Oil and Gas News Briefs
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June 6, 2024

Vietnam burning more coal than ever for power generation

(Reuters; June 5) - Coal use, imports and coal-fired emissions have all climbed to record highs in Vietnam this year despite ongoing efforts to roll out clean-generation capacity across the country. The continuing growth in coal use in Vietnam highlights the difficulty of dislodging coal from the power systems of fast-growing countries that rely on cheap and abundant energy to generate economic competitiveness.

Vietnam has been a major beneficiary of the rerouting of supply chains away from China in recent years, and has seen rapid growth in its manufacturing base and national exports as companies establish and expand production in the country. In response, Vietnam's gross domestic product is projected to grow by twice the global average through 2029, according to the International Monetary Fund.

But in order to ensure sufficient low-cost energy for this fast-growing manufacturing sector, Vietnam's power producers have had to prioritize the expansion of fossil fuels over decarbonization efforts, which remain part of the country’s longer-term plans. The rapid swell in coal use has seen Vietnam overtake South Korea in coal-fired emissions and has put it on track to finish 2024 as the fourth-largest coal emitter in Asia behind China, India and Japan. Coal generated a record 64.6% share of Vietnam's electricity generation in April, according to energy think tank Ember, up sharply from 46% in 2023.

Gas pipeline talks between Russia and China may be stuck on price

(Upstream; June 3) - Russia’s state-controlled gas giant Gazprom has taken a break in talks with China to secure a binding commitment from Beijing to buy gas through the proposed Power of Siberia 2 pipeline. The Russian company has been facing firm demands from China National Petroleum Corp. to agree to supply gas at a price close to Gazprom’s own domestic prices, according to a Financial Times report.

Domestic prices for Gazprom-supplied gas of about $2.85 to $4.25 per thousand cubic feet are regulated and vary among regions depending on the market’s distance from the company’s producing fields in West Siberia. Unnamed sources said CNPC also wants to commit to a lower minimum purchase threshold, described as “a fraction of the pipeline’s planned annual capacity” of almost 1.8 trillion cubic feet of gas. Commonly known as a take-or-pay clause, it calls for buyers to pay for a committed volume of contracted gas as security for long-term investments in capital-intensive projects.

The pipeline is slated to run about 1,600 miles from Gazprom's fields in West Siberia to the country's border with Mongolia, and another 590 miles across Mongolia to China, coming online around 2030. Preliminary estimates have put the cost at more than $10 billion. The Financial Times report said the pause in talks between CNPC and Gazprom became obvious in May when Gazprom Chairman Alexei Miller opted not to arrive in Beijing with Russian President Vladimir Putin, who spent two days there.

Tokyo Gas in the market for U.S. natural gas assets

(Reuters; June 3) - Japan's top city gas supplier, Tokyo Gas, is looking to add more U.S. natural gas assets, its president said on June 3, as it aims to expand its gas-related businesses in North America after its recent acquisition of a U.S. shale gas producer. The Japanese company paid $2.7 billion to acquire Texas-based natural gas producer Rockcliff Energy in December and agreed to purchase a 49% stake in North American energy marketing and trading firm ARM Energy Trading in February.

"We would still consider investing in shale gas assets if we can acquire them at the appropriate price and in a competitive way," Tokyo Gas President Shinichi Sasayama told reporters on the sidelines of the Japan Energy Summit in Tokyo. "We are not only looking to upstream assets, but also to surrounding assets such as marketing, trading and storage batteries, so that we could link them together to build the total value chain."

Tokyo Gas has been diversifying its procurement sources, buying about 13 million tonnes of LNG annually from 13 projects in four countries. Though the company still holds a high proportion of long-term LNG contracts, it is adjusting its portfolio to be more flexible by including term contracts of various durations and spot procurement, said Satoshi Tanazawa, CEO of Tokyo Gas' energy trading company. "We aim for a flexible structure to respond to any major changes in the business environment," he added.

Saudi Aramco reportedly in talks to take stake in U.S. LNG projects

(Reuters; June 4) - Oil giant Aramco is in talks with U.S. firms Tellurian and NextDecade on two separate LNG projects as the Saudi company seeks to boost its liquefied natural gas production and trading portfolio, three sources close to the talks told Reuters. U.S. gas production has boomed over the past decade, along with oil majors and Aramco's rivals such as Qatar competing to build projects to export gas to Europe and Asia.

The Saudi state firm is in talks with Tellurian to buy a stake in its proposed Driftwood LNG project near Lake Charles, Louisiana, initially planned at 6 million tonnes per year annual output. Aramco officials visited the site three times last month — including with executives from Australia's Woodside on one of those occasions, said the sources. Tellurian has spent years and hundreds of millions of dollars trying to finance and build

Driftwood LNG. Last fall, it warned investors that continued losses and dwindling cash reserves might not be enough within a year to cover operating and debt costs.

Aramco is also in talks with NextDecade for a long-term gas purchase agreement from a proposed fifth liquefaction unit at its Rio Grande facility. The first three production units at NextDecade's Rio Grande LNG terminal are under construction, with the company considering expansion. None of the companies would comment. In March, Reuters reported that Aramco was in talks to invest in Sempra's Port Arthur project in Texas.

S&P analyst says LNG prices will continue falling in buyers' market

(S&P Global; June 4) - Long-term LNG contract prices of around 12% indexation to Brent oil should continue to fall as current offers are comparable to the contracts signed in 2017–19 when the global LNG market was in an under-investment cycle, according to an April report titled "Global LNG Glut and Tomorrow's Contracts," by Zhi Xin Chong, senior director at S&P Global Commodity Insights. "As we swing into a buyers' market, concessions from suppliers in the form of lower prices and additional flexibility will once again be needed to secure long-term contracts with buyers in Asia," Chong said.

Asian LNG buyers have recently been negotiating lower prices for long-term LNG contracts, both new deals as well as deals that were already being discussed and are about to be finalized, while LNG suppliers like Qatar and U.S. exporters fight for market share. "Over the next few years, the combination of an oversupplied market paired with an over-investment cycle will create downward pressure on prices for long-term LNG contracts. This bodes well for the growth of new emerging Asian markets that are on their energy-transition journey," Chong said in the report.

An analysis of 70 LNG contracts of more than 1 million tonnes per year and longer than 15 years showed "long-term LNG contracts have been on a general downward trend since 2007 as the market has grown with more competition from suppliers and market innovation such as the introduction of U.S. LNG supply in 2016 that have driven down offers." Chong said the current contracting environment is characterized by an over-investment cycle with almost 200 million tonnes of LNG being added by 2030, a growth of almost 50% as large as the previous over-investment cycles in 2005-06 and 2013-17.

Shell exec says LNG Canada could beat mid-2025 start-up

(Reuters; June 4) - Shell-led LNG Canada, the country's first natural gas export terminal, could deliver its first cargo earlier than previously planned, an executive at the British company said. The C$40 billion (US$29 billion) liquefied natural gas project in Kitimat, British Columbia, is in the final stages of construction ahead of its planned start-up in mid-2025, Shell's head of integrated gas and upstream Zoe Yujnovich said.

"You can get slightly earlier cargoes, but you may need to then do additional work that comes after that," she added, without giving more details. Shell is the world's top trader of the fuel. LNG Canada, which will produce 14 million tonnes per year at its first phase of development, is a joint venture between Shell, PetroChina, Malaysia's Petronas, Japan's Mitsubishi and Korea Gas. The giant project is central to Shell's ambitions to grow its gas liquefaction capacity by 25% to 30% between 2022 and 2030 to around 40 million tonnes per year.

The terminal will process up to 2 billion cubic feet per day of gas, representing 11% of current Canadian output and making it a major source of revenue for the provincial and federal governments. The partners are working on the final aspects of construction. A decision on whether to go ahead with a second phase is expected toward the end of this year, as the partners assess the costs of expansion, including the impact of proposed government rules on carbon emissions and power generation, Yujnovich said.

OPEC+ could consider pumping more to pressure the competition

(Reuters commentary; June 3) - The OPEC+ decision to extend its crude oil production cuts is an acknowledgment that demand growth is still uncertain, but also that the group remains hopeful its bullish scenario is correct. Putting the extension of its larger volume of output cuts together with a possible rollback of smaller reductions shows OPEC+ is effectively betting that oil demand is going to be stronger in the second half of 2024.

If the OPEC estimate proves accurate, it implies that oil prices will at least remain at current levels while allowing the eight OPEC+ members subject to the voluntary smaller cuts to increase output and make more money. However, the risk for OPEC+ is that world demand growth disappoints amid tight monetary policy to fight inflation, continuing geopolitical conflicts and uncertainty surrounding the U.S. presidential election.

OPEC+ is probably concerned about demand growth in Asia, the top-consuming region and the leader of global demand. If that growth is to be realized it would suggest that Asia's imports would be rising strongly, but so far in 2024 they haven't. Asia's crude imports for the first five months of the year were up a mere 100,000 barrels per day from the same period in 2023, according to data compiled by LSEG Oil Research.

OPEC+ most likely wants to keep oil prices above $80 and more likely closer to $90. It may be helpful for the group to consider if using their market muscle and generally low production costs to pump more oil, allowing the price to drop closer to $60, would serve them better by pushing demand. It would allow a faster easing of global monetary policy by cutting inflation and also pressure high-cost producers, such as U.S. shale.

OPEC output rose in May, exceeding supply targets

(Reuters; June 4) - OPEC oil output rose in May, a Reuters survey found on June 4, as higher exports from Nigeria and Iraq offset the impact of ongoing voluntary supply cuts by the wider OPEC+ alliance. The Organization of the Petroleum Exporting Countries pumped 26.63 million barrels per day last month, up 145,000 from April, the survey, based on shipping data and information from industry sources, found.

An increase from Iraq comes despite the country, OPEC's second-largest producer, along with OPEC+ member Kazakhstan, pledging to compensate for earlier over-production by making further cutbacks in the rest of 2024. Iraq and Nigeria each raised output by 50,000 barrels per day and there were smaller hikes in Saudi Arabia and the United Arab Emirates, the survey found. Only Algeria cut output, as a result of oil field maintenance. OPEC pumped about 250,000 barrels per day more than the implied target for the nine members covered by supply cut agreements.

Among those not required to cut output, Iran and Venezuela boosted output slightly. Iran is pumping near a five-year high reached in November after posting one of OPEC's biggest output increases in 2023 despite U.S. sanctions still being in place.

Oil traders find new location for cargo switching of Russian crude

(Insurance Journal; June 4) - Under pressure from Greece's navy, traders of Russian oil have found a new place to switch cargoes in the Mediterranean Sea, a sign of how hard it will be to clamp down on an activity that has alarmed European governments and regulators. Tankers hauling Russia's flagship grade Urals are in the midst of transferring it from smaller tankers onto a larger one near the city of Nador at the eastern end of Morocco's coast on the Mediterranean, ship-tracking data gathered by Bloomberg show.

Since last month, Greece's navy has been holding naval exercises in a location where the cargo switching between tankers had been taking place in an attempt to deter it. The new location is close to Spanish-run enclave Melilla, raising the prospect that Madrid might repeat steps it took to block similar activity 140 miles to the west, near its other enclave Ceuta. Those measures ultimately stopped the practice.

The Rolin, a Very Large Crude Carrier (VLCC), is receiving Urals crude from a smaller tanker off the Moroccan city. It's the first time that ship-to-ship transfer of the grade has taken place there. About 80% of Russian Urals crude is shipped to Asia, mostly India and China. Using VLCCs offers economies of scale for longer-distance shipping, but European states are wary of cargo switching near their coasts. The International Maritime Organization calls cargo switching in open oceans a "dangerous practice."

Oil trader says new tankers needed to replace aging fleet

(Reuters; June 4) – The crude oil tanker market is grappling with an aging fleet which needs to be replaced, posing a challenge as shipyards are focused on building other types of ships, a top executive with commodity trader Trafigura said June 4. The crude tanker market, including supertankers (VLCC, Very Large Crude Carrier), has remained strong in recent months partly due to longer voyages made by some vessels sailing via southern Africa amid Red Sea attacks by the Houthis, which has tightened availability.

In addition, up to 850 tankers are estimated to have left conventional trading to transport sanctioned oil including from Russia, Iran and Venezuela as part of the so-called shadow fleet. “The market is grappling with an aging (tanker) fleet that will need to be replaced,” said Andrea Olivi, head of wet freight for Trafigura. “The big shipyards are currently focused on building large container and LNG (liquefied natural gas) ships rather than VLCC vessels,” he said on the sidelines of a shipping conference in Athens.

It normally takes three years for vessels to be delivered from yards, with the focus in recent years being on building container ships and LNG tankers due to sector booms. Lars Barstad, CEO of leading tanker operator Frontline, told an earnings call last week the market needs to order some 1,100 crude tankers in the coming years, including 400 VLCCs. “Our confidence in this segment of the market is growing, driven by the need to replace an aging fleet with new vessels,” Trafigura’s Olivi said, referring to tankers.

South Korea will drill major offshore oil and gas prospects

(Reuters; June 3) - South Korean President Yoon Suk Yeol gave the green light on June 3 to conduct exploratory drilling for potentially vast oil and gas prospects off the east coast of one of the world's largest energy importers. There is a "very high" possibility the area contains as much as 14 billion barrels of oil and gas, Yoon told a press conference, citing a study that he said was reviewed by experts and industry groups.

"Today, I approved the Ministry of Trade, Industry and Energy to go ahead with the drilling for exploration deep in the East Sea," Yoon said. The exploration project, with an estimated cost of more than 500 billion won ($363 million), will begin near the end of the year in the hope of finding energy reserves by the first half of next year, he said. The site is off the southeastern industrial port of Pohang, Yoon said, with an industry ministry official adding that the prospects are in South Korea's Exclusive Economic Zone.

Yoon said South Korea's exploration efforts for oil and gas since 1996 have tapped gas reserves equivalent to about 4.5 million barrels, with commercial development completed in 2021. The new prospects promise enough gas to fuel the country for 29 years and oil equivalent to four years of consumption, he added.

Taiwanese company signs 27-year deal for Qatari LNG

(The Peninsula; Qatar; June 5) - QatarEnergy has signed agreements with Taiwan’s CPC Corp. for a long-term liquefied natural gas supply and a partnership stake in Qatar’s multibillion-dollar North Field East LNG expansion project. The two parties signed a 27-year sales-and-purchase agreement covering 4 million tonnes per year of LNG from the expansion project. QatarEnergy also will transfer to CPC a 5% interest in the equivalent of one liquefaction train at the expansion.

The project is part of the overall North Field LNG expansion program that also includes the North Field South and North Field West projects, which together will raise Qatar’s LNG production capacity from the current 77 million tonnes per year to 142 million tonnes in 2030. The agreements were signed by officials meeting in Doha, Qatar. QatarEnergy has been heavily marketing supply contracts from its expansion project, signing up multiple buyers in Asia and Europe to long-term deals.

Russia’s Arctic LNG project may receive first tankers by end of year

(High North News; June 3) - Novatek’s Arctic LNG 2 plant has now been sitting idle for nearly six months as the Russian gas producer has yet to receive any ice-capable LNG carriers for the project. But the first two of five Arc7 vessels under construction at a Russian shipyard could become available later this year, allowing the start of LNG exports as Russian shipyard Zvezda looks set to throw the project a lifeline. Novatek is Russia's second-largest natural gas producer and largest LNG exporter.

After sending up to 200 engineers and workers to the Far East shipyard, Zvezda will be able to complete at least two Arc7 LNG carriers by the end of 2024 and early 2025. During summer and fall, Novatek will likely add to its transport capacity with available lower ice-class or conventional LNG tankers. With two ice-capable vessels, it will be able to export about 2 million tonnes of liquefied natural gas annually, about 30% of the first production line’s capacity. Novatek had planned to start shipments last December.

Receiving two vessels from Zvezda would temporarily ease Novatek’s transport challenges following the blocking of vessels under construction at South Korea’s Hanwha Ocean shipyard. Following U.S. sanctions earlier this year, the builder has been unable to transfer three completed vessels to Novatek. An additional three ships destined for Japan’s MOL to also serve the Arctic LNG 2 project remain marred by uncertainty. Once the facility’s second train becomes operational next year, it will have to acquire additional ice-capable vessels to ensure year-round transport capacity.

Australia offers deal to Timor-Leste to develop shared gas field

(The Sydney Morning Herald; June 2) - Australia is offering Timor-Leste a multibillion-dollar lifeline to fast-track the Greater Sunrise offshore gas project, which promises generational wealth for the fledgling nation while keeping China at bay. Australia has offered Prime Minister Xanana Gusmao's government a sizable package of incentives that would effectively give Timor-Leste 90% of revenue from the project. Australia and Timor-Leste share the deepwater gas field, which is in water 2,000 feet deep.

Diplomatic and government sources say ensuring development of the long-stalled Greater Sunrise field, 280 miles northwest of Darwin and 95 miles south of Timor-Leste, is one of the Australian government's top strategic priorities. Timor-Leste has forged closer relations with China, with Gusmao signing a strategic partnership with President Xi Jinping in September. Australia's offer includes a dedicated infrastructure fund, financed by Australia's share of the gas revenues, and an acceleration of a "labor mobility program" that would see more Timorese come to Australia for work and training.

The unresolved issue is where gas would be piped and liquefied. Under a 2018 treaty between the two nations, if the gas is processed in Timor-Leste, Australia would receive 30% of the revenues and Timor 70%. But if the gas is piped to Australia and processed at an existing LNG plant in Darwin, the Timorese share would increase to 80%, with Australia at 20%. The field holds an estimated 5 trillion cubic feet of gas. Gusmao's preference is to process the gas on the southern Timorese coast, believing the industrial and job opportunities would outweigh the extra revenue from the Darwin alternative.

Floating gas production unit arrives for West Africa LNG project

(World Oil; June 4) - According to BP, the floating production, storage and offloading vessel, a key component of the Greater Tortue Ahmeyim (GTA) Phase 1 LNG development, has arrived at the maritime border of Mauritania and Senegal. The vessel was moored 25 miles offshore, waiting for deployment to the West Africa deepwater field 120 miles offshore. It will be operated by BP, on behalf of the project's partners: BP, Texas-based Kosmos Energy, Senegal's PETROSEN and Mauritania's SMH.

Following completion of construction at the COSCO Qidong Shipyard in China, the production vessel traveled more than 12,000 nautical miles to the GTA site. Phase 1 development is expected to produce about 2.3 million tonnes of LNG annually for more than 20 years, with a second phase planned of equal volume. It is the first gas venture in this new basin offshore Mauritania and Senegal. The vessel will hover in water up to 9,400 feet deep, with the deepest subsea infrastructure in Africa.

The Phase 1 development is expected to handle more than 500 million cubic feet of gas per day, removing water, condensate and impurities before transferring the gas via pipeline to a floating liquefaction vessel. The LNG will be stored aboard the liquefaction

vessel for loading on carriers which will deliver the fuel to overseas customers, with some of the fuel allocated to help meet growing demand in the two host countries.

Some Indigenous leaders call for boycott of gas pipeline bond sale

(Bloomberg; June 4) - Some Indigenous leaders are asking investors not to buy bonds issued by a natural gas pipeline company that's marketing Canada's largest-ever corporate debt deal. Hereditary Chiefs of the Wet'suwet'en First Nation said investors should shun the multibillion-dollar financing, citing violations of Indigenous and legal rights, environmental and regulatory concerns and financial risks. The project, Coastal GasLink, is owned by TC Energy, KKR and Alberta's public pension manager.

"We are asking you to publicly announce a commitment to deny new debt ahead of TC Energy's bond issuance this June, and fully divest from Coastal GasLink," said a letter signed by Hereditary Chief Na'Moks of the Wet'suwet'en First Nation and others. The bonds are refinancing a construction credit loan, TC Energy said in an emailed statement. The pipeline's construction was finished last year, with the support of all 20 elected Indigenous groups across the route of the project, the company said. Of that group, 17 have signed option agreements to become part owners in the pipeline.

The project has long been controversial, and in early 2020 it boiled over as protesters blocked roads, rail lines and ports in numerous places in Canada. However, the pipeline has the support of many elected Indigenous leaders on Wet'suwet'en territory, who see economic benefits for their people. The line will ship Western Canadian gas to a nearly completed liquefied natural gas complex on the British Columbia coast. Coastal GasLink is seeking to borrow $7.1 billion. The bonds are expected to be sold on June 4.

Green requirements could be costly for commercial buildings in EU

(Bloomberg; June 1) - At some of the world's biggest banks, loans to commercial real estate face new litmus tests that promise to shape the sector's access to financing. At issue is the carbon emissions of buildings and the expected cost of upgrades needed to stay on the right side of new green regulations. The European Union just passed its Energy Performance of Buildings Directive (EPBD), which forms part of a growing array of net-zero regulations. And too-big-to-fail banks are starting to react.

BNP Paribas, the European Union's largest bank, now targets cuts that could be as deep as 41% in the emissions intensity of its commercial real estate portfolio through 2030. Others, including Banco Santander, Barclays, ING Groep and NatWest Group, have either already taken — or are exploring — similar measures. The development marks a new frontier in how banks handle the risks in their loan books.

Commercial real estate portfolios, already battered by high interest rates and volatile post-pandemic occupancy rates, are now emerging as a fresh headache for banks whose books are overloaded with old properties badly in need of investments to meet new green requirements. While the EU's rollout of EPBD is likely to play out over several years, it's already clear that buildings that fall behind risk turning into stranded assets that can no longer be sold or rented. The EU estimates that about 75% of buildings in the bloc that were built before 2000 have "poor energy performance."