly rise and was accompanied by a jump in coal-fired production to 20-month highs as utilities also had to offset a drop in solar generation to the lowest level this year. A “Dunkelflaute” or “dark wind lull” is a period of low wind speeds that greatly curtail wind farm generation. Germany's main wind farm areas have suffered from an extended lull since October.

Wind output is forecast to return to around 6% above normal levels in December, according to LSEG, which should help ease the strain on Germany's power systems before year-end. But with solar generation set to fall further during the dead of winter, power firms may not be able to cut back on fossil fuel output until well into 2025. That means Germany's power emissions, which are already at their highest since early 2023, may climb further in the months ahead before dropping again next spring.

Europe grows production of biogas to displace natural gas

(S&P Global; Dec. 4) - Continued investment and optimization of market and regulatory conditions will be vital in maintaining the growth of biogases in Europe, as production levels reached some 7% of natural gas consumption in 2023, according to data from the European Biogas Association. Europe's biogas and biomethane production amounted to about 775 billion cubic feet last year, close to the combined gas demand of Belgium, Denmark and Ireland, according to the EBA's latest Statistical Report on Dec. 4.

Biomethane production alone was reported at 170 bcf in 2023, the biggest year-over-year rise in production on record for the EBA, up 21% in the European Union versus 18% in Europe. This was led by Italy, France, Denmark and the U.K., the report noted. In terms of end-uses, some 23% of biomethane produced in Europe last year was used for transport, around 17% in buildings, 15% for power generation and 13% for industry, according to EBA data. Biogas and biomethane are produced from breaking down organic waste, including food scraps and animal waste, capturing the methane.

"Europe's greatest resource for reducing reliance on outside energy providers is a combination of all renewable energy sources, including biogases," Harmen Dekker, EBA's CEO said. Dekker noted some Eur27 billion ($28.3 billion) of private investment would flow into the biomethane sector alone by 2030, while the association's 2040 projection sees biomethane production at up to 3.5 trillion cubic feet in the EU, covering some 80% of EU gas consumption.

Suriname plans to share oil royalties with citizens

(Al Jazeera; Nov. 30) - The small South American country of Suriname plans to share revenues from newly discovered oil and gas fields off its coast. After several discoveries of oil reserves by an offshore drilling project known as Block 58 from 2019 to 2023, President Chan Santokhi has unveiled an ambitious initiative called “Royalties for Everyone” (RVI), aimed at ensuring that all Surinamese benefit from the wealth, which experts value at about $10 billion over the next 10 to 20 years.

“The RVI instrument means that every Surinamese who lives in our country receives a savings note worth US$750 with an annual interest of 7%. The money will be paid out in the future from the royalty income of Block 58,” Santokhi said. Oil and gas production is to begin in 2028. The royalties program is designed to distribute the anticipated profits from the nation’s resources directly to its citizens, marking a major shift in the country’s economic policy and potentially transforming the lives of Suriname’s 636,000 residents.

Block 58 is a $10.5 billion, deepwater oil and gas project off Suriname, which became a Dutch colonial post after Britain traded it for New Amsterdam (now Manhattan, New York) in 1667. French energy giant TotalEnergies, working with U.S. energy company

Apache, is the project operator. The joint venture aims to tap into an oil field nearly 100 miles offshore, with the potential to pump up to 220,000 barrels of crude oil daily.

Suriname is following on neighboring Guyana, which announced last month that hundreds of thousands of citizens at home and abroad aged 18 and over will each receive cash payments of about 100,000 Guyanese dollars ($480). An ExxonMobil-led venture is now producing more than 660,000 barrels a day from Guyana offshore fields.

Russian lender wants to buy shipyard from oil company

(Reuters; Dec. 1) - Russia's second-largest lender VTB will acquire the Zvezda shipbuilding yard from oil company Rosneft but the deal is still in its early stages, VTB CEO Andrei Kostin told Reuters. VTB is currently running Russia's United Shipbuilding Corp. (USC), Russia's largest shipbuilder, which operates about 40 shipyards, design offices and repair yards across Russia, employing 95,000 staff.

"The deal is at the very beginning. There are basic agreements. And just recently, we signed a trilateral agreement between USC, VTB and Rosneft regarding the due diligence process," Kostin said. Zvezda is Russia's most advanced shipbuilding yard, focusing on building large Arc7 ice-class tankers, able to cut through 6-foot-thick ice to transport liquified natural gas from Arctic projects. "I think this is a good decision. Consolidating the industry is the right thing to do," Kostin said.