# Oil and Gas News Briefs
# Compiled by Larry Persily
# June 17, 2024

## Long-delayed $7.85 billion Appalachian gas pipeline enters service

(Reuters; June 14) - Mountain Valley Pipeline said its long-delayed pipe from West Virginia to Virginia entered service June 14. The $7.85 billion project was the biggest gas line under construction in the U.S. Northeast. It encountered numerous regulatory and court fights that stopped work several times since construction began in 2018. The pipe, which unlocks gas supplies from Appalachia, the nation's biggest shale gas-producing region, needed congressional legislation, signed into law by President Joe Biden, and help from the Supreme Court before it could restart construction in 2023.

The pipe is now available for interruptible or short-term firm transportation service until long-term firm capacity obligations start on July 1, U.S. gas pipeline company Equitrans Midstream, the lead partner in the Mountain Valley venture, said in a statement. The pipeline is designed to carry up to 2 billion cubic feet per day of gas from the Marcellus and Utica shale production regions in Pennsylvania, Ohio and West Virginia to local distribution companies, power generation facilities, industrial users and others in growing demand markets in the U.S. Mid-Atlantic and Southeast, Equitrans said.

One billion cubic feet is enough gas to supply about 5 million U.S. homes for a day. The pipeline has faced legal challenges and opposition from local community and environmental groups who say it will exacerbate fossil fuel-driven climate change. When Mountain Valley started construction in February 2018, Equitrans, the primary owner in the joint venture and the pipeline operator, originally had estimated the project would cost about $3.5 billion and enter service by late 2018.

## Analyst believes Japan could become energy independent by 2060

(Reuters; June 14) - Japan, a major coal and liquefied natural gas importers, could be energy-independent by 2060 thanks to expansion of solar and wind power together with storage batteries, said Jarand Rystad, chief executive of the Rystad Energy consultancy. Japan imports most of its energy resources, with the Middle East, Australia and the United States being its top suppliers. The government's strategy calls for a reduction in LNG and coal to under 40% of Japan’s power generation mix by 2030 from more than 60% now. But analysts say Japan is moving slower than it needs to.

According to Rystad, Japan could be energy-sufficient by having 45% of solar power, 30% of wind generation led by offshore farms, 5% of hydropower, another 5% of biomass, with nuclear power providing the remaining 15%, by 2060. "All Japan needs is

to continue installing as much solar as it did in the years before 2020. From 2014, you installed between 10 and 12 gigawatts on the peak," Rystad said.

Japan installed about 4 GW of new solar capacity last year, with its total outstanding solar capacity reaching 87 GW, the world's third biggest behind China and the United States. Rystad said mixing agriculture with solar panels — which also provide the shade preferred by some types of crops — as well as solar rooftops above roads, among other solutions, could help to expand the use of such power.

## China a major buyer of natural gas liquids to make petrochemicals

(Bloomberg; June 13) – China's purchases of a relatively niche type of fuel from the U.S. have been the single biggest contributor to global oil demand growth in recent years, the International Energy Agency said. Since 2019, China has snapped up an additional 850,000 barrels per day of so-called NGLs and polymers, the IEA said in its Oil 2024 report, which is effectively the agency's medium-term outlook. That accounts for just over half of demand growth for all oil products over the period.

NGLs, or natural gas liquids, are a byproduct of gas production that can be used to make petrochemicals. Their production has increased significantly in the U.S. because of the higher volumes of shale output. As well as their use in plastics production, NGLs also include fuels like propane that are used to heat homes and businesses. The surge is a rare sign of growing interconnection between the U.S. and Chinese economies.

Energy agencies and oil companies have long said that petrochemical demand — in part for making plastics — will be a major driver of global consumption in the long-term. That's even as conventional fuels like diesel and gasoline are being threatened by the switch to electric vehicles. "This has transformed oil and petrochemical market dynamics," the IEA said. "Chinese petrochemical feedstocks have provided the single most important contribution to world oil demand growth in recent years, dovetailing neatly with one of the largest drivers of incremental global supply: U.S. NGLs."

## Solar panel companies becoming just as significant as Big Oil

(Bloomberg; June 13) - You've heard of ExxonMobil, Chevron, Shell, BP, TotalEnergies, ConocoPhillips and Eni? How about Tongwei, GCL Technology, Xinte Energy, Longi Green Energy Technology, Trina Solar, JA Solar Technology and Jinko Solar? If the former names are familiar giants and the latter obscure, you might want to rethink how you look at the companies that provide the world with energy. The latter are just as significant — if not more so — than the powerhouses of petroleum.

That's a remarkable shift. Around the middle of the 20th century, the predecessors of the major international oil companies attained such power that they were nicknamed the Seven Sisters, a group of energy producers with such global scope and influence that they could make or break governments. It took a wave of nationalizations and the 1973 oil crisis to end that model. A further disruption is now waiting in the wings, thanks to the unstoppable rise of China's solar power sector.

The best way to think about this is to consider what oil companies ultimately provide the world. It's not really oil or gas, but the vital ingredient locked up in the chemical bonds of those hydrocarbons: energy. The manufacturers of solar equipment, similarly, aren't in the final analysis providing us with panels of silicon and glass, but machines that can harvest power from the sun. The activities of each group of companies provide a fresh flow of useful energy to the world every year. And by many measures, the solar companies have already overtaken Big Oil.

## IEA says excess production capacity will undercut OPEC+

(Financial Review; London; June 13) - The world faces a "staggering" surplus of millions of barrels of oil a day by the end of the decade as oil companies increase production, undermining the ability of OPEC+ to manage prices, the International Energy Agency has warned. While demand is forecast to peak before 2030, continued investment by oil producers, led by the U.S., would by then result in more than 8 million barrels per day of spare capacity, the IEA wrote in its annual report on the industry released on June 12.

This "massive cushion" of extra oil could "upend" the efforts of OPEC+ to manage the market and could usher in an era of lower prices, the IEA said, adding that the level of spare capacity would be unprecedented outside the coronavirus pandemic. "It is not the first time the oil markets would see an oversupply, but one important outcome would be downward pressure on the prices," said Fatih Birol, the agency's director.

He added the combination of slowing demand and rising supply "could have substantial implications" for oil companies. "It is time for many producers to look at their business plans." The Paris-based body, founded after the 1970s Arab oil embargoes to advise on energy security, said last year that the world was at "the beginning of the end" of the fossil fuel era. It has said that demand for oil, gas and coal will all start to fall before the end of the decade amid the mass rollout of renewable energy and electric vehicles.

## OPEC disagrees with IEA, sees continued growth in oil demand

(Reuters; June 13) - OPEC does not see a peak in oil demand in its long-term forecast and expects demand to grow to 116 million barrels a day by 2045 — and may be higher — the secretary general said on June 13. However, the International Energy Agency

said in a report the day earlier that it sees oil demand peaking by 2029, levelling off at around 106 million barrels per day toward the end of the decade.

OPEC's Hathaim Al Ghais, writing in Energy Aspects, called the IEA report "dangerous commentary, especially for consumers, and will only lead to energy volatility on a potentially unprecedented scale." OPEC+, which groups de facto Saudi-led OPEC and allies including Russia, has made a series of deep output cuts since late 2022 to support higher prices in the market. OPEC+ members are cutting output by a total of 5.86 million barrels per day, or about 5.7% of global demand.

Al Ghais said similar narratives of peak demand had been proven wrong previously, such as the IEA suggesting gasoline demand had peaked in 2019 or that coal demand had peaked in 2014. "At OPEC, we see oil demand growth of 4 million barrels per day over the two years of 2024 and 2025, with other forecasters also seeing an expansion of over 3 million barrels per day," he said.

## Declining refinery throughput in China presents dilemma for OPEC+

(Bloomberg; June 14) - China's decades-long boom in oil processing could falter this year in a blow to global demand for crude and the aspirations of OPEC+ producers seeking to return more oil to the market. Oil refining in the world's top crude importer is expected to be flat or fall for the first time in data that extends back to 2004 — excluding a COVID-hit 2022 — according to most market watchers surveyed. The International Energy Agency this week also reduced its processing forecast, but still sees a gain.

A prolonged property crisis has weighed on China's economy this year, while the steady uptake of new-energy vehicles and trucks powered by natural gas are flashing bearish signs for future oil demand. The nation's refiners are extending maintenance schedules to account for lower consumption. China refined a record 14.76 million barrels a day last year — known as crude throughput — as demand rebounded after the pandemic, but the recovery is showing signs of faltering.

Of the six analysts and industry consultants surveyed by Bloomberg, three forecast a decline in processing, while two predicted refining would remain flat. One projected a gain. The prospect of lower Chinese demand presents OPEC+ with a dilemma when it comes to raising its output this year, especially given supply from outside of the group is swelling. OPEC+ has said it can adjust or reverse production changes if needed, and some analysts think a boost is unlikely. Benchmark oil prices have trended lower since early April on concerns about robust supply and soft demand, particularly from China.

## South Korean company steps up investment in U.S. LNG developer

(Business Korea; June 14) – South Korea's Hanwha Group has made a significant move in the energy sector by investing in the U.S. LNG company NextDecade. On June 14, Hanwha Aerospace announced its acquisition of 17.5 million shares of NextDecade for 180.3 billion won (US$130 million) for a 6.83% stake in the company. This investment is part of a broader strategy by Hanwha Group to expand its footprint in LNG, seen as a crucial component in the global transition toward cleaner energies.

Hanwha Ocean USA International plans to acquire shares of NextDecade at the same level as Hanwha Aerospace. This means that Hanwha Group will invest a total of 360 billion won to acquire a 13.66% stake in NextDecade. This is not Hanwha Group's first investment in NextDecade; Hanwha Impact previously invested around 80 billion won in the company and secured a seat on its board of directors. Combined, Hanwha Impact, Hanwha Aerospace and Hanwha Ocean will hold over a 15% stake in NextDecade.

NextDecade is building the Rio Grande LNG export project in Texas, with an initial production capacity of 17.6 million tonnes per year. First cargoes are planned for 2027.

## British Columbia LNG developer plans investment decision in weeks

(Bloomberg; June 12) - Pembina Pipeline plans to make its final investment decision for the proposed Cedar LNG floating gas export project in British Columbia within two weeks, according to people familiar with the matter. The US$4 billion project is expected to be financed 60% from debt and 40% from equity, with partners Haisla Nation and Pembina each contributing half of the equity, Cedar LNG said in an emailed statement.

The financing will also include a $1.5 billion (US$1.09 billion) five-year term loan for a pipeline connecting the terminal with the nearby Shell-led LNG Canada project in Kitimat, British Columbia, according to the people. Cedar LNG would be the second Canadian fuel-export project to be financially sanctioned after the Shell-led backers of the C$40 billion LNG Canada terminal made their investment decision in 2018.

At least 15 banks will likely participate in the financing, the sources said. Cedar LNG did not comment on the number of banks involved or the timing of a final investment in response to questions from Bloomberg. The developers, which also includes the Haisla First Nation, had previously said they were aiming for a final investment decision by mid-2024. Liquefied natural gas offtake from the proposed facility, at 3 million tonnes per year, would be split between Pembina and Canadian producer ARC Resources.

## Texas LNG project developer signs supply deal with Saudi Aramco

(Reuters; June 13) - U.S. liquefied natural gas provider NextDecade has signed a non-binding agreement with Saudi Aramco to supply 1.2 million tonnes per year for 20 years, the companies said on June 13. The deal comes at a time when Aramco is seeking to strengthen its position in the LNG market, which is set to grow globally by 50% by 2030, especially in the United States, where LNG capacity is set to almost double over the next four years. Aramco said the deal was part of its efforts to expand its "presence in international energy markets."

Under the terms, LNG will be supplied from the fourth liquefaction train at NextDecade's Rio Grande facility at the Port of Brownsville, Texas. Aramco and NextDecade said they were in the process of negotiating a binding agreement, effective subject to a positive final investment decision on Train 4, which NextDecade said it expects in the second half of 2024. In May, Abu Dhabi National Oil Co. said it had acquired 11.7% stake in Phase 1 of NextDecade's LNG project, which includes the first three liquefaction trains, and agreed to a 20-year supply agreement for the possible fourth train.

Construction started last year on Phase 1, at 17.6 million tonnes annual production capacity, with first exports scheduled for 2027. Construction financing for the three-train liquefaction project was assembled at $18.4 billion.

## Ukrainian energy company signs supply deal for U.S. LNG

(Reuters; June 13) - Ukraine signed on June 13 its first liquefied natural gas deal with a U.S. company to help to avert an energy supply crunch amid its war with Russia. DTEK Group, Ukraine's largest private energy company, said it would buy LNG from U.S. energy group Venture Global. Under the agreement, DTEK's trading unit will buy cargoes from Venture Global's Plaquemines LNG facility in Louisiana from later this year until the end of 2026. DTEK will also buy up to 2 million tonnes per year of LNG from another Venture Global facility, Calcasieu Pass 2, in Louisiana, for 20 years.

Ukraine currently has no regasification terminals for LNG imports, but DTEK has contracts for regasification capacity elsewhere in Europe which have connecting pipelines with Ukraine. Earlier this year, Ukraine joined an initiative for a planned corridor to carry gas between Greece and countries to its north, and Ukraine also has a pipeline link with Poland which has an LNG import terminal.

## Egypt in the market for LNG imports to avoid gas shortages

(Bloomberg; June 14) - Egypt plans to make its biggest purchase of liquefied natural gas in years as it steps up efforts to ease energy shortages amid extreme summer heat.

State-run Egyptian Natural Gas is asking for at least 17 shipments for delivery over the next three months, according to traders with knowledge of the tender. The purchase may further tighten the global LNG market, as supply outages and hot weather across the Northern Hemisphere boost demand for the fuel used for cooling in summer.

Egypt, which had largely stopped importing the fuel in 2018, is returning to overseas purchases this year to help alleviate the strain on its power and gas networks. It's already implemented rolling blackouts — idling several petrochemical and fertilizer plants — as hot weather gripped the North African country from April. Though the country had resumed LNG exports, falling domestic gas production and rising demand has forced it to reverse course and again import gas.

For Egypt, a summer of massive rolling outages would pile pressure on the state budget and a population already grappling with high inflation, a devalued currency and rising domestic fuel prices.

## Canada promotes its LNG as good fit for Asian market

(S&P Global; June 12) - Canada's West Coast has room for multiple liquefied natural gas export projects to meet a burgeoning global energy demand, particularly in Asia, even as the nation's first LNG export facility is "on the cusp of a start-up," industry participants said June 12. The Shell-led LNG Canada project is more than 90% complete, with first cargoes expected next year. The plant's production capacity will be almost 14 million tonnes per year.

"When we spoke in Japan and South Korea, what came up was they see Canada as their allies. We are across the Pacific Ocean and there are no pinch points," Teresa Waddington, senior vice president at LNG Canada, said at the Global Energy Show in Calgary. "There is a huge hunger in Asia-Pacific for energy and they are asking what next after LNG Canada." Under the first phase, LNG Canada plan to export a tanker load every two days from Kitimat, British Columbia, starting mid-2025, Waddington said. There are four more LNG export projects under development on Canada's West Coast.

West Coast Canadian LNG is at the heart of Asian buyers and the cargoes don't have the challenges of going through the Panama Canal or the Strait of Hormuz that other leading suppliers like those from the Middle East and the U.S. Gulf Coast have to navigate, president of Global LNG Consulting Racim Gribaa said at the same conference. "Canada is the closest to the best global market of Asia with the distance … (from British Columbia) to Tokyo being half compared with the U.S. Gulf Coast."

## U.S. refiners have problems with quality of oil through Canadian line

(Reuters; June 12) - U.S. oil refiners and West Coast traders are flagging concerns about the quality of crude shipped on the newly completed Canada Trans Mountain pipeline expansion, warning that high vapor pressure and acidity limits could deter purchases of the heavy crude. The US$24.84 billion expansion started operations last month and has nearly tripled shipping capacity to Canada's Pacific Coast to 890,000 barrels per day. The roughly 2.5-million-barrels-per-day U.S. West Coast refining market is expected to be a major outlet for Canadian heavy oil shipped via Trans Mountain.

But questions over crude quality could dampen demand for the oil. That could weigh on prices or push more oil onto rival Canadian pipelines with lower vapor pressure and acidity limits. Several West Coast refiners have raised concerns in recent weeks about the initial volumes' high sulfur content, acidity and vapor pressure, conditions that could damage refining equipment or increase air pollution, according to regulatory complaints and sources familiar with the matter, though thus far it has not affected demand.

Trans Mountain historically has had higher vapor pressure limits than other export lines because it shipped refined products as well as crude oil. Although the expanded line mainly ships heavy crude, it has carried over the same limits. Chevron told regulators that the vapor pressure limit exceeds the regulatory limit set for storage tanks at its California refineries. High pressures cause more vapors to leak from tanks. The crudes also are more acidic, Chevron wrote, which can corrode equipment and cause damage.

## China provides market-linked subsidy for gas-fired power plants

(S&P Global; June 13) - China's Guangdong province recently rolled out a market-linked subsidy for local gas-fired power plants, in a move that is likely to help reduce losses on electricity sales and support demand growth for natural gas, according to sources and analysts. The new policy will allow grid operators to adjust the subsidy paid to gas-fired power plants in line with fluctuating gas prices so that a portion of higher gas prices can be passed on to consumers, Guangdong Power Trading Center said on June 1.

Guangdong Power Exchange Center — the official power trading platform in southern China — said the policy is aimed at sustaining and developing gas-fired power generation in Guangdong, one of China's most heavily industrialized provinces. The exchange is jointly owned by state-owned China Southern Power Grid and government-owned local power producers. Guangdong is the largest consumer of natural gas in China at 1.2 trillion cubic feet in 2022, of which around 49% went into power generation.

Guangdong has the highest gas consumption for power in China because it has the highest gas-fired generation capacity, totaling almost 40 gigawatts in 2023, accounting for 31% of the country's total gas power capacity. Many gas power plants in Guangdong

have been unwilling to increase production outside their annual contracts in the past two years, mainly due to losses from high gas prices, slowing progress of new projects.

## U.S. oil and gas industry advocates for favorable hydrogen tax credits

(DeSmog newsletter; June 13) - Less than two years after securing generous subsidies in President Joe Biden's landmark climate legislation, some of America's largest oil and gas companies are directing their advocacy toward shaping one of the law's obscure but potentially lucrative provisions: a tax credit for hydrogen production. The hydrogen tax credit felt at times as if it were the sole focus of the Hydrogen Americas Summit, a two-day industry confab June 11-12 in Washington, D.C.

In draft guidance published last December, the Treasury Department and the IRS proposed awarding the most valuable hydrogen tax credits only to projects that are generated using renewable energy, such as wind and solar, and that also meet other conditions designed to make sure that production actually lowers greenhouse gas emissions. Hydrogen derived from fossil fuels — primarily natural gas but also coal — makes up more than 90% of current global hydrogen production.

Much of what the fossil fuel industry touts as "clean" hydrogen is produced with natural gas and reliant on unproven and unrealistic promises of carbon capture and storage to sequester underground the carbon dioxide generated in the process. But so-called "blue" hydrogen — created by natural gas and paired with some sort of CCS technology — can generate emissions and leakage of methane.

As the Biden administration works to finalize the parameters of the tax credit, ExxonMobil, BP and other major oil and gas companies are pushing for a "technology neutral" approach that would allow them to cash in on the hydrogen tax incentives while continuing to produce hydrogen using natural gas — rather than shifting toward genuinely zero-emissions sources of energy like wind or solar.

## Russian oil selling to India at smallest discount since early 2023

(Reuters; June 14) - Russian oil exporters are charging more for their oil in India than at any time since the war in Ukraine started as a growing number of shippers and intermediaries take part in the trade, weakening the impact of Western sanctions on Moscow. The exporters have had to offer deep discounts to encourage shipping companies and traders to move their crude and brave the risk of sanctions since Russia's full-scale invasion of Ukraine in February 2022.

Among the restrictions, the United States and European Union imposed a price cap of $60 per barrel on Russian oil sales, meaning Western shippers and insurers can only

participate in Russian oil trade if the oil is sold below the price limit. Russian exporters have struck deals this month to sell their flagship Urals oil for delivery to Indian refiners at discounts of $3 to $3.50 per barrel to the global Brent crude benchmark, according to five traders and Indian refining officials.

That is the narrowest discount for Urals since Reuters started monitoring Russian oil prices in India in early 2023, when the discount was as high as $20 per barrel. It suggests deals above the price cap, as Brent is trading about $82 per barrel, although that also depends on freight costs. The shrinking discount shows Russia's success in finding new buyers for its oil. India has no sanctions against Moscow and became the biggest buyer of Russian seaborne crude ahead of China and Turkey after European refiners stopped imports. It also reflects an increase in shippers carrying Russian oil.

## Rising water levels allow Panama Canal to restore ship traffic

(Bloomberg; June 14) - The Panama Canal has managed to ward off a shipping crisis that threatened to upend $270 billion a year in global trade. It did so with careful water management — and a little bit of luck. As parched conditions gripped the Central American country last year, the Panama Canal Authority slashed the number of vessels allowed to cross each day to 22, about 60% of normal. Shippers paid millions of dollars to jump the growing queue and avoid wait times that stretched more than two weeks.

But recently, with water levels rising, the authority has started to raise the limit. It said on June 11 that 34 vessels will be permitted daily beginning in late July, close to the pre-drought cap of 38. Shippers now wait less than two days to transit the canal. If rain patterns hold, the waterway could return to full capacity next year, the canal authority said in a written response to questions.

The canal’s turnaround is due, in part, to successful water-management measures. But it’s also the result of a wetter-than-expected dry season and the end of El Niño, the weather phenomenon that left Panama with one of its least rainy years on record. Exporters of liquefied natural gas, a key heating and power-plant fuel, would potentially benefit from the easing of canal constraints. Most LNG tankers have been sailing around the Cape of Good Hope, with relatively low gas prices in Europe and Asia making it unattractive for tankers to pay more to cut through the canal.