Oil and Gas News Briefs
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French bank pulls out of two LNG projects

(Reuters; March 25) - Credit Agricole said on March 25 that it would not provide financing to two major liquefied natural gas projects, citing commitments to refrain from new fossil fuel developments. The French bank said it will not fund ExxonMobil's and Eni's Rovuma project in Mozambique, nor the Papua LNG project which is backed by TotalEnergies, Santos and ExxonMobil. Credit Agricole was the original financial adviser for the Papua LNG and Rovuma LNG projects.

ExxonMobil and TotalEnergies were not immediately available for comment. "The decision to not finance the (Papua) project is a serious blow to the project and TotalEnergies, and it could undermine their ability to finance the project," Lucie Pinson of Reclaim Finance said of the Papua LNG export facility. If another bank wants to step in and take over the role, they will need to start from the beginning, Pinson added.

The Exxon-led consortium expects to take a final investment decision on the estimated $23 billion Mozambique project next year; the Total-led group has said it plans a final decision on the $10 billion Papua New Guinea gas development this year.

Gazprom working on new pipeline to send more gas to China

(Upstream; March 22) - Russia's state-controlled Gazprom has started building a multibillion-dollar supply pipeline as it needs to expand its sources of gas to help meet export commitments to China. China, along with former Soviet republics in Central Asia and other Asian nations, has been a key focus for Russian efforts to expand its gas exports to other markets after breaking long-term ties to its biggest market, Europe, following its invasion of Ukraine in early 2022.

Gazprom said the new pipeline will link two existing networks — the Sila Sibiri 1 pipeline in East Siberia and the Sakhalin-Khabarovsk-Vladivostok pipeline in Russia's Far East. The new pipeline will run 514 miles from Khabarovsk to the town of Belogorsk in the country's Amur region, where it will connect to the Sila Sibiri 1 line. Gazprom did not disclose the cost, as the government has allowed the company to withhold information it considers sensitive following the imposition of international sanctions against the country and its corporations in response to Russia's invasion of Ukraine.

According to tenders, Gazprom had been fast-tracking the pipeline project since 2023, surveying construction sites and arranging supplies to support construction. Oil and gas industry analyst Mikhail Krutikhin said the new line will allow Gazprom more flexibility in selecting the sources of gas it will export to China. Gazprom's two binding contracts with China National Petroleum Corp. call for delivery of 1.3 trillion cubic feet of gas per year from two fields via Sila Sibiri 1 from 2025 onward, and 365 billion cubic feet of gas per year via a dedicated link to China from the Sakhalin-Khabarovsk-Vladivostok pipeline.

Expanded Canadian oil pipeline will affect Pacific tanker market

(The Maritime Executive; March 25) - The Canadian government's Trans Mountain Pipeline expansion project is nearly complete and will load its first export cargo within months. When it enters service, according to analysts Poten & Partners, it will reshape the Pacific tanker market. The expanded line from Alberta's oil sands to the West Coast will triple its capacity from 300,000 to nearly 900,000 barrels per day, and will open new markets for Canadian oil sands producers that had limited options for overseas sales.

Canadian oil exports have been locked into the U.S. market by infrastructure limitations for decades. Shipping and energy interests are watching what the additional 600,000 barrels per day will do to the Pacific market. According to Poten, the new supply will compete with other sources of foreign oil on the U.S. West Coast. Whatever doesn't go to the U.S. West Coast will be sent to Asian markets, and the split is not yet certain. Alaska crude —delivered to West Coast refiners by a purpose-built Jones Act fleet — has a firm place in the market and is unlikely to be displaced anytime soon, Poten said.

The navigation restrictions at the terminal in Vancouver will have a unique impact, according to Poten. Only Aframaxes can make the transit to and from the loading pier, so cargoes will be limited to about 600,000 barrels per vessel. This means that the terminal will need to load about one tanker every day to keep up with the pipeline's capacity. The demand signal for an extra tanker every day should have a meaningful impact on the global market, Poten predicted. "Some of these Aframaxes will shuttle back and forth to the U.S. West Coast, while others will make the trip to the Far East."

Analysts forecast another record year of U.S. oil production

(Bloomberg; March 25) - U.S. oil production is set to end the year at a record pace of about 14 million barrels per day as falling costs and improved drilling efficiency overshadow subdued growth plans from publicly listed companies, Macquarie Group analysts said in a note. Macquarie stood out among analysts last year with its projection of increased U.S. shale production — and ultimately was proved correct.

Its latest forecast comes as shale oil operators are vowing to rein in production growth for a fourth straight year and consolidation in the industry presents headwinds to further growth. The U.S. government expects production to edge up to 13.2 million barrels per day this year, about 13% of global production. Macquarie models U.S. production ending 2025 at 14.5 million, despite expectations for significantly lower crude prices.

“This year’s headwinds could flip to tailwinds in a scenario where the growth impulse from private companies recharges and public companies attack high-graded resource bases next year,” analysts led by Walt Chancellor said in the note.

Suburban Philadelphia county joins lawsuits over climate change

(Fortune; March 26) - A large suburban Philadelphia county has joined dozens of other municipal governments around the country in suing the oil industry, asserting that major oil producers systematically deceived the public about their role in accelerating global warming. Bucks County’s lawsuit against a half dozen oil companies blames the industry for more frequent and intense storms — including one last summer that killed seven people there — flooding, saltwater intrusion, extreme heat “and other devastating climate change impacts” from the burning of fossil fuels.

The county wants oil producers to pay to mitigate the damage caused by climate change. “These companies have known since at least the 1950s that their ways of doing business were having calamitous effects on our planet, and rather than change what they were doing or raise the alarm they lied to all of us,” Bucks County Commissioner Gene DiGirolamo said in a statement. “The taxpayers should not have to foot the bill for these companies and their greed.”

Dozens of municipal governments in California, Colorado, Hawaii, Illinois, Maryland, New Jersey, New York, Oregon, South Carolina and Puerto Rico as well as eight states and Washington, D.C., have filed suit in recent years against oil and gas companies over their role in climate change, according to the Center for Climate Integrity. Bucks County, which borders Philadelphia and has a population of 650,000, is the first local government in Pennsylvania to sue, the group said.

Developer continues work toward 2027 start-up of Texas LNG project

(LNG Prime; March 25) – Developer NextDecade is moving forward with construction on the first phase of its Rio Grande LNG export terminal in Texas. NextDecade took the final investment decision last July on the first three liquefaction trains of its project on the north embankment of the Brownsville Ship Channel in Cameron County, and completed $18.4 billion project financing. The company reported on its recent progress to the Federal Energy Regulatory Commission, which requires periodic updates.

The firm also closed a joint-venture agreement for the first phase which included about $5.9 billion of financial commitments from Global Infrastructure Partners; GIC, a Singapore sovereign wealth fund; Mubadala, an Emirati state-owned holding company; and TotalEnergies. NextDecade is targeting a 2027 start-up of operations at the facility. The company also expects to take a final investment decision in the second half of 2024 to build the fourth liquefaction train.

Phase 1, with nameplate liquefaction capacity of 17.6 million tonnes per year, has 16.2 million tonnes of long-term binding LNG sale and purchase agreements. These include deals with TotalEnergies, Shell, ENN, Engie, ExxonMobil, Guangdong Energy Group, China Gas Hongda Energy Trading, Galp and Itochu. NextDecade awarded the $12 billion engineering, procurement and construction contract to Bechtel and officially kicked off work on the plant in October last year.

Australia LNG producer looks to North America for new supplies

(Nikkei Asia; March 26) - Australia's Woodside Energy plans to significantly step up its liquefied natural gas purchases from North America as rising costs and other issues make procurement in its home market more challenging. The company currently takes LNG from a project in Texas and plans to start buying from a Louisiana terminal in about 2028 and a West Coast Mexico project in around 2029. It expects to source 4.7 million tonnes of LNG annually from North America at that point, five times current levels and equivalent to almost half the capacity of the production rights it holds in Australia.

"We are interested in North American LNG. We do continue to look at opportunities in the U.S.," Woodside CEO Meg O'Neill told Nikkei in an interview. "We have taken steps to increase our trading portfolio," not just production, she said. Woodside plans to resell into Asia the 1.3 million tonnes of LNG it will receive annually from the Mexico project. This will allow it to supply energy-hungry East Asian markets without passing through the Panama Canal, which is prone to congestion.

The company is seeking opportunities in western Canada as well. "To produce LNG in the west coast of Canada, that's about as close as you can get to Japan," O'Neill said. Woodside is shifting more toward North America in light of the difficulty of further expansion in Australia, where the cost of building plants has soared and existing gas fields are running dry. Tighter environmental regulations are also making it more difficult for Woodside to ramp up output at home. Australia was the world's top LNG exporter 2019-2022 but its exports have peaked, according to research firm Rystad Energy.

Canadian pipeline company part of venture to feed U.S. LNG projects

(The Canadian Press; March 26) - Pipeline giant Enbridge has signed a deal to form a joint venture to help connect Permian Basin natural gas to liquefied natural gas export terminals on the U.S. Gulf Coast. The Calgary-based company said March 26 it will partner with global investment manager I Squared Capital and U.S. pipeline firms WhiteWater and MPLX. The new venture will develop, construct, own and operate gas pipeline and storage assets connecting the Permian, a major oil and gas field in western Texas and southeast New Mexico, to growing LNG and U.S. Gulf Coast demand.

Enbridge has been bullish on both natural gas and LNG in recent years, repeatedly stating it believes demand for gas is not going away any time soon and that cleaner-burning LNG can be used to replace coal in parts of the world that still depend on the dirty fuel. The Canadian company currently supplies gas to five operating LNG export facilities on the U.S. Gulf Coast and has previously said it is interested in expanding its export strategy through further acquisitions in the region.

Under the deal, Enbridge will contribute to the joint venture its proposed Rio Bravo pipeline project — which would transport gas to an LNG export facility being constructed by developer NextDecade at the Port of Brownsville in South Texas — as well as US$350 million in cash. Enbridge will also fund the first US$150 million of the post-closing capital spending to complete the Rio Bravo project. The joint venture will also hold interests in two other pipelines and a gas storage facility.

Gazprom buys stake in Russian LNG project formerly held by Shell

(Reuters; March 26) - Kremlin-controlled energy giant Gazprom has acquired a 27.5% stake, formerly owned by Shell, in Russian liquefied natural gas producer Sakhalin Energy for $1 billion, according to a government order. The government also officially nullified its order of a year ago on selling the stake to Gazprom's rival, Novatek, without explanation. The government said March 25 that the 27.5% stake in Sakhalin Energy will be sold to a company called Sakhalin Project for 94.8 billion roubles ($1.02 billion). Sakhalin Project is fully owned by Gazprom.

"No reason was given for this switch in buyers, but some commentators speculated that Novatek may have assessed the legal risk to be too high," Moscow-based BCS brokerage said in a note. The U.S. in November imposed sweeping new measures against Moscow, including against the Novatek-led Arctic LNG-2 project, over the war in Ukraine. Arctic LNG-2, which is under construction and planned for almost 20 million tonnes annual output capacity, is twice the size of the Sakhalin terminal, which started operations in 2009.

"Shell reserves all its legal rights relating to its 27.5% (minus one share) interest in Sakhalin Energy Investment Co. We have no further comment," Shell said in an emailed statement. Gazprom already owns 50% in Sakhalin Energy located in the southern tip of Russia's Pacific island of Sakhalin. Other shareholders are Japanese companies Mitsui

(12.5%) and Mitsubishi (10%). Following Moscow's decision to send troops into Ukraine in February 2022, Shell said it would quit the project. In June 2022, the Sakhalin-2 operating company was transformed into a Russian entity via a presidential decree.

Gazprom sends first cargo from small LNG plant to Spain

(Reuters; March 25) - Russia's Gazprom shipped a cargo of liquefied natural gas from its small-scale Portovaya LNG plant on the Baltic Sea to Spain for the first time, LSEG data showed on March 25. LNG, unlike some other Russian hydrocarbons, such as crude oil, has not been under Western sanctions. The tanker, the Cool Rover, unloaded in the Spanish port of Huelva at the Enagas LNG terminal, the data showed.

State-controlled Gazprom has practically lost the European pipeline gas export market, once the main source of foreign currency revenues for Moscow. Russia supplied a total of almost 18 trillion cubic feet of gas to Europe by various routes via pipelines in 2022, according to Gazprom data and Reuters calculations. The volumes have plummeted since then, to just under 1 tcf last year.

The Portovaya LNG plant, with a capacity of 1.5 million tonnes per year, about 70 billion cubic feet of natural gas, was launched in September 2022. Most LNG cargoes from the plant have been sent to Turkey or Greece, while three were shipped to China.

Global energy trader increased LNG business 24% last year

(Bloomberg; March 26) - Vitol's traded volumes of liquefied natural gas grew by 24% last year, the company said March 26, the latest evidence of its expanded dealmaking as demand for the fuel surges. The increase means Vitol traded almost 17 million tons of LNG last year, according to Bloomberg calculations based on previously reported volumes. That's 15% of Western Europe's needs in 2023, though it's roughly a quarter of the LNG sales of Shell, the world's biggest trader, which also produces the fuel.

European demand for LNG in particular has soared as the region looks to replace Russian pipeline gas supplies and transition away from dirtier fossil fuels. In response, the world's biggest commodity merchants are now stepping up their trading of the fuel. “We continue to see gas as a transitional fuel for the medium term, both in its displacement of coal in power generation and as a necessary complement to intermittent renewable generation,” Vitol CEO Russell Hardy said in the statement.

Vitol — already the world's largest independent oil trader — last June signed a three-year contract to buy 550,000 tons a year of LNG from Indonesia's Bontang terminal. That added to supply contracts it previously signed with Nigeria LNG, as well as QatarEnergy and a clutch of exporters from the U.S. The volumes are likely to get bigger in the coming years. Vitol's LNG portfolio “stretches into the 2030s,” Hardy said at the CERAWeek conference in Houston earlier this month.

Analysts say LNG oversupply possible by 2030

(Reuters; March 27) - A few years ago, it was much better to sell liquefied natural gas than to buy it. Vladimir Putin's invasion of Ukraine in early 2022 caused the price of European gas to spike at 15 times its long-term level before 2021. As gas producers crank up supply, the second half of the decade is likely to see a better time for consumers — and an edgier period for companies extracting the fossil fuel.

The world consumes 141 trillion cubic feet of natural gas a year. Of that, about 14% gets turned into liquefied natural gas. LNG is where the growth is. Shell, the world's largest LNG trader, expects global supply to grow at a 3.6% compound annual rate until 2040, while gas delivered by pipeline will shrink 0.2% a year. Shell forecasts that supply could expand from 400 million tonnes to 600 million by 2030. Producers are responding to rising demand and higher prices. Qatar, the U.S. and Australia, which produced nearly two-thirds of the world's LNG last year, are leading the charge with more supply.

To be sustainable, a massive surge in supply requires a similar increase in demand. Yet this lust for LNG is far from assured. According to Goldman Sachs, Asian consumption growth of the fossil fuel is falling behind supply growth. Jefferies analysts think global LNG demand by 2030 may be nearer 550 million tonnes — implying the possibility of a significant oversupply if Shell is correct with its forecast of 600 million tonnes of supply.

Korean shipyard looking for new buyers for ice-class LNG carriers

(Bloomberg; March 26) – South Korea Shipbuilder Hanwha Ocean Co. is facing difficulties in finding new buyers for specialized vessels built to serve a Russian liquefied natural gas project that's now subject to sanctions. The icebreaker ships were ordered in 2020, intended for use at the Novatek-led Arctic LNG-2 export plant above the Arctic Circle, but the contract was terminated following Russia's invasion of Ukraine.

"The original shipbuilding contracts for the relevant vessels and the consideration of any potential buyers have been affected by the sanctions imposed on Russia and key entities involved on, or associated with, the Arctic LNG-2 project," Hanwha Ocean said in a statement. Because the vessels are designed for use in the freezing conditions around Arctic LNG-2 — effectively the only location where icebreakers of that type are required — any buyer would need to be in a position to work with the Russian project.

The ships "remain under the ownership of Hanwha Ocean" and the sanctions continue to pose difficulties "in finding a solution for these specialized vessels," the shipbuilder said. "Hanwha Ocean has and shall continue to remain in compliance with applicable sanctions regimes at all times.” Construction of the LNG carriers has been estimated at about $300 million each.

Vietnam’s coal imports double this year to avoid any power outages

(Reuters; March 26) - Vietnam's coal imports so far this year have nearly doubled from the same period of 2023, as the government strives to reassure foreign investors that factories will not face a repeat of last year's power shortages. The Southeast Asia nation, which hosts large manufacturing operations of multinational companies, is facing increasing pressure after it could not guarantee continuous power during a prolonged heatwave last summer. Some factories were forced to temporarily suspend production.

During a meeting with foreign investors last week, Prime Minister Pham Minh Chinh vowed there will be no more electricity shortages, state media reported. Vietnam's limited capacity to use renewable energy and commitments to avoiding new power cuts makes it "imperative" to import more coal, said Phan Xuan Dung, a researcher on Vietnam at the Singapore-based ISEAS think tank.

Coal imports, mostly from Australia and Indonesia, were up by roughly 88% as of March 15 compared to the same period last year, customs data shows. In the first two months of the year output rose 3.3% from domestic mines, which usually cover about half of Vietnam's demand, according to official estimates. Vietnam, which is among the world's top 20 coal users by volume, wants to cut its reliance on the dirtiest of the fossil fuels and still expects its use of coal will peak this decade.

Longer payment delays for Russian oil as banks get more cautious

(Reuters; March 26) - Russian oil firms face delays of up to several months to be paid for crude and fuel as banks in China, Turkey and the United Arab Emirates become more wary of U.S. secondary sanctions, eight sources familiar with the matter said. Payment delays reduce revenue to the Kremlin and make them erratic, allowing Washington to achieve its dual policy sanction goals — to disrupt money going to the Kremlin to punish it for the war in Ukraine while not interrupting global energy flows.

Several banks in China, the UAE and Turkey have boosted their sanctions compliance requirements in recent weeks, resulting in delays or even the rejection of money transfers to Moscow, according to the sources. Banks, cautious of the U.S. secondary sanctions, started to ask their clients to provide written guarantees that no person or entity from the U.S. sanctions list is involved in a deal or is a beneficiary of a payment.

In the UAE, First Abu Dhabi Bank and Dubai Islamic Bank have suspended several accounts linked to the trading of Russian goods, two sources said. UAE's Mashreq bank, Turkey's Ziraat and Vakifbank and Chinese banks ICBC and Bank of China still process payments but take weeks or months to process them, four sources said. Additional documents can also include details on the ownership of all companies involved in the deal and personal data of individuals controlling the entities.