Oil and Gas News Briefs
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New pipelines, LNG import terminals a sign of gas longevity

(Reuters columnist; Jan. 11) - Nearly every major region is boosting investments in the infrastructure needed to increase the use of natural gas in power generation — despite global efforts to transition energy systems away from fossil fuels. Globally, more than $720 billion is to be spent on gas pipelines and distribution grids under construction or planned, and an additional $190 billion is to be spent on facilities to handle liquefied natural gas imports, according to Global Energy Monitor.

The investment sums involved — which have been committed to projects that are underway or are planned for the near future — reveal the powerful momentum that remains in traditional fossil fuel industries even as clean-energy supplies are deployed at an accelerating rate. Once completed, the pipelines and LNG import terminals will extend the use of natural gas for years to come, and guarantee that fossil fuels will retain a critical role in key power systems well beyond 2030.

North America tops the list in terms of spending on current or planned pipeline projects at $106 billion. East Asia, which includes China, Japan, South Korea and Taiwan, comes in a close second with roughly $102 billion. Such a widening of East Asia's gas network should lead to a sharp increase in gas users — ranging from households to factories to industrial plants — that have switched away from other forms of energy.

The building out of the global network of LNG import terminals is another clear sign of the widespread commitment to boosting natural gas use in power generation. Combined with the expanding pipeline networks, still more LNG import terminals signify an enduring commitment to the use of gas in power generation for the foreseeable future, even if power firms continue to roll out renewable energy supplies at the same time.

Energy sector betting billions on big future for LNG

(Bloomberg; Jan. 10) - As delegates at the annual UN climate talks in Dubai celebrated last month’s historic deal to move away from fossil fuels, tens of thousands of laborers just across the Persian Gulf in Qatar were chasing a different goal: Make the world’s largest natural gas export facility even bigger. At a time when some see oil demand nearing its peak and coal is likely to face a slow but steady decline, the energy sector is betting hundreds of billions of dollars that the third leading fossil fuel — natural gas — has a place in the world’s energy mix through at least 2050.

That lifespan hinges on one last torrent of investment into the terminals that liquefy and export gas for countries not yet ready or able to make the transition to renewables. Five U.S. construction sites teem with crews working to build industrial structures on America's Gulf Coast. Two of the U.S. LNG projects aim to come online as soon as this year, kickstarting what may be the world's final wave of fossil fuel megaprojects.

Tallying just the ones that have broken ground, more than 200 million tonnes of annual new export capacity will start up in the next five years, according to BloombergNEF. If additional projects still awaiting final investment decisions move forward too, more than 300 million tonnes of new LNG capacity could start up by 2030, according to Baker Hughes. That's a roughly 70% spike from today, adding enough gas capacity to power half a billion homes and ensuring the fuel's relevance — and emissions — for decades.

As with all commodities, LNG producers are in a precarious balancing act: Bring on too much capacity too quickly and risk a glut; ramp up too slowly and the world will resort to alternates, like coal. If the forecasts are wrong and demand wavers after initial contracts expire, LNG plants risk becoming some of the world's most costly underutilized assets.

Investment continues in LNG, driving up capacity 70% by 2030

(Bloomberg; Jan. 11) - A huge wave of liquefied natural gas is about to flood a world that's supposed to be transitioning away from fossil fuels. More than $235 billion has been plowed into the next slate of projects for the super-chilled fuel since 2019. The first of those plants will come online later this year, and a further $55 billion may be invested through 2025, Rystad Energy forecasts show. That will help drive a historic 70% jump in LNG export capacity by the end of the decade, according to Baker Hughes.

The industry is essentially betting the world will need a lot more of the fuel as Europe rushes to replace piped Russian gas and Asia — particularly China — shifts away from coal. Massive export projects from the U.S. to Qatar will cement LNG in the global energy mix for decades, especially with some purchasing contracts going into the 2050s — beyond targets set by many nations to become carbon-neutral.

The surge is at odds with a commitment made at the COP28 climate summit last month to move away from fossil fuels. Perhaps that explains the push to include a line in the final communiqué: "Transitional fuels can play a role in facilitating the energy transition," which most interpreted as a nod to LNG. Though the fossil-fuel industry has pitched gas as a cleaner alternative to coal and oil, environmentalists are increasingly challenging that premise. Its climate impact varies widely depending on how much methane leaks in the supply chain, with studies suggesting that LNG may at times be dirtier than coal.

Europe could find itself with too much LNG import capacity

(Reuters; Jan. 11) - Europe may have overplayed its energy security strategy. President Vladimir Putin's 2022 attack on Ukraine exposed the European Union's heavy dependence on cheap gas imported from Russia, chiefly via pipelines. To address the imbalance, the bloc rushed to add facilities to import liquefied natural gas by sea from friendlier nations. But with renewable power set to depress fossil fuel demand, some of the newly built infrastructure risks becoming redundant.

Between the start of the war and August 2023, the 27-nation bloc added six LNG import terminals to its pre-existing network of around 20 regasification facilities, according to the Institute for Energy Economics and Financial Analysis' LNG tracker. The rush to secure sufficient gas means the EU may end up with 19 more terminals in 2030 than in 2022. Something in Europe's energy security strategy is starting to look out of place.

If all projects under construction are finalized, the EU's LNG import capacity could more than double from 2021 to 2030, according to forecasts from research firm Rystad Energy. Yet the bloc's total gas demand is set to fall by 2030, down 19% from 2021. That means Europe's projected 2030 LNG capacity would be higher than what the bloc may need. Meanwhile, the region is likely to continue to rely on pipelines from Norway, North Africa and Azerbaijan for the bulk of its gas, and also on some local production.

Those LNG investments, however, may turn out to be a bit of a waste. It's one thing to have a buffer against future energy shocks, but if countries treble their renewable energy capacity and move away from fossil fuels already this decade, gas demand may fall more rapidly. Europe might then need even less LNG import capacity.

U.S. oil and gas lobby warns against delay in LNG export approvals

(Reuters; Jan. 10) - The head of the largest U.S. oil and gas lobby group on Jan. 10 said that if regulators slow down or stop approving liquefied natural gas exports, they will put allies in Europe and Asia at risk. American Petroleum Institute President Mike Sommers issued the warning in response to media reports that the administration of President Joe Biden is considering whether to weigh climate change criteria in approvals for LNG terminals or expansions.

"Halting U.S. LNG approvals would put our allies at risk. This should not be controversial," Sommers said at an API event focused on top issues for 2024, adding that U.S. LNG exports help reduce global emissions by displacing coal overseas. Ahead of the Nov. 5 presidential election, the Biden administration is balancing demand for U.S. LNG from European allies reducing their dependence on gas from Russia with a growing outcry from environmentalists demanding a halt domestic fossil fuel projects.

The U.S. has become the world's biggest LNG exporter even as the administration has sought to transition away from fossil fuels — with environmentalists pressuring it to go faster. Department of Energy reviews for LNG export permits have lengthened under

Biden to 11 months or more, from seven weeks under President Donald Trump. Officials from the DOE and White House have been meeting to determine whether regulators should factor in climate change when deciding whether proposed gas export projects meet the national interest, Politico reported on Jan. 9.

Biden deals with LNG exports as he courts climate-conscious voters

(Wall Street Journal; Jan. 12) - President Joe Biden is finding the status as the world's largest exporter of liquefied natural gas comes with its own headaches. In the past two years, hundreds of LNG cargoes departed the U.S. Gulf Coast as foreign buyers turned to America for energy supplies. Developers have seized the momentum to advance plans to build new plants and crank out even more LNG. Now, climate activists and Democratic lawmakers are exhorting the Biden administration to halt this expansion.

They argue that the federal government, which has to approve LNG projects, is failing to account for the harmful effects of gas exports on the climate, the U.S. economy and local communities. In December, Greenpeace projected images of flares burning excess gas and other images onto government buildings around Washington, D.C. And on Jan. 9, national environmental leaders called for a three-day sit-in at the Energy Department in February to pressure the administration to pause the approval of new LNG facilities.

The mounting opposition comes as Biden heads into a tight presidential election. He has to corral young, climate-concerned voters, some of whom view his track record on the environment as mixed. He must also reassure foreign allies that the U.S. will remain a reliable provider of the fossil fuels. "How does the president straddle the fact that the U.S. is a rising oil and gas producer and exporter, against the backdrop of a key constituency that thinks that fossil fuels should be phased out?" said Amy Myers Jaffe, director of the Energy, Climate Justice and Sustainability Lab at New York University.

Canada's TC Energy looking at Indigenous investment in pipelines

(Bloomberg; Jan. 10) - TC Energy is planning to meet with representatives of Indigenous communities to discuss selling them a stake in its western Canadian natural gas pipeline network. A meeting on the potential deal involving the Nova Gas Transmission system will be held on Jan. 15, according to people familiar with the matter who asked not to be named because the information is private.

The gathering will be in Edmonton, and 72 communities from provinces including Alberta and British Columbia have been invited to attend, the people said, citing a letter the company sent last month. "We want to create mutually beneficial partnerships with Indigenous communities. Potential ownership in our projects and assets means that

Indigenous communities can share in Canada’s resource economy,” Calgary-based TC said in an emailed statement, without providing more details.

TC Energy has been selling assets to reduce debt after suffering from cost overruns on its pipeline project that will supply Canada’s first major liquefied natural gas plant under construction in Kitimat, B.C. Western Canadian energy companies have increasingly sought to include Indigenous communities as equity partners in their projects, in part to help overcome environmental and legal opposition. The Nova system gathers and transports gas from Alberta and British Columbia to domestic and export markets.

Canadian regulators approve oil pipeline construction variance

(Reuters; Jan. 12) - The Canada Energy Regulator on Jan. 12 approved a request for a change in construction for the final stretch of the Trans Mountain oil pipeline expansion project, clearing the path for its completion early this year. The C$30.9 billion (US$23 billion) expansion will nearly triple the flow of crude on Trans Mountain from Alberta to Canada's Pacific Coast but has been plagued by years of delays and cost overruns.

Trans Mountain, a Canadian-government owned corporation, had asked to be allowed to install smaller-diameter pipe in a 1.4-mile section of the pipeline's route after encountering challenging drilling conditions due to the hardness of the rock in a mountainous area between Hope and Chilliwack in British Columbia. Following a hearing in Calgary on Jan. 12, the federal regulator approved Trans Mountain's request for a construction variance. The agency said it would issue its reasons at a later date.

The agency had denied Trans Mountain's request on Dec. 5, prompting the company to ask the regulator to reverse the decision on the grounds it could cause a "catastrophic" two-year delay and billions of dollars in losses. The project is scheduled to start operating by the end of March. The Canadian government bought the pipeline in 2018 to ensure the expansion proceeded despite opposition. The expanded pipeline will increase access for Canadian oil to refineries on the U.S. West Coast and in Asia.

Louisiana LNG plant says it’s not ready to supply contract cargoes

(Reuters; Jan. 11) - Venture Global LNG has told a U.S. regulator that it cannot fulfill contracts to provide liquefied natural gas cargoes to several major customers because its export plant is not yet able to meet three criteria in the contracts, according to a letter to the Federal Energy Regulatory Commission. Shell, BP and others have complained that they have lost billions of dollars in sales because the Calcasieu Pass export facility has been producing and selling LNG for more than 20 months, even as it says it cannot provide them with term-contract cargoes while the plant is undergoing commissioning.

Venture Global in response to a letter from Shell said that under the contract, the criteria to move to full commercial operations include all of the facilities being completed, commissioned and capable of delivering LNG in sufficient quality and quantities. "None of these three contractual requirements for commencing LNG sales … has been satisfied," Venture Global said in response to Shell's letter.

Shell and BP want FERC to release plant commissioning data to determine why commercial operations are stalled. The two energy giants are among a group that includes Edison, Polish state energy firm Orlen and Spain's Repsol that have filed contract arbitration claims over the lack of LNG cargoes provided under their contracts. Venture Global started liquefying gas at its Louisiana plant early in 2022. It has sold on the global spot market more than 200 cargoes of gas under its own accounts without supplying BP and other long-term contract customers.

BP moves closer to start-up of floating LNG project offshore Africa

(Offshore Energy; Jan. 11) - BP has welcomed the arrival of a floating liquefied natural gas production unit for its Greater Tortue Ahmeyim liquefied natural gas project off the coasts of Mauritania and Senegal. Golar LNG’s Gimi departed Singapore’s Seatrium shipyard on Nov. 19. The vessel was converted from a 1976-built Moss LNG carrier to a floating production unit, designed to provide up to 2.5 million tonnes of LNG per year. Total gas resources in the field are estimated at around 15 trillion cubic feet.

According to Golar LNG, the Gimi arrived at the field offshore Mauritania and Senegal on Jan. 10. Once all preparatory activities have been completed, it will be maneuvered to its berth at the hub and connected to the feed gas pipeline. The project was designed to produce gas from an ultra-deepwater subsea system, feeding floating production, storage and offloading operations to process the gas, removing heavier hydrocarbon components. The gas will then be transferred and delivered to buyers.

The start-up of operations is slated for the first quarter of the year. BP sees this gas development as “the biggest project” in its portfolio, which has “enough gas to support production for at least 20 years.” The development cost was estimated at $4.6 billion more than two years ago.

Asia buys LNG cargoes as price drops to lowest in 7 months

(Reuters; Jan. 12) - Asian liquefied natural gas importers, including China and India, snapped up liquefied natural gas cargoes this week after spot prices of the fuel briefly slipped to their lowest levels in seven months, traders said. The break in the benchmark Japan-Korea Marker price to under $10 per million Btu on Jan. 9 — a key psychological threshold level for buyers — drew a flurry of buying from emerging nations as Europe's demand remains weak this winter despite the lack of Russian pipeline gas supply.

Chinese importers secured five to six LNG cargoes this week, most of which were bought for under $10 per million Btu, two industry sources said. “The market is busy these days,” a Singapore-based trader said. “China is buying a lot, India also,” he said. “Because of the price drop, people are interested in buying.” The Japan-Korea Marker price for February delivery dipped to $9.809 on Jan. 9, according to S&P Global Commodity Insights, its lowest level since June 13 when it was assessed at $9.744.

Alberta’s oil production exceeds 4 million barrels a day for first time

(Bloomberg; Jan. 11) - Alberta’s oil production rose above 4 million barrels a day for the first time in November as oil sands companies ramped up output to prepare to fill the largest new export pipeline in more than a decade. Total production jumped by 336,822 barrels a day to 4.16 million, the highest in data stretching back to 2010, according to the Alberta Energy Regulator’s website. Output over the first 11 months of the year averaged 3.79 million barrels a day, versus 3.73 million for all of 2022, the data show.

Production is surging as oil sands companies prepare for an expansion of the Trans Mountain pipeline — which runs from Alberta to Canada’s Pacific Coast — to start up this year, giving them 590,000 barrels of new export capacity. Alberta’s oil sands deposits represent the world’s third-largest crude reserve, and November’s production is more than all but four countries, edging out China’s average output in 2022 while trailing Iraq’s, according to data from BP. Including output from Canada’s other provinces makes the country the world’s fourth-largest producer.

The added Canadian oil may weigh on global markets, which already are languishing under the weight of swelling inventories. U.S. production is expected to rise 2.2% to 13.2 million barrels a day this year, according to the Energy Information Administration.

China’s crude oil imports hit record high in 2023

(Reuters; Jan. 12) - China's annual oil imports hit an all-time high in 2023, customs data showed on Jan. 14, as fuel demand recovered from a pandemic-induced slump despite economic headwinds. China imported 11% more crude last year versus 2022 at 563.99 million tonnes, equivalent to 11.28 million barrels per day, up from a previous record of 10.81 million in 2020, data from the General Administration of Customs showed. Imports in December averaged 11.39 million barrels per day, up from November's 10.33 million.

Domestic passenger transport levels increased steadily through 2023 following China’s abrupt exit from pandemic restrictions in November 2022. The country’s highway traffic for 2023 jumped 43.6% from the previous year in passenger miles for the January-to-November period, according to Ministry of Transport data. Domestic air traffic also recovered rapidly. International travel saw a more muted recovery, with December flight volumes still down 39% on the same month in 2019, shortly before borders were closed.

China's oil demand growth has been forecast by analysts to slow to around 4% in the first half of 2024 due to the country's property market woes. The data also showed China's natural gas imports, comprising both liquefied natural gas and piped gas, rose 9.9% to reach 119.97 million tonnes in 2023. That's the second highest on record after 2021. Imports in December at 12.65 million tonnes hit a record monthly high, up from November's 10.95 million, to meet strong heating demand amid colder-than-usual weather. Growing pipeline gas supplies from Russia also helped bolster imports.

Drop in oil and gas revenues deepens Russia’s budget deficit

(Reuters; Jan. 11) - Russia’s budget deficit widened more than expected last year, as oil and gas revenues fell by almost a quarter and the Kremlin increased spending amid its war in Ukraine. The fiscal gap reached 3.2 trillion rubles ($36.1 billion), or 1.9% of gross domestic product, Finance Ministry data shows. That’s almost 10% more than both the budget target and the late-December estimate of Finance Minister Anton Siluanov.

The deficit widened as spending exceeded projections by 11%. Taxes from oil and gas — a key source of funding for the Kremlin’s invasion of Ukraine — slumped 24% from a year ago, but still accounted for almost a third of total budget revenue last year, according to Finance Ministry figures. The flow of petrodollars ebbed as the price of Russian barrels fell amid a decline in the global crude market and tighter Western energy sanctions. A sharp drop in Russia’s pipeline gas exports and generous state subsidies given to the nation’s oil industry accentuated the decline in net revenue.

Lower income from oil and gas puts extra pressure on the budget just as Russia plans a nearly 70% increase in military spending in 2024 as its war on Ukraine nears its third year. Social expenditures will also be higher as President Vladimir Putin prepares to run for a fifth term in March. The average price of Urals, Russia’s main crude-export blend, dropped more than 17% last year to $62.99 a barrel, according to the Finance Ministry.