# Oil and Gas News Briefs
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## Louisiana LNG export project over budget by $2.35 billion

(Reuters; Nov. 18) - Venture Global LNG's second liquefied natural gas export plant, currently under construction in Louisiana, is $2.35 billion over budget and costs could still rise more, according to financial documents prepared for its initial public offering of shares. The fast-growing LNG exporter blamed inflationary pressures and the costs to keep construction on schedule. The ultimate cost of the Plaquemines LNG facility was projected to reach $21 billion to $22 billion, documents viewed by Reuters show.

The export facility, designed to produce 20 million tonnes per year, will start producing LNG in the coming weeks. Venture Global has covered the $2.35 billion cost overrun and believes it should have enough cash, borrowing capacity and "access to sufficient commissioning cargoes proceeds" to meet further cost increases, the preliminary initial public offering documents showed.

It could be one of two new U.S. LNG plants to start up late this year. Soaring costs for labor, steel and processing equipment have LNG developers suffering budget overruns and, in some cases, running well behind initial schedules. The Golden Pass LNG joint venture in Texas between QatarEnergy and ExxonMobil was more than $2 billion over budget and a year behind schedule when lead contractor Zachry Holdings filed for bankruptcy and quit the project this year. Operations may begin late 2025 or early 2026.

## OPEC+ has little room to maneuver at Dec. 1 meeting

(Reuters; Nov. 21) - OPEC+ will have little room to maneuver on oil policy when it meets in December: It would be risky to increase output because of weak demand, and difficult to deepen supply cuts because some members want to pump more, sources and analysts said. The Organization of the Petroleum Exporting Countries and its allies led by Russia, the group known as OPEC+, which pumps around half the world's oil, has already delayed a plan to gradually lift production by several months this year.

It may push back output increases again when it meets on Dec. 1 due to weak global oil demand, according to three OPEC+ sources familiar with the discussions. Ministers last shelved the increase for a month when they met virtually on Nov. 3. "I can't say it's popular in the group but there would be no strong objection to a delay until the first quarter (2025)," one of the OPEC+ sources said, declining to be identified by name.

Other OPEC+ sources said it was too early to say what the group will decide. OPEC+ had planned to slowly roll back production cuts with small increases over many months in 2024 and 2025. But a slowdown in Chinese and global demand, and rising oil output outside the group, have put a dampener on that plan. This has left OPEC+ maintaining its cutbacks for longer than planned. The group has cut output by 5.86 million barrels a day, or about 5.7% of global demand, in a series of steps agreed since 2022 to support the market. Despite that, prices have mostly stayed in the $70 to $80 range this year.

## Trump's pledge to boost U.S. oil production will face reality

(Bloomberg; Nov. 19) – President-elect Donald Trump's vows to "frack, frack, frack" are about to collide with a global crude glut that's set to temper record U.S. shale production. Trump has said he'll push America's shale companies to ramp up output — telling supporters pump prices would fall even if it meant producers "drill themselves out of business" — but his second term follows two straight years of record U.S. oil output.

Against that backdrop, analysts and traders surveyed by Bloomberg see the U.S. adding just 251,000 barrels a day of increased production from the end of this year through 2025, the slowest pace since the pandemic-driven drop in 2020. There are few levers Trump can pull to change that. Opening new federal lands to exploration would take time, and some of his other proposals — such as a trade war with China — are widely seen as bearish for oil because they would erode demand for the commodity.

"There's a delay between freeing up federal lands, offering it for auction, having companies bid on it, doing exploration, discovering oil and putting in the infrastructure for it," said Ed Morse, a senior adviser at commodities trading firm Hartree Partners. The bulk of any gain stemming from Trump policies would come after his term, he said.

Expectations of slower growth in production could change. Last year, the shale patch surprised the market by adding 1 million barrels a day of output, despite independent producers vowing limited growth. And heavyweights including ExxonMobil, Chevron and ConocoPhillips are expanding rapidly, posting gains of more than 8% in the past year.

## U.S. LNG exports to China could depend on Trump tariffs

(Bloomberg; Nov. 20) - The U.S. has boosted sales of liquefied natural gas to China this year, although the surge may not last if the incoming Trump administration collides with Beijing over trade. China imported 63% more of the fuel from the U.S. in the first 10 months of the year compared to the same period in 2023, according to Chinese customs data released on Nov. 20. That lifted the U.S. to fifth place in the roster of Beijing's suppliers, behind Australia, Qatar, Russia and Malaysia.

Although the 3.9 million tonnes shipped so far this year is only about 6% of China’s total, Chinese buyers have contracted for 14 million tonnes of U.S. LNG starting from 2026. If President-elect Trump presses ahead with a threatened 60% tariff on Chinese goods, Beijing’s retaliation could include duties on U.S. gas. That’s what happened during the last trade war when Trump was in office, which brought U.S. gas exports to China to a halt for much of 2019. Of course, China could also use its gas-buying heft as a negotiating chip, promising to buy more from the U.S. to narrow its trade surplus.

## Feed gas into U.S. LNG plants increases with new project starting up

(Reuters; Nov. 20) - The amount of gas flowing to the seven big operating U.S. liquefied natural gas export plants was on track to rise to a 10-month high on Nov. 20, according to data from financial firm LSEG. Feed gas was up in part as flows to Venture Global LNG's Plaquemines plant in Louisiana were on track to rise to a record high for a second day in a row on Nov. 20 as the company tests equipment at the plant. The record flows into the export terminals represent about 14% of total U.S. gas production.

Plaquemines will be the country's eighth big LNG export plant once it starts producing LNG, which analysts have said could happen any day now. LNG exports have been the biggest source of gas demand growth in the country in recent years. The U.S. became the world's biggest LNG supplier in 2023, ahead of recent leaders Australia and Qatar, as much higher global prices feed demand for more exports due in part to supply disruptions and sanctions linked to Russia's invasion of Ukraine in February 2022.

U.S. LNG feed gas was on track to rise to a 10-month high of 14.5 billion cubic feet per day on Nov. 20. The first phase of Plaquemines, at 1.8 bcf per day, is expected to enter service in stages through 2026, while the second phase, at 0.9 bcf per day, is on track to enter service starting next year through 2026. Venture Global said in recent financial documents that it expects Plaquemines to cost around $21 billion to $22 billion.

## Canada’s first LNG export facility should boost prices for producers

(Financial Post; Canada; Nov. 18) - Business has been tough for a while now if your business is selling Canadian natural gas in North America. Producers in Western Canada this summer endured the worst price slump in five years as a combination of warm weather and high storage volumes oversupplied the market, pushing AECO prices (the Canadian benchmark price for natural gas) below $1 per million Btu during the shoulder season and spot prices into negative territory in August and September.

Through it all, companies have resolutely maintained production, sometimes to their own detriment, setting new daily production records in October and November even as the added volumes meant prices dropped further. The blow from dismal gas prices has been softened by the steady returns for the byproducts of drilling, including natural gas liquids and condensate, but a feeling is emerging that sweet relief is on the way with the upcoming start-up of the LNG Canada export facility in Kitimat, British Columbia.

Shell-led LNG Canada will boost exports of natural gas from Western Canada by 20% when it begins commercial operations in mid-2025, providing an option to pipeline gas sales to U.S. markets, BMO Capital Markets analyst Randy Ollenberger told a room of oil field service contractors in Calgary. “We think the outlook for natural gas in Western Canada is probably the best since 2005,” he said. “Because gas has really sucked since then and we think it’s going to be much better over the next couple of years.”

## Alberta hopes for more oil pipelines to move production into U.S.

(Bloomberg; Nov. 16) - Alberta’s government has been talking with Canadian energy companies about building more oil export pipelines to the U.S. to take advantage of an incoming White House administration with a friendlier attitude toward oil. The provincial government has spoken with pipeline operators including Enbridge and TC Energy about expanding lines to the U.S., including by twinning existing lines, before President-elect Donald Trump takes office in January, Premier Danielle Smith said in an interview.

Alberta, holder of the world’s third-largest oil reserves, is one of the biggest foreign suppliers of crude to the U.S., and Smith is pushing for even more access. In previous U.S. administrations, Canada faced pushback in building new pipelines to its southern neighbor, which depressed Canadian oil prices and stymied investment. “I know the Americans have increased production pretty dramatically in the last 10 years, but it might not always be that way,” she said, speaking after her province joined the recently established Governors’ Coalition for Energy Security as the first non-U.S. state member.

“They need to know that if they’re looking for additional supply, they shouldn’t be looking to Iran or Venezuela. They should be looking to their friend up north,” Smith said. Trump has been a vocal advocate for oil and gas interests, pushing for more domestic drilling. During his previous term in office, from 2016 to 2020, he reversed the Obama administration’s rejection of TC Energy’s controversial Keystone XL pipeline, which would have increased Canadian oil exports to the U.S. Later, President Joe Biden canceled the approval on his first day in office and the pipeline was never completed.

## LNG cargoes divert from Asia to capture higher prices in Europe

(Reuters; Nov. 18) - At least five cargoes of liquefied natural gas have diverted from Asia to Europe in the past few days, drawn by higher gas prices on the continent after Russia's Gazprom halted supplies to Austria's OMV, data from analytics firm Kpler showed. On Nov. 16, Gazprom halted supplies to Austria’s top gas importer after OMV threatened to impound some of the Russian state firm's gas as compensation for an arbitration it had won over a contractual dispute.

Gazprom notified OMV of the planned halt on Nov. 15, causing European gas prices at the Dutch pricing hub to surge, making it more profitable to send gas to Europe rather than Asia. “Traders divert(ed) LNG cargoes away from Asia and toward Europe," said Laura Page, manager of gas and LNG insight at Kpler. The benchmark front-month contract at the Dutch hub was trading at $14.49 per million Btu, the highest level since Nov. 23, 2023. The Asian benchmark Japan Korea Marker was trading at around $14.

The LNG tanker Vivert City, which loaded a cargo from Equatorial Guinea and was heading to Bangladesh, diverted and is heading toward Britain's South Hook terminal. The Gaslog Windsor tanker, which had a cargo loaded with U.S. LNG from Sabine Pass, Louisiana, that was initially headed to China, changed its destination on Nov. 15 toward Britain's Isle of Grain import terminal. BW Lesmes tanker had a cargo loaded form Nigeria and was headed to China but changed direction toward the Isle of Grain.

## TC Energy expects North American LNG exports to triple

(Financial Post; Canada; Nov. 19) – Pipeline operator TC Energy expects natural gas demand in North America to increase significantly over the next decade, driven by growth in liquefied natural gas exports and power generation. The Calgary-based company said it expects North American LNG exports to more than double to over 25 billion cubic feet per day by 2035, from around 13 bcf per day today, led by a doubling of exports from the U.S. and supported on the margins by Canada’s export volumes jumping to 5 bcf a day from zero and Mexico’s climbing to 3 bcf a day from 0.5 bcf.

CEO François Poirier said the company’s reach into all three markets helps insulate it against regulatory headwinds in any one jurisdiction slowing growth. Poirier said geopolitical tensions have forced a rebalancing of the energy priorities of governments weighing affordability, reliability and sustainability concerns. “I feel certain that the governments in North America want to contribute to global energy security,” he said.

## Gas pipeline to LNG Canada terminal starts commercial service

(Natural Gas Intelligence; Nov. 19) - TC Energy affiliate Coastal GasLink has marked the pipeline system’s launch into commercial service after finalizing an agreement with LNG Canada and other customers. The 416-mile-long Coastal GasLink started moving small amounts of natural gas to the LNG Canada plant in August as the export project began to near completion, with the line’s official commercial service starting this month.

The 48-inch-diameter line moves gas across British Columbia over mountainous terrain to the Shell-led LNG Canada facility nearing completion in the coastal port city of Kitimat, British Columbia. After five years, construction of the pipeline totaled about C$14.5 billion, TC Energy said Nov. 19, more than double the original estimate. The LNG export terminal is expected to start shipping cargoes next year.

## Japanese buyers handle more LNG for 'external trade'

(Reuters; Nov. 18) - The volume of liquefied natural gas handled by Japanese companies rose 1% year-on-year to 103.13 million tonnes in the fiscal 2023/24 year as external trade increased, the state-owned Japan Organization for Metals and Energy Security (JOGMEC) said. Japan is the world's second-biggest importer of the fuel, after China. Resource-poor Japan aims to keep to an annual LNG handling volume, including imports and trade, of around 100 million tonnes in the 2030/31 year to improve energy security and maintain Japan's influence in the international LNG market.

Japan's LNG imports for its own consumption fell 8% to 64.89 million tonnes in the fiscal year ended March 31. The country has been reducing LNG imports in recent years due to a switch to renewable energy, as well as nuclear reactor restarts. But the volume of "external trade," or the LNG sold to foreign companies, rose 21% to 38.25 million tonnes, according to a survey conducted by JOGMEC of 30 Japanese companies engaged in the purchase and trade of LNG, such as electric power and gas utilities, trading houses, oil refiners and steelmakers.

In external trade, both the offtake volume from LNG projects and the supply obtained through contracts and spot trades expanded, the survey said. According to another survey done by JOGMEC of 22 Japanese LNG buyers, the ratio of contract volume that comes with destination restrictions to total contract volume fell to 39% in 2023/24 from 42% a year earlier and is expected to drop to 34% in 2030/31. Buyers in Japan have long complained about the so-called destination clauses that restrict resale, and have been negotiating with global LNG suppliers to remove the clause from contracts.

## LNG imports through Germany are costly for Europe

(Bloomberg; Nov. 18) - Liquefied natural gas has become a crux of Europe's energy mix since Russia curbed pipeline flows two years ago. While readily available, it comes at a cost. Austria was reminded of this the past week after energy company OMV said it would halt payments to Gazprom, bringing deliveries of Russian gas to a stop. Other parts of Central Europe, which continue to import piped gas from Russia, will face a similar issue early next year once a transit deal between Moscow and Kyiv expires.

In the alternative to pipeline gas, LNG prices, to start with, reflect global competition, a highly variable market element especially during very cold or hot periods. There are also costs for bringing it to Austria, Slovakia or the Czech Republic. Germany became a key conduit of LNG for its eastern neighbors after it set up multiple import facilities following the 2022 energy squeeze. However, “German facilities are more expensive to deliver to than the rest of Europe, making the country one of the least competitive options available,” said Qasim Afghan, a commercial analyst at Spark Commodities.

On average, regasification in Germany for a cargo to be delivered next month is 37% more expensive than at other northwest European terminals, Afghan said. That’s mainly because of higher reservation prices and costs associated with the power consumption needed to turn LNG back into gas. In addition, Germany hosts floating import terminals, which are more expensive to operate during winter. Germany’s import facilities currently have the most slots available for purchase in Europe, Afghan said, highlighting their unattractiveness. The country also charges a contentious storage levy.

## France continues to import record volume of Russian LNG

(Bloomberg; Nov. 18) – France’s imports of liquefied natural gas from Russia have surged to a record, aided by deliveries from a German state-owned energy firm. France so far this year has received more LNG from Moscow than in any full year since supplies began in 2018, ship-tracking data compiled by Bloomberg show. Deliveries into France’s Dunkirk terminal near the Belgian border have soared in particular.

The overall increase illustrates how Europe remains an attractive destination for cargoes from Russia’s Yamal LNG plant in the Arctic. That’s due to long-term contracts by companies such as TotalEnergies, Naturgy Energy and Germany’s state-owned Securing Energy for Europe. Even as the region reduces its reliance on Russian energy, the bloc has leaned heavily on LNG to fill the gap after most gas pipelines to the nation were cut in the wake of the Kremlin’s 2022 invasion of Ukraine. So far, the European Union has largely excluded gas from its sanctions on Russia.

It’s unclear how much Russian LNG landing in France is being consumed there. Once the liquefied fuel is regasified and enters the grid, molecules mix and flow freely to other nations in Europe. “With its methane terminals, France has become an importer of LNG, and part of this LNG is then sent to Eastern European countries where it’s being used,” a spokesperson for the French energy ministry said. Private companies are importing the fuel, they added, noting that it’s not the governments that make the decisions.

## South Korean company considers taking a stake in U.S. LNG

(The Korea Economic Daily; Nov. 20) - South Korea energy and shipbuilding companies are gearing up to advance into the U.S. liquefied natural gas market, which is expected to take a new leap as the incoming Trump administration vows to lift restrictions on the country's LNG industry. According to sources in the Korean energy industry, POSCO International is considering acquiring a stake in an LNG terminal in the U.S., where production and exports are expected to hit record highs once Trump returns to office.

During his campaign, the president-elect pledged to lift restrictions on LNG production and exports imposed under the Biden administration. The U.S. is the world's largest LNG producing and exporting country thanks to its massive shale gas reserves. In October, the general trading and energy exploration unit of Korea's steel giant POSCO Holdings unveiled a plan to advance into the booming North American gas market.

At that time, it was said to be in the early stages of talks to acquire an LNG terminal business in the U.S., and the company official hinted that it would take some time before the Korean firm makes a decision. In the long run, POSCO also plans to invest in other parts of the U.S. natural gas value chain, including upstream exploration and production and midstream transportation, storage and trade.

## Egypt talks with U.S., other LNG suppliers to cover gas shortfall

(Reuters; Nov. 20) - Egypt is in talks with U.S. firms and other foreign companies to purchase long-term volumes of liquefied natural gas as it seeks to cut its reliance on more costly spot-market purchases to meet power demand, three sources said. The most populous Arab country has returned to being a net importer, buying dozens of cargoes this year and abandoning plans to become a gas supplier to Europe amid a steep decline in its own gas output to meet domestic needs.

Egypt's domestic output fell to a seven-year low in September, according to data from the Joint Organizations Data Initiative, mainly due to declining production from the Zohr gas field and higher power consumption. Domestic gas production is expected to drop by a further 22.5% by the end of 2028, data from consultancy Energy Aspects found. Meanwhile, analysts expect the country's power consumption to increase by 39% over the next decade.

"The ministry (of Petroleum) is seeking three or four years of supply to hedge from sudden price increases. It is also seeking to include a flexibility clause, as the government hopes it could maybe find gas sooner or doesn't need that much gas," the first industry source said. Cairo is in talks mainly with U.S. companies and portfolio players that have U.S. offtake, given their contract flexibility compared with other producers, the other two trading sources said.

## [China moves to lower electricity prices to help exporters]

(Bloomberg; Nov. 18) - China's industrial heartland is looking to reduce electricity prices in a move that will help embattled exporters while shifting some economic pain to power plants. The southern province of Guangdong, which has a bigger economy than Australia, is taking the lead in China's efforts to liberalize its power markets. Cutting electricity rates for next year would lower costs for factories threatened by President-elect Donald Trump's proposed tariffs on the exports that drive the region's growth.

The new annual contracts, which are still being negotiated, could see rates in Guangdong fall to an average of 0.4 to 0.42 yuan (6 cents) per kilowatt-hour, according to a report from Caixin, which cited unnamed people. That's about 10% below this year's 0.46562 yuan per KWh. Crucially, it's also less than the thermal power benchmark of 0.453 yuan, which is set by local governments after assessing various costs and effectively establishes the breakeven point for power generators.

Manufacturing profits in China have shrunk this year as a slowing economy has taken its toll. Power plants have performed better because of cheap coal and the expanded availability of renewables, though some are operating at a loss because of limits on what they can charge. Manufacturers probably have the upper hand at this point. Their exports have been vital to keeping the economy within reach of the government's targets. Zhejiang, another export-oriented province, has cut its power bill for industry this year by more than 4 billion yuan, and rates are expected to keep falling in 2025.

## [Santos plans to build carbon storage business]

(Bloomberg; Nov. 19) – Santos, Australia's second-biggest natural gas producer, plans to build a carbon storage business that would permanently bury 14 million tons of emissions a year by 2040. That's equivalent to half of its Scope 3 footprint last year — the pollution produced when customers burn its fuel — the company said in a statement on Nov. 19. The plan for the new business — intended to handle emissions from third-parties, including some of Asia's top polluters — follows the start of the producer's Moomba carbon capture and storage facility in South Australia last month.

"The strong outlook for CCS demand growth gives us a high level of confidence in setting our new carbon storage growth target to build and operate a commercial carbon storage business," Santos CEO Kevin Gallagher said in the statement. Fossil fuel producers have for years touted carbon capture as a tool to tackle climate change, but the technology has had limited success so far, with only about 50 million tons of capacity in operation, according to the International Energy Agency. Energy-sector emissions worldwide increased by 410 million tons last year, IEA data show.

A wide range of companies are advancing more than 830 proposed projects that could capture a combined 410 million tons a year of $CO_2$ by 2035, BloombergNEF said this month. However, only about half of that capacity has a high likelihood of coming online.

## Oil and gas majors invest in sustainable aviation fuel projects

(Reuters; Nov. 20) - Major oil and gas companies have ramped up investments in the biofuels sector, betting on sustainable aviation fuel (SAF), with 43 projects expected to be up and running by 2030, consultancy Rystad said in a report. The energy research firm indicates that investments by industry giants such as ExxonMobil, Chevron, BP, Shell, TotalEnergies and Eni could add 286,000 barrels per day of production capacity.

SAF, produced from waste and residue like used cooking oil or organic crops, emits the same amount of carbon dioxide as kerosene when burned. However, it's considered less polluting due to its production from leftovers or plants rather than newly drilled oil which releases additional greenhouse gases. The aviation industry accounts for nearly 2% of global energy-related carbon dioxide emissions.

"As the energy transition progresses, these biofuels offer a practical, near-term solution to reduce emissions without requiring significant changes to current infrastructure," said Lars Klesse, analyst of bioenergy research at Rystad. BP leads the pack with the largest announced production capacity, reaching a combined 130,000 barrels per day. Despite its higher cost compared to petroleum-based jet fuel, SAF uptake is gaining momentum. Government mandates are driving investments.

## More export capacity will help U.S. ethane producers

(S&P Global; Nov. 15) – U.S. ethane recovery has eased in recent months amid record high storage inventories, but midstream companies see opportunities for further recovery next year when new export capacity starts up. Ethane production in 2024 has averaged 2.78 million barrels per day, up 5% year-on-year despite falling natural gas production, data from S&P Global Commodity Insights showed. But ethane recovery has eased in recent months, averaging 2.69 million barrels per day so far in November, down from a record high of 2.95 million in in May, the data showed.

Negative natural gas prices in the Permian have encouraged strong ethane recovery this year, extracting the higher-Btu ethane from the gas stream to sell at a better price than natural gas. "I think pretty much most of the industry is in full recovery wherever they can, predominantly in the Permian Basin," said Scott Pryor, president of logistics and transportation at Targa Resources, on a Nov. 5 investor call. But even Permian recovery seems to have eased in recent months.

Unusually high storage levels may be reducing ethane production. The U.S. Energy Information Administration reported record inventory of 80.9 million barrels at the end of July, easing to 79.5 million at the end of August. It was 55% higher year-over-year and 39% above the five-year average, data showed. Rising exports, however, could help to reduce storage levels and incentivize further ethane recovery in 2025. "The international demand for ethane and LPG (liquid petroleum gas) continues to grow through the roof," said Marshall McCrea, co-CEO of export terminal operator Energy Transfer.