Oil and Gas News Briefs
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Qatar could control 25% of global LNG market after latest expansion

(Reuters; Feb. 26) - Qatar's planned expansion of liquefied natural gas production could see it control nearly a 25% share of the global market by 2030 and squeeze out rival projects including in the U.S., where President Biden has paused new export approvals, market experts say. Qatar, one of the world's top LNG exporters, plans an 85% boost in LNG output from its North Field's current 77 million tonnes per year to 142 million by 2030, even higher than its previously announced expansion to 126 million.

Some market experts said the move will have an impact on projects in the U.S., East Africa and elsewhere which require financing and long-term customers to reach final investment decisions, given Qatar's edge as the world's lowest-cost producer. "The Qataris realized that they should be able to offer pretty much the most competitive prices. They have the reserves, lower costs for building incremental capacity, the relationship with engineering firms and existing clients, so why stop here?" said Ira Joseph, senior research associate at Columbia University's Center on Global Energy.

Fraser Carson, senior research analyst of Global LNG at Wood Mackenzie, said the timing of Qatar's announcement is "fortuitous" as other LNG competitors stall, in light of the U.S. pause of new LNG export approvals, as Russian LNG is sanctioned and as civil unrest continues in Mozambique where TotalEnergies wants to restart work on its project. "Qatar is geographically well placed to meet current high demand in Northeast Asia in China, Japan and Korea and future demand in the only real growth region of South Asia, especially in India," said Henning Gloystein at Eurasia Group.

Low-cost LNG producer Qatar seeks more deals

(Bloomberg; Feb. 26) - Qatar is seeking more gas deals in Europe and Asia in a bet that demand will continue to grow as it embarks on a new multibillion-dollar project to expand exports. The Mideast nation — already one of the world's largest suppliers of LNG — plans a new 13% increase in annual capacity on top of a previously announced expansion. Population growth, particularly in Asia, will drive demand along with an economic recovery across the world, Qatar's Energy Minister Saad Al-Kaabi said.

The country is also looking to lock in more contracts in Europe, he said. The decision to plow yet more investment into liquefied natural gas production comes as an outlook for a supply glut and a shift by some countries away from fossil fuels threatens LNG projects elsewhere. Global gas demand could peak by the end of this decade, according to some analysts, including the International Energy Agency.

Qatar's push highlights the importance of gas to the country. LNG exports are its biggest revenue earner and helped boost its global clout since it started shipments about two decades ago. "We've been consistently saying that we need a lot of LNG," Al-Kaabi said on Feb. 25. "We need more gas for the world, and we need more players." Qatar will add 16 million tonnes of annual production capacity before the end of this decade, in addition to a $50 billion, 49 million-tonnes-per-year expansion that is already underway.

While it's counterintuitive for Qatar to expand in a potentially "oversupplied market," Goldman Sachs Group said in a note to clients, "we believe the region, which is the lowest-cost LNG supplier in the world, can benefit from increased long-term market share while conveying the image of a reliable supplier."

Alberta oil output set record in 2023; producers await new pipeline

(Canadian Press; Feb. 26) - Canadian crude-by-rail shipments nearly doubled in the last six months of 2023 as oil output from Alberta surged to all-time highs and the Trans Mountain pipeline expansion to the West Coast remained under construction. Though the rail volume then declined 6% to 157,142 barrels per day in December, that was 25% higher than the country's crude-by-rail shipments in December 2022. For the full year, rail exports averaged 119,077 barrels per day, a seven-year low, down 17% from 2022.

But the sharp uptick in the last half of the year shows the impact of surging oil output in Alberta that has filled Canada's oil export pipelines close to capacity. Last year, Alberta's crude oil production hit an all-time record, totaling just under 1.4 billion barrels, or about 3.73 million barrels per day. The increase came as oil sands producers have been ramping up to prepare for the opening of the Trans Mountain pipeline expansion, which will add an additional 590,000 barrels per day of export capacity to the coast.

When the Trans Mountain project does come online and begins to fill with oil, the recent increase in crude-by-rail shipments should reverse, said BMO Capital Markets analyst Ben Pham in a recent report. "For the first time in over a decade, the (Western Canadian Sedimentary Basin) will have excess crude takeaway capacity," Pham wrote, noting BMO expects Western Canadian crude oil supply to increase from 5 million barrels per day in 2023 to 5.3 million in 2025 and 5.6 million in 2030.

Cost overruns continue for Canadian oil line project

(Canadian Press; Feb. 27) - The company building the Trans Mountain oil pipeline expansion now estimates the project's costs will come in 10% higher than its May 2023 estimate of C$30.9 billion. In the filing, Trans Mountain Corp., which is a Crown corporation, said the latest tally is subject to the receipt of final costs and expenses once the 710-mile pipeline project is complete.

The company said it will need approximately three months following the completion of construction before it can provide a final cost estimate. Trans Mountain Corp. also said in its Feb. 26 filing that it continues to work toward an in-service date for the pipeline expansion in the second quarter of this year, with commencement of firm service contracts slated for May 1. The Trans Mountain pipeline, which is owned by the federal government, is Canada’s only oil pipeline to the West Coast. Its expansion will increase the pipeline’s capacity to 890,000 barrels per day from 300,000 currently.

The expansion work has been underway for more than three years. Canadian oil producers have begun ramping up output in expectation of the additional export capacity, which is expected to improve the prices the companies receive. The project’s ballooning costs are expected to reduce the sale price the government can hope to achieve when it sells the pipeline. The government has launched talks with more than 120 Western Canadian Indigenous communities whose lands are located along the pipeline route, to find out if any of them are interested in acquiring an equity stake.

Exxon may assert rights to buy Chevron stake in Guyana oil

(Reuters; Feb. 26) - ExxonMobil said on Feb. 26 that it may preempt Chevron’s acquisition of a 30% stake in a giant Guyana oil block, the centerpiece of Chevron’s deal for Hess Corp. The companies are in talks on Exxon's claim that it has a right to first refusal of any sale of the Stabroek block, a giant field off the coast of the South American nation of Guyana that contains at least 11 billion barrels of oil.

The dispute between the top U.S. oil producers could end Chevron's $53 billion deal for Hess, Chevron warned in a securities filing. If the deal falls apart, Hess could be liable for a $1.7 billion breakup fee. Exxon said in a statement it wants to ensure it will "preserve our right to realize the significant value we’ve created and are entitled to in the Guyana asset.” Exxon operates all production in Guyana with a 45% stake in the consortium, with Hess and China's CNOOC as its minority partners. In October, Chevron proposed to buy Hess largely to obtain the Guyana stake.

"You have to assume that Chevron made a business decision that Exxon wouldn't try to preempt," said Dan Pickering, chief investment officer at Pickering Energy Partners. The two companies are partners in projects elsewhere and the dispute signals how valuable the Guyana projects are to Exxon, he said. "It obviously means that 30% of Guyana is really valuable and maybe they (Exxon) think that Chevron is getting in too cheaply, Pickering said. "Right now, it feels like a food fight." The Exxon-led consortium has said it expects to triple Guyana's oil output to over 1.2 million barrels of oil per day by 2027.

China’s demand growth for oil likely to slow down

(CNBC; Feb. 27) - China’s oil demand growth this year could be half of pre-COVID levels, according to Eurasia Group, as key segments of the world’s second-largest economy struggle from a slowdown. The country is unlikely to return to its model of an oil-intensive economic growth this year, with its construction and auto sectors — key drivers for oil demand — now looking “exhausted,” the risk consultancy said in a note.

The consultancy expects demand growth to be around 250,000 to 350,000 barrels per day, less than half of what it was in 2019 — far from the annual demand growth of a million barrels per day seen between 2015 and 2020. Even if China’s property sector recovers, future growth on the level seen before the pandemic “is not possible” given the country’s soaring debt levels, declining demographics and reduced GDP growth expectations, according to the consultancy.

“The incremental fuel demand growth in China that the oil industry has come to literally bank on over the past two decades is no more,” Eurasia Group said. China will lose its spot to India as the primary driver for global oil demand through 2030, the International Energy Agency said in a report. China’s oil consumption hit an all-time high of 16.03 million barrels per day last year as the country took advantage of plunging oil prices to import large volumes of cheap crude, analysts from JPMorgan wrote in a recent note.

OPEC+ may extend oil production cuts in bid to prop up prices

(Reuters; Feb. 27) - OPEC+ will consider extending its voluntary oil output cuts into the second quarter, three OPEC+ sources told Reuters, to provide additional support for the market, and could keep them in place until the end of the year, according to two of the sources. Last November, the Organization of the Petroleum Exporting Countries and allies led by Russia agreed to voluntary cuts totaling about 2.2 million barrels per day for the first quarter this year, led by Saudi Arabia continuing its own voluntary cut.

Oil prices have found support this year from rising geopolitical tensions due to attacks by the Iran-aligned Houthi group on Red Sea shipping, although concern about economic growth and high interest rates has worked to hold down prices. Brent crude was trading near $83 a barrel on Feb. 27. Extending the output cuts into the second quarter is “likely,” one of the OPEC+ sources, who declined to be identified by name, said. Two of them said a longer extension until the end of the year was possible.

The issue has yet to be discussed formally by OPEC+, two of the sources said. A decision on extending the cuts is expected in the first week of March, sources have said, with individual countries expected to announce their decisions. OPEC+ has implemented a series of output cuts since late 2022 to support the market, amid rising output from the U.S. and other non-member producers and worries over demand as major economies grapple with high interest rates aimed at curbing sticky inflation.

Surging demand for petrochemicals helps oil and gas industry

(Energy Wire; Feb. 28) - The oil industry is increasingly turning to petrochemicals to help keep crude in the market amid pressure to address climate change. Petrochemicals are oil- and gas-derived compounds used in everything from plastics to medical equipment. And demand for them is expected to skyrocket, with help from renewables and low-carbon energy. The International Energy Agency forecasts that petrochemicals are set to account for more than a third of growth in oil demand through 2030 and more than half starting in 2050.

They could consume an additional 2 trillion cubic feet of natural gas annually by 2030 — an amount equivalent to about half of Canada’s total gas consumption today, according to the agency. “Petrochemicals are becoming the largest driver of global oil demand,” said Kate Hardin, executive director of Deloitte’s Research Center for Energy and Industrials. The projected growth not only could affect emissions but could offer the oil industry a lifeline at a time when climate policies, a shift to electric vehicles, investor pressure and declining refinery capacity are expected to increasingly strain the sector.

The push for clean energy is helping petrochemical growth by relying on plastics and polymers used in wind turbines, solar panels and electric vehicles. Tanya Vetter, vice president of strategy and planning for ExxonMobil Product Solutions, said her company sees petrochemical demand growing 40% by 2030 and double by 2050, while company officials expect gasoline demand to decrease in the 2030s. The surge in petrochemicals comes as refining capacity in the U.S. and other developed nations is set to drop, putting pressure on oil companies to find alternative products to gasoline to drive profits.

U.S. top supplier of oil, diesel and LNG to Europe

(Reuters; Feb. 26) - The United States has taken the top spot as Europe's supplier of crude oil, diesel and liquefied natural gas in recent months, capitalizing on reduced imports from east of Suez caused by shipping disruptions in the Red Sea. "The U.S. is in top position on basically all the key commodities that Europe needs to buy," Kpler crude analyst Viktor Katona said at an industry event in London.

The U.S. shipped 2.17 million barrels per day of crude oil to Europe so far this month, according to Kpler data. Exports of diesel stood at 207,000 barrels per day in the same period, outpacing Saudi imports of around 201,000. The United States became the world's largest LNG exporter last year, and its exports are expected to double by the end of the decade. No LNG cargoes from anywhere are currently in the Red Sea, Kpler data show. QatarEnergy, one of the world's largest exporters of LNG, said in January that it had stopped sailing via the Red Sea citing security concerns.

"This idea that the Atlantic basin increasingly starts to trade within itself ... is very much represented by the fact that the U.S. has become the largest player in the European market," Katona said. The U.S. dominance in diesel exports to Europe could wane if the conflict in the Red Sea subsides, as that would allow the fuel to be shipped from the Middle East and India toward Europe once again, he added.

Amid lower demand, Europe manages without Russian pipeline gas

(S&P Global; Feb. 26) - Two years since Russia launched its full-scale invasion of Ukraine — helping to trigger arguably the most serious natural gas crisis in Europe's history — market dynamics are much changed, with supply sources and routes majorly altered. With the majority of Russian pipeline gas deliveries halted, only a handful of countries still import piped gas from Russia's Gazprom, among them Austria, Slovakia, Hungary and non-European Union Serbia.

And although Russian liquefied natural gas supplies to Europe remain relatively robust, they still account for only a small share of Europe's overall gas imports. Now, with the EU giving member states the right to restrict Russian gas imports at the national level and Austria looking to speed up an exit from Russian gas, the remaining Russian volumes flowing to Europe face an uncertain future.

The EU has seen its Russian gas and LNG imports plummet, falling from 5.5 trillion cubic feet in 2021 to 2.8 tcf in 2022 and 1.5 tcf last year, according to EU data. In its place, Europe is importing a lot more LNG, while other pipeline suppliers — such as Norway, Algeria and Azerbaijan — are doing their best to deliver high levels of exports. "While higher LNG imports from the U.S. and elsewhere have covered for almost half of lost Russian pipeline gas, a bigger factor is sharply lower European demand," said Michael Stoppard, global gas strategy lead at S&P Global Commodity Insights.

Latest sanctions target LNG carrier construction for Russian project

(High North News; Feb. 26) - The U.S. and U.K. announced further sanctions against Russia´s Arctic LNG-2 project, targeting ship construction in Russia and South Korea and at Novatek's Belokamenka assembly yard. The impact of three rounds of sanctions in the past six months continues to delay the first shipment from the export terminal. Novatek, the Russian company leading the $21 billion venture, began producing liquefied natural gas at the project in December but has yet to make any shipments.

The new U.S. sanctions aim to restrict the company's ability to procure Arctic ice-class LNG carriers already constructed by a South Korean shipyard and looks to further curtail Russia's ability to build additional such vessels domestically by sanctioning the Zvezda shipyard. The shipyard in Russia's Far East has up to five Arctic icebreaking LNG vessels under construction, with two or three ships projected to enter service at some point in 2024. It is unclear how the blocking measures will delay their service.

Holding companies behind three vessels of the same type built by South Korean shipyard Hanwha Ocean have also been sanctioned. These measures will further restrict Hanwha's ability to offload the vessels to new owners or transfer them to Novatek. The shipyard has completed four vessels, all of which have undergone sea trials and were projected to start moving gas this year. Novatek originally announced LNG deliveries from the project to begin in January, followed by comments that initial cargoes won't occur until March. With the new sanctions, further delays appear likely.

Start-up of BP-led floating West Africa LNG unit delayed again

(LNG Prime; Feb. 26) - BP's delayed Greater Tortue Ahmeyim floating LNG project, located offshore Mauritania and Senegal, is now expected to start producing liquefied natural gas in the fourth quarter of this year, according to project partner Kosmos Energy. Kosmos revealed the latest delay in its full-year 2023 results report on Feb. 26.

In November, the U.S. firm said in its third-quarter results report that delivery of first gas from the first phase of the West Africa project had the potential to slip into the second quarter of 2024 due to subsea work delays. It has now slipped again. "The critical path to first gas … continues to be through the arrival, hookup and commissioning" of the floating production, storage and offloading vessel," Kosmos said. "Timely execution of this workstream is expected to allow for first LNG in the fourth quarter," it said.

BP recently said that Golar LNG's converted floating production unit, Gimi, arrived at the site of the offshore gas field but it did not provide an update on commissioning of the project. The Gimi was converted from a 1975-built LNG carrier. The unit is at the heart of the GTA Phase 1 development, operated by BP with its partners. With eight processing and production modules, the floating unit will liquefy about 500 million cubic feet of gas per day, or more than 3 million tonnes of LNG per year.

Industry prepares to sue over pause in U.S. LNG export approvals

(Bloomberg; Feb. 26) - Top oil industry lobbying groups set the stage for a potential lawsuit challenging the Biden administration's pause in approving new liquefied natural gas exports. In a petition filed Feb. 26 with the U.S. Department of Energy, the American Petroleum Institute and six other groups say the indefinite delay runs afoul of a legal mandate for the agency to issue permits to broadly export LNG unless there's been a clear finding that the shipments aren't in the public interest.

The petition calls the move "arbitrary and capricious" and says it violates administrative requirements in federal law — a prelude to potential litigation that could raise the same claims. The filing underscores deep industry angst over the Biden administration moratorium that threatens to disrupt plans for multibillion-dollar export projects along the

U.S. Gulf Coast — while potentially encouraging overseas rivals to boost their LNG output. Qatar on Feb. 26 announced plans to double down on its ongoing expansion.

Industry allies, including some moderate Democrats, have appealed to the administration to reverse course, and the House of Representatives passed legislation that effectively would preempt the pause. But the legislation is unlikely to pass the Senate — and even if it did, it probably would be vetoed. President Joe Biden last month ordered the halt in approving new licenses to export LNG to European, Asian and other countries that are not U.S. free-trade partners while the Energy Department scrutinizes how the shipments affect climate change, the economy and national security.

Sempra delays Louisiana LNG expansion decision to next year

(LNG Prime; Feb. 28) – U.S. LNG exporter Sempra Infrastructure, a unit of Sempra, expects to take a final investment decision to expand its Cameron LNG plant in Louisiana in the first half of 2025, a delay from an earlier timeline of making the decision this year. “We are anticipating taking an FID on Cameron Phase 2 as early as the first half of next year,” Justin Bird, CEO of Sempra infrastructure, said during Sempra’s fourth-quarter earnings call on Feb. 27.

In March last year, Sempra Infrastructure and its partners TotalEnergies, Mitsui and Japan LNG Investment, a company held by Mitsubishi and NYK, secured approval from the Federal Energy Regulatory Commission for their revised expansion plans. Cameron LNG, which recently shipped its 700th LNG cargo, operates three liquefaction trains with a total annual output capacity of 13 million tonnes; the expansion project would add a fourth train with an additional 6 million tonnes of annual production capacity.

Bird said Sempra and its partners are “exploring procurement or reservation of long-lead and critical-path equipment” for the expansion. The venture has U.S. Department of Energy approval for exports from the expansion, but that authorization expires in May 2026 and would need to be extended to accommodate the delayed construction start.

Developer says Tanzania delaying decision on proposed LNG project

(Bloomberg; Feb. 28) - Tanzania is delaying key agreements needed to realize a $42 billion liquefied natural gas plant, slowing a project that developers Equinor and Shell warn has limited time to become a reality before demand for fossil fuels begins to wane. Plans to connect offshore gas discoveries to feed an LNG export terminal on the East African nation’s coast have been in the works for a decade.

The development appeared to gain momentum last year when Tanzania’s President Samia Suluhu Hassan expressed her support and negotiations were concluded over the host-government agreement outlining commercial legal and fiscal terms and an amended production-sharing deal with the project consortium. Project partners put their initials to agreements with the government last May, but since then “progress has indeed been slower than we expected,” said Equinor spokesman Ola Morten Aanestad.

Major gas discoveries in Tanzania and Mozambique set up the region up as a potential hub for exports of LNG, yet both have faced years of delays. Tanzania has had multiple iterations of its project awaiting next steps amid long negotiations over the terms of contracts, land leases and security arrangements. Tanzania had expected to sign final deals last July, with an investment decision targeted for 2025. Instead, the government has stalled without any indication of what’s behind the delay, according to a person familiar with the talks. There’s no sign of how to resolve the situation, the person said.

Low gas prices push European power generators to switch from coal

(Reuters; Feb. 27) - A more than 25% slump this year in northwest Europe's benchmark natural gas price has helped push the price of gas-fired power generation below the cost of coal-fired generation, setting the stage for fuel switching by key regional power producers. Utilities that operate networks of both gas- and coal-fired plants, such as in Europe's largest economy Germany, are likely to dial up generation from gas plants and cut back output from coal plants in response to the swing in operating costs.

As gas-fired generation typically emits less than half the pollution of coal plants per unit of generated electricity, any sustained switch from coal to gas could result in significant cuts to power sector emissions, even if electricity output levels rise. So far in 2024 the price for natural gas futures in the Netherlands gas network has declined by 26%.

Above-normal gas inventories in key gas-consuming markets, along with enduring weak industrial use due to soft consumer demand, have weighed on gas prices. Regional coal prices have fallen by only 8% to 10% so far this year, so the decline in gas prices has resulted in gas power generation costs falling below the average generation cost for producing power from coal, or the so-called coal-to-gas switching price.

Russia imposes 6-month ban on fuel exports

(Al Jazeera; Feb. 27) - Russia has imposed a six-month ban on petrol exports — but not crude — starting next week amid rising local demand. The halt on petrol shipments abroad, which has been approved by Prime Minister Mikhail Mishustin and is expected to start March 1, was confirmed by state news agency Tass on Feb. 27. A similar ban last year was introduced to avert shortages and spiking prices on the domestic market. Fuel shortages have been reported nationwide in Russia.

“In order to offset excessive demand for petroleum products, it is necessary to take measures to help stabilize prices in the domestic market,” Deputy Prime Minister Alexander Novak was quoted by Russian news outlet RBC. The ban will not apply to the member states of the Eurasian Economic Union, which include Armenia, Belarus, Kazakhstan and Kyrgyzstan, in addition to Mongolia and Uzbekistan, as well as the breakaway Georgian regions of Abkhazia and South Ossetia.

Russia also introduced a ban on fuel exports last September, as the winter season approached, bringing in higher domestic demand that led to increased prices and shortages. Almost all the restrictions were subsequently removed by November. However, the latest ban will be significantly longer, with suggestions that the Kremlin is keen to rein in rising fuel prices ahead of the March 15-17 presidential election.

Oil industry could be short tankers as disruptions cause problems

(Bloomberg; Feb. 25) - Longstanding warnings from the oil tanker industry that too few of the ships are being built are coming back to haunt the market after Houthi attacks on commercial shipping caused widespread diversions in global petroleum trades. Just two new supertankers are due to join the fleet in 2024 — the fewest additions in almost four decades and about 90% below the yearly average this millennium. But after owners increasingly started to shun the southern Red Sea, the lack of new capacity is starting to bite: Charter rates have seen spikes, and voyage durations are going up.

Rates were held in check last year as OPEC and its allies kept oil off the market. At the same time, a wider energy transition intends to do away with fossil fuels — dimming the industry’s outlook in the longer term. But increased avoidance of the Red Sea is adding to the duration of voyages that had already become elongated due to Russia’s war in Ukraine. “The impact of the diversions can be seen every day in shipping in general and I would say crude oil and product tanker shipping,” Alexander Saverys, CEO of Euronav, one of the largest pureplay owners, said on an earnings call earlier this month.

While other commercial vessels — especially container ships — started to avoid the Red Sea soon after the Houthi attacks started in November, oil and fuel tankers were slower to steer clear. That all changed last month after U.S. and U.K. forces bombed Yemen in an effort to quell the incidents. However, the military actions didn’t stop the Houthis and instead have led to many of the world’s top tanker owners staying away. “The situation is tight in the tanker market, in particular for crude oil tankers,” said Enrico Paglia, research manager at Banchero Costa, a shipping services firm.

Tankers wait to load as Venezuela struggles to meet commitments

(Reuters; Feb. 26) - A bottleneck of vessels waiting to load crude and fuel in Venezuela has increased in recent weeks as state-run oil firm PDVSA struggles to deliver cargoes on time, according to people familiar with the matter, documents and shipping data. PDVSA has sought to ramp up shipments this month, the documents and data showed, following setbacks in January as outages at Venezuela's main port hit its exports. But the increase has been insufficient to ease the congestion.

As of Feb. 26, at least 19 supertankers were waiting to load near Venezuela's Jose and Amuay ports, where most exports are shipped from, up from about a dozen at the end of November. "I have two clients waiting since early January for cargoes negotiated last year, and they have not even been assigned loading windows yet," a maritime agency source told Reuters. PDVSA did not immediately reply to a request for comment.

The U.S. Treasury in October extended a six-month license to Venezuela, approving oil exports to its chosen destinations as a way to encourage a fair presidential election this year. But Washington has said President Nicolas Maduro has fallen short on promises, and it could reverse its sanctions relaxation. Vessel-monitoring data from financial firm LSEG and PDVSA documents show some tankers, many bound for India, Malaysia and China, have been waiting since December. PDVSA has told many customers it does not have enough exportable crude inventories to accelerate deliveries, the people added.