Oil and Gas News Briefs
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China back on top as world's No. 1 LNG importer

(Bloomberg; Jan. 3) - China has regained the title of world's biggest buyer of liquefied natural gas. LNG volume to China rose 12% last year to nearly 71 million tonnes, according to ship-tracking data compiled by Bloomberg. High prices and virus restrictions had significantly cut the country's demand in 2022, which helped free up LNG shipments to gas-hungry nations elsewhere, particularly in Europe.

Although China's LNG imports remain below 2021 levels, due in part to cheaper alternatives, the nation is expected to drive global demand growth for the next decade. China's annual imports are slated to increase almost 20% to 84 million tonnes through 2025, and to 136 million by 2030, according to Rystad Energy. A surge in shipments to China before new supply comes online later this decade risks upending the gas market.

Gas makes up just 8.5% of China's total energy mix, based on data from the Energy Institute, leaving it with plenty of room to grow as it replaces dirtier alternatives like coal. In Japan, by contrast, gas makes up a fifth of its energy mix, while it's a third in the U.S. China imported 17% of the world's LNG shipments last year, according to ship-tracking data. The entirety of western Europe accounted for 26%.

Asia's LNG imports hit record high, but prices continue decline

(Reuters columnist; Jan. 5) - Asia's imports of liquefied natural gas rose to a record in December, but spot-market prices remained subdued as shipments from top exporters Australia and the United States also hit all-time highs. Asia, the top buyer of the fuel, saw imports reach 26.61 million tonnes in December, according to data compiled by commodity analysts at Kpler. This was up from November's 23.35 million tonnes and also eclipsed the previous high of 26.15 million in January 2021, according to Kpler.

The rebound in imports was driven largely by China, which reclaimed its title as the world's largest LNG buyer in 2023 from Japan. China's imports surged to 8.22 million tonnes in December, up from 6.97 million in November and the highest since January 2021, according to Kpler. Asia's other heavyweight importers also saw gains, with Japan landing 6.78 million tonnes, up from November's 5.40 million and the most since January 2023, while South Korea's December imports were 5.10 million, up from 4.19 million in November and the highest since February 2021.

The robust demand did little to spark a price rally, however, with the weekly spot index slipping to $11.70 per million Btu in the seven days to Dec. 29, down from $11.90 previously and the lowest since August. The spot price dropped 58.2% over 2023 as demand for cargoes eased after a surge in 2022 led by Europe's efforts to replace Russian pipeline gas in the wake of Moscow's invasion of Ukraine. Prices would have to decline further to tempt more buyers into the market. A retreat in the price below $10 may lead to countries such as India, Pakistan and Bangladesh buying cargoes.

Big Wall Street banks trim their oil price forecasts by average 9%

(Bloomberg; Jan. 4) - The oil market is starting the year with a worrying message from Wall Street. Morgan Stanley cut forecasts for Brent crude prices this year by about 9% to around $77 a barrel on Jan. 3 — implying very little upside potential from current levels. In Europe, UBS Group has also downgraded its outlook, a few weeks after Goldman Sachs did the same. Analysts expect that surging supplies from outside the OPEC cartel, led by U.S. shale, will be enough to satisfy growth in global oil demand, which is set to slow markedly this year as the post-pandemic rebound loses steam.

“Looking ahead, we expect a relatively precarious balance in 2024,” Martijn Rats, global oil strategist at Morgan Stanley, said in a report. “Despite low investment in production capacity in recent years, the growth in non-OPEC supply is nevertheless set to remain strong.” Among five big Wall Street banks, only Bank of America anticipates significant gains this year, forecasting an average of $90. Citigroup remains the most bearish, predicting an average of $75. An average of the five annual projections comes to $81.

Saudi Arabia cuts official oil selling price to Asia

(Bloomberg; Jan. 8) - A substantial cut in official oil pricing to Asia by OPEC+ leader Saudi Arabia has reinforced signs of a softer physical market in the key region. Saudi Aramco cut the official price for its flagship Arab Light crude to a $1.50-a-barrel premium to the regional benchmark for February, the lowest since November 2021. The cut from a $3.50 premium was deeper than expected and follows weaker spot differentials for Middle East crudes due to lackluster Chinese appetite and increased global supplies.

Oil posted the first annual drop in prices since 2020 last year as non-OPEC+ production expanded and traders looked ahead to slower growth in demand, including from key importer China. Crude’s weakness has prompted Riyadh to make a deep voluntary output cut, as well as complementary reductions from other members of the Organization of the Petroleum Exporting Countries and its allies. Traders are also wary global growth may slow in 2024, restraining oil consumption.

“Amidst the weakening of the global economic outlook and the fading of seasonal demand strength, it has not come as much of a surprise that Saudi is cutting its OSPs (official selling prices) so deeply,” said Serena Huang, lead Asia analyst at Vortexa. The move is key for defending the nation’s market share, she said. Aramco’s pricing is typically followed by other major producers in the Middle East such as Kuwait and Iraq. Global oil markets opened Monday, Jan. 8, down about 4% from last week’s close.

Iran withholds oil shipments to China, wants higher prices

(Reuters; Jan. 5) - China's oil trade with Iran has stalled as Tehran withholds shipments and demands higher prices from its top client, tightening a discounted source of supply for the world's biggest crude importer, refinery and trade sources said. The cutback in Iranian oil, which makes up some 10% of China's crude imports and hit a record in October, could support global prices and squeeze profits at Chinese refiners.

The abrupt move, which one industry executive called a "default,” could also represent the backfiring of an October U.S. waiver on sanctions of Venezuelan oil exports. Venezuela has been able to divert shipments to the U.S. and India, raising its prices for China as its shipments to that nation dwindled.

Early last month Iranian sellers told Chinese buyers they were narrowing discounts for December and January deliveries of Iranian Light crude to between $5 and $6 a barrel below dated Brent, traders told Reuters. Those deals had been struck in November at discounts around $10 a barrel, the traders said. China has saved billions of dollars buying often deeply discounted oil from sanctioned producers Iran, Venezuela, and, more recently, Russia — countries that supply almost 30% of China's crude imports.

Angola says it quit OPEC because quota stifled its production plans

(Bloomberg; Jan. 5) - Angola quit OPEC because its quota limits hindered the country’s plans to stabilize crude production above 1 million barrels per day, according to the country’s top oil official. The African nation’s December exit from OPEC came after the group imposed a lower production limit on the country. The tighter cap was too much for Angola, which is making efforts to boost investment after many years of underinvestment and production decline.

“This organization no longer aligns with Angola’s values and interests,” Mineral Resources Minister Diamantino Azevedo said in a speech in Luanda on Jan. 3. After the imposition against the country’s wishes of “production quotas challenging our actual capabilities and needs, we made the formal decision to withdraw our country.” Angola briefly dipped below 1 million barrels per day last year, down from more than 1.8 million a decade earlier, according to data compiled by Bloomberg.

Angola's national petroleum agency has launched investor roadshows and offered a series of licensing rounds to auction off blocks for new exploration and development. Angola's decision to exit OPEC will prove beneficial if it means the country can sustain activity in its oil industry, said Robert Besseling, CEO of Pangea-Risk, an advisory firm focusing on analysis of African economies. "The government desperately needs higher oil revenues to resolve fiscal pressures and buffer its depreciating local currency."

Russia searching for buyer to take over Shell's stake in LNG project

(Upstream; Jan. 4) - Russian President Vladimir Putin has started the search for a new owner for the 27.5% share in the Sakhalin-2 oil and liquefied natural gas venture that Moscow confiscated from Shell in 2022. A decree signed Jan. 3 amends the terms of Putin's earlier ruling on ownership rights in Sakhalin-2, Russia's first LNG project, with an annual production capacity of about 11 million tonnes. The plant started up in 2009.

The new decree says the sale of Shell's 27.5% share in the development will be "free of taxes, levies or any other obligatory fees" to the government, sweetening the terms for potential buyers. Russia seized Sakhalin-2 assets on the Far East island after its 2022 invasion of Ukraine and passed them to a new operating entity led by Gazprom, with a 51% stake. The foreign shareholders in the project — Shell and Japan's Mitsui and Mitsubishi — were told to reapply to regain their stakes in the new operating company.

Shell declined to reapply, deciding to exit from Russia. The new decree reduces the amount of compensation Russia was ready to offer Shell. A Russian auditor had valued Shell's 27.5% share at 94.8 billion roubles ($1.1 billion) as authorities entered talks with Russian independent gas producer Novatek about acquiring it. Novatek has delayed completion of the deal without providing an explanation. The new decree tells the government to conduct an audit to determine the amount Shell may owe its "Russian customers" and deduct it from any compensation payment for the Sakhalin-2 stake.

New England may lose its backup LNG import terminal

(Bloomberg; Jan. 6) - A liquefied natural gas terminal that's been operating for more than 50 years has been a crucial safeguard against blackouts when bone-chilling cold hits the U.S. Northeast. In less than five months, it's slated to shut forever. The Everett gas import plant near Boston is at risk of closing in May, coinciding with the retirement of its biggest customer, the Mystic power station. Both facilities are owned by Constellation Energy, which has said Mystic is uneconomic to operate under most conditions.

Everett's closure would jeopardize the reliability of the region's power system in extreme weather, according to the nation's top energy regulators. Because New England lacks enough pipelines to get gas from other parts of the country, it relies on Everett when heating demand spikes. The terminal receives LNG cargoes by tankers, mostly from Trinidad. The facility's shutdown underscores the challenges facing America's grid as the transition to cleaner energy accelerates and climate change triggers wilder weather.

While the Mystic power plant may ultimately be replaced by wind farms and solar, it's not clear whether those resources — and the battery storage needed to back them up — will be built quickly enough to prevent power shortfalls. "Everett was a key resource providing additional gas to New England during extreme cold," said Gary Cunningham, market research director at energy risk management firm Tradition Energy. Constellation is in negotiations for new contracts that would allow it to keep Everett open, but nothing has been finalized and "time is of the essence," a spokesperson said.

Opponents protest New Mexico utility plan for LNG storage plant

(Albuquerque Journal; New Mexico; Jan. 4) - Gathered in winter coats on a cold and snowy day in Albuquerque, New Mexico residents and environmental advocates rallied outside the New Mexico Gas Co. headquarters Jan. 4 against the liquefied natural gas production and storage facility the utility wants to build in Rio Rancho. The group of about two dozen delivered a petition to the gas company, asking it to withdraw its application to the New Mexico Public Regulation Commission to set up the LNG storage facility. The commission will start its hearing on the proposal next week.

The petition lists negative safety, environmental and financial impacts that could result from the LNG plant as reasons regulators should deny its construction. The letter has more than 700 signatures. State officials, including more than a dozen legislators and the Bernalillo County Board of Commissioners have spoken out against the LNG plant.

New Mexico Gas spokesperson Tim Korte said the facility would allow the utility to store gas during periods of supply constraints or price volatility. The proposal to build the $180 million facility came after a severe winter storm caused gas prices to drastically spike in 2021. New Mexicans just recently stopped paying a $5.40 average monthly surcharge on residential bills this month, after two and a half years of paying extra so the gas company could recover costs it incurred to meet demand during the storm.

German environmentalists say U.S. LNG threatens climate goals

(Texas Monthly; Jan. 4) - As the van navigates the Houston suburbs and the first petrochemical facilities come into view, the reaction inside the vehicle is like there's been a celebrity sighting. "Look over there," says Constantin Zerger, at the wheel, pointing out a flare blazing over a refinery to the south, a method of burning off excess gas that is largely forbidden in his home country. He and the passengers — journalists and environmental activists visiting from Germany — lean toward the windows to get a better glimpse of the industrial sites they have traveled thousands of miles to see.

This trip, on a sunny day in November, was organized around a subject that has lately occupied much of Zerger's mind: liquefied natural gas. Zerger heads the energy and climate office of Deutsche Umwelthilfe (Environmental Action Germany), the nonprofit that covered the costs of bringing journalists from Germany to Texas to see for themselves the considerable industrial oil and gas buildup along the Gulf Coast.

Germany operates three LNG import terminals and plans to open three more within 12 months. Over the next few years Texas is set to add four export facilities to the two already operating in the state. Deutsche Umwelthilfe's aim in leading its Texas trip was to heighten concern among Germans about the environmental effects of U.S. LNG. A new German law says companies can be penalized for human rights violations — defined as including major environmental degradation — in their supply chains.

Germany has turned increasingly to the U.S. for gas, which fuels roughly half of Germany's home heating and some 30% of its industrial needs. Though Germany now gets most of its gas from Norway, Texas has helped to replace the missing Russian gas with a more stable supply that's subject to fewer political risks. But Zerger laments that this LNG build-out could compromise Germany's pledge to meet its climate goals.

Proposed LNG project in British Columbia signs up Korean contractor

(Marine Link; Jan. 5) – South Korea's Samsung Heavy Industries has secured an engineering, procurement and construction contract for a $1.5 billion floating LNG production unit for a Canadian project. SHI formed a consortium with Black & Veatch for delivery of the unit, subject to a final investment decision for the project. The client is the Haisla Nation and Calgary-based Pembina, partners in development of the proposed Cedar LNG project in British Columbia, which confirmed the order had been placed.

"This is a critical milestone on our path toward an FID for Cedar LNG, the first Indigenous majority-owned LNG project in the world," said Doug Arnell, Cedar LNG chief executive officer. The floating production and storage unit would be tied to shore at Kitimat, British Columbia, within the traditional territory of the Haisla Nation. Its annual production capacity would be about 3 million tonnes.

The project has its major regulatory approvals, signed memorandums of understanding covering the project's total LNG capacity and is at an advanced stage of planning and development. FID is expected by the end of the first quarter 2024. Onshore construction work for the project could start as early as the second quarter 2024, with the delivery of the floating production unit and substantial completion expected in 2028.

Former cruise ship will house workers at B.C. LNG project

(The Canadian Press; Jan. 5) - A cruise ship renovated to house more than 600 workers at a liquefied natural gas construction project north of Vancouver arrived in British Columbia waters this week after a 40-day journey from Estonia, where it had accommodated Ukrainian refugees. However, the mayor of Squamish, B.C., said the district council has yet to consider the application for a temporary-use permit to allow the housing plan to proceed. Armand Hurford said staff are reviewing the application from Woodfibre LNG, with a "public process" and council decision to follow.

Bridgemans Services Group is contracted to provide what's being called a "floatel," or floating hotel, for workers at the Woodfibre LNG project near Squamish. Hurford said the floating accommodation is a "creative solution" as Squamish grapples with a rental vacancy rate of just 0.7%. Woodfibre said it is planning for workers to start occupying the ship this spring. The LNG plant, at 2.1 million tonnes of annual production capacity, is planned to go online in 2027.

Hurford said the floating accommodations alleviate concerns about the impact of temporary workers on local housing and community services, as well as the potential for environmental harm associated with work camps. The 35-year-old ship, the Isabelle, will be moored at the Woodfibre project site. According to Bridgemans, the ship has sewage and water treatment systems and may be connected to the B.C. Hydro electricity grid. Its treated sewage will to be shipped to waste management facilities in the province.

U.S. has a lot of work ahead to spend billions on clean energy

(Energy Wire; Jan. 5) - The Department of Energy is racing this year to finalize clean-energy regulations and disburse billions of dollars in grants and loans. That work will directly impact whether — and when — U.S. climate goals can be reached. The Biden administration also faces increasing pressure from environmental groups to crack down on fossil fuels, including liquefied natural gas exports, a dynamic that could affect the president’s support on the left heading into the 2024 election.

Front and center for the department in 2024 is a full-scale blitz to implement clean-energy programs from the 2021 bipartisan infrastructure law and Inflation Reduction Act of 2022. Together the laws appropriated the department $97 billion and hundreds of billions of dollars in loan guarantees, and the department is playing a central role in devising the tax credits that are spurring dramatic growth in energy manufacturing.

Another test for the department in the coming months will be its ability to stand up a $7 billion hydrogen-hub program with a range of companies that are collaborating on seven projects nationwide to demonstrate commercial-scale production of the fuel. Laurie Purpuro, a government affairs adviser in the public policy and law group at K&L Gates, said new guidance on the hydrogen tax credit could complicate the rollout of the hubs.

But she hailed the “historic pivot” underway at DOE from its traditional role as subsidizer of early-stage research and development to its current status as a market driver.

New Mexico governor wants to spend oil money on housing, schools

(Associated Press; Jan. 4) - New Mexico's governor is proposing a nearly 10% general fund spending increase for the coming fiscal year to shore up housing opportunities, childhood literacy and health care access, with additional payouts for electric vehicles purchases. Democratic Gov. Michelle Lujan Grisham on Jan. 4 published the $10.5 billion budget plan for the fiscal year running from July 2024 through June 2025. It would increase general fund spending by roughly $950 million over the current budget.

The nation's No. 2 oil-producing state anticipates a multibillion-dollar surplus for the coming fiscal year, driven largely by oil and natural gas production in the Permian Basin that underlies southeastern New Mexico and western Texas. The Democratic-led Legislature develops its own competing spending plan in advance of the 30-day legislative session that begins Jan. 16.

The governor has signaled affordable housing as a major priority, proposing one-time spending of $500 million for down payment assistance and to finance affordable housing and related infrastructure. In November voters signaled frustration with surging home prices in fast-growing Santa Fe by approving a tax on mansions to pay for affordable-housing initiatives. Spending on public education would increase by $283 million, 6.8%, to nearly $4.5 billion — the single largest chunk of general fund spending.

Indian buyer signs 10-year LNG deal with commodity trader

(Reuters; Jan. 5) - State-run GAIL (India) on Jan. 5 said it has signed a 10-year liquefied natural gas import deal with commodity trader Vitol to buy about 1 million tonnes per year of the fuel from 2026. Indian companies are investing billions of dollars to build natural gas infrastructure and are scouting for long-tern LNG import deals as the nation wants to raise the share of gas in its energy mix to 15% by 2030 from the current 6.3%.

Gas consumption in India would rise to more than 17.65 billion cubic feet per day by 2030 from the present 5.5 bcf a day, Oil Minister Hardeep Singh Puri said this week. GAIL has an LNG import portfolio of around 14 million tonnes per year, comprising supplies from several countries including the U.S., Qatar, Australia, and Russia. GAIL is continuing negotiations with others for long-term deals, its head of marketing, Sanjay Kumar, said. The company plans to add 7 million to 8 million tonnes per year of additional supply to its portfolio by 2030, its head of finance said last year.