Oil and Gas News Briefs
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Rising demand for LNG will boost U.S. gas production in 2025

(Reuters; Nov. 21) - U.S. gas producers will increase output in 2025 following a series of production cuts this year, as rising demand from liquefied natural gas export plants is expected to boost prices that had fallen to multi-decade lows. U.S. gas production is on track to decline in 2024 for the first time since 2020, when the pandemic reduced demand, according to the U.S. Energy Information Administration's latest outlook.

Drillers started cutting gas production after average spot monthly prices at the U.S. Henry Hub benchmark in Louisiana fell to a 32-year low in March and have remained relatively low since then. In some markets, spot gas prices have even traded at negative levels throughout the year, meaning producers had to pay others to take their product. But rising demand for exports should boost average annual gas prices next year by more than 40% over the levels seen in 2024, according to analysts' estimates.

The EIA projects annual average dry gas production will slide from a record 103.8 billion cubic feet per day in 2023 to 103.3 bcf per day in 2024 but climb to 104.5 billion in 2025. It expects total gas demand, including LNG and pipeline exports, will rise to a new record high in 2025. Most of 2025's expected demand increase is due to a 14% jump in LNG exports, while domestic use — such as for power generation — will likely see a decline. From 2019 to 2023, U.S. LNG exports have soared by an average of 34% per year, while domestic gas use has edged up by just 2% a year.

Producing more oil as Trump pledges not in companies' best interests

(Wall Street Journal; Nov. 22) – President-elect Donald Trump wants oil companies to "drill, baby, drill," but his fossil fuel benefactors have a different agenda. Many of the tycoons who backed Trump's victorious campaign say what they need help with is shoring up demand for their products — not pumping more fossil fuels, which they have little incentive to do. They are pushing for policies that would lock in fossil fuel use. They also favor eliminating Biden administration policies to promote electric vehicles.

Under President Biden, shale companies produced record amounts of oil and gas as crude prices rebounded from the pandemic's depths and then soared after Russia's invasion of Ukraine. But the industry is also confronting the early stages of a long-term shift away from fossil fuels, as well as concerns that U.S. gasoline demand has peaked.

When Dan Eberhart, the CEO of oil field services firm Canary, met with Trump during a fundraiser at his Mar-a-Lago club in Florida this summer, Eberhart had a unique request. He asked Trump to push back on the International Energy Agency, the influential, Paris-based energy forecaster. The agency has predicted global oil demand will peak by the end of the decade, earning scorn from GOP lawmakers who dubbed the group an “energy transition cheerleader.” “You need to stop acting like fossil fuels are the devil,” Eberhart said in an interview, referring to the IEA’s stance.

Many of Trump’s oil and gas supporters favor easing regulations that govern drilling. But some donors grimace when they hear him promise that oil producers would open the floodgates. “Our stocks will be absolutely crushed if we start growing our production the way Trump is talking about it,” said Bryan Sheffield, a Texas oilman who gave over $1 million to the campaign. Another limiting factor is geology. Drillers are running out of premium wells and many don’t have the runway to pump more oil than they already do.

Trump’s transition team pulls together extensive energy package

(Reuters; Nov. 25) – President-elect Donald Trump's transition team is putting together a wide-ranging energy package to roll out within days of his taking office that would approve export permits for new liquefied natural gas projects and increase oil drilling off the U.S. coast and on federal lands, according to two sources familiar with the plans. The energy checklist largely reflects promises Trump made on the campaign trail, but the plan to roll out the list as early as day one ensures that oil and gas production will rank alongside immigration as a pillar of Trump's early agenda.

Trump also plans to repeal some of his predecessor's key climate legislation and regulations, such as tax credits for electric vehicles and new clean power plant standards that aim to phase out coal and gas, the sources said. An early priority would be lifting President Joe Biden's pause on new export permits for LNG and moving swiftly to approve pending permits, the sources said. Trump would also look to expedite drilling permits on federal lands and quickly reopen five-year drilling plans off the U.S. coast.

In a symbolic gesture, Trump would seek to approve the Keystone oil pipeline, an issue that was an environmental flashpoint and which was halted after Biden canceled a key permit on his first day in office. But any company looking to build the multibillion-dollar effort to carry Canadian crude oil to the U.S. would need to start from scratch because things like easements have been returned to landowners.

U.S. Energy Department may release LNG report Thanksgiving week

(E&E News; Nov. 22) - The U.S. Department of Energy is set to release a highly anticipated analysis as soon as next week on the environmental and economic impacts of natural gas exports, several people close to the process told POLITICO's E&E News. The analysis is likely to find that U.S. liquefied natural gas shipments drive up domestic prices and are more costly to the climate than coal used in some countries where LNG is exported or could be exported, those people said.

"The assumption is that a good time to release such a report would be the Friday after Thanksgiving," said an energy lobbyist, who was granted anonymity to speak freely due to the sensitivity of the process. "I certainly don't think they would want that (comment period) to extend onto the next administration."

The department paused approvals of new LNG project exports in January to review the environmental effects of the fuel and its impact on the U.S. economy. Natural gas emits methane, a potent greenhouse gas, when burned, leaked or released, and opponents of more LNG exports have criticized the growth in the industry — the U.S. is the world's largest supplier of the seaborne fuel. Supporters say LNG exports create jobs in the U.S. and provide a cleaner alternative for countries that burn coal to generate electricity.

Arbitration claims against Louisiana LNG project total $6 billion

(Bloomberg; Nov. 20) - Arbitration claims against liquefied natural gas project developer Venture Global LNG from several of its customers have grown to nearly $6 billion, according to a bond document seen by Bloomberg. Claims by eight companies, including some oil majors, total as much as $5.9 billion, according to the document. The disputes stem from Venture Global's first LNG plant in Louisiana, Calcasieu Pass, which began producing in early 2022 and is supplying cargoes in the spot market but has not delivered gas to its customers that signed up for long-term contracts.

Customers still awaiting contract deliveries include Shell and BP. Contractor Kiewit also filed a claim for arbitration against the company related to the build-out of its first plant. A Venture Global spokesperson said that there was no contractual or other basis supporting the arbitration cases. The cases are pending with the International Chamber of Commerce and the London Court of International Arbitration.

Venture Global has been producing LNG at Calcasieu Pass since early 2022 but has said the project is still in its commissioning phase, allowing the company to keep the gas for itself, selling it on the higher-value spot market and earning billions of dollars. Deliveries to contract customers will start next year, after the plant is officially completed, the company said. Venture Global is close to starting up its second plant, Plaquemines LNG, also in Louisiana, and looks to develop two more projects, CP2 and Delta LNG, which remain in permitting phase.

Europe’s gas problems are costly for manufacturers and households

(Bloomberg columnist; Nov. 21) - Since Russia’s invasion of Ukraine triggered a European energy crisis, the bloc hasn’t been completely honest about its dire situation. It misinterpreted what was pure luck with warm weather for strategic success, for example. Now, it’s worse: European policymakers are gaslighting themselves about the outlook. The result is another winter of high prices, not just for gas but also for electricity, further darkening the future for energy-intensive companies in the region.

Rarely a week goes by without a major manufacturing sector announcing plant closures, job losses and writedowns worth billions of euros. Households, too, will feel the hit; retail gas and electricity prices will climb, boosting inflation and posing another headache for the European Central Bank and the Bank of England. European wholesale gas prices have risen this week to €47 ($50) per megawatt-hour, double the February low point.

While current prices are a fraction of the all-time high set at more than €300 per MWh during the worst of the energy crisis in mid-2022, they remain about 130% above the 2010-2020 average. The challenge is encapsulated by two prices. First is the cost of gas in Europe. On Nov. 20, it was about $14 per million Btu. The second is the cost of the same gas. In the U.S. it was $3. Now, put yourself in the shoes of the board of directors of a global energy-intensive manufacturing company. How long would it take you to decide that Europe isn’t a good location for future investment?

And Europe has deluded itself into thinking that it had largely solved its Russian gas reliance problem. It never did. It’s true it cut its reliance on Russian pipeline gas, but it also increased its purchases of Russian LNG. After Norway and the U.S., Russia remains the third-largest source of European gas imports, according to official data.

Japanese buyer takes 15% equity stake in Australia gas project

(Petroleum Australia; Nov. 21) - JERA, a global energy company and Japan’s largest electricity producer, has finalized a significant acquisition and partnership with Woodside Energy. This strategic move involves acquiring a 15.1% participating interest in the Scarborough gas field development project, located 233 miles off the coast of Karratha, Western Australia. Announced in February, the acquisition is valued at approximately US$1.4 billion.

This amount includes the purchase price and reimbursement to Woodside for JERA’s share of expenditures incurred up to the completion of the transaction. The Scarborough joint venture encompasses the Scarborough gas field and associated offshore and subsea infrastructure. The gas will be transported by Woodside via a 267-mile subsea pipeline to the Pluto liquefaction terminal operated by Woodside.

JERA will secure an equity share of approximately 1.2 million tonnes per year of liquefied natural gas from an expected total production of about 8 million tonnes. In conjunction with this acquisition, JERA and Woodside signed an agreement for the long-term supply of LNG to Japan. Woodside will supply approximately 0.4 million tonnes (six cargoes) of LNG annually over 10 years, starting in 2026. The LNG will be sourced from Woodside's global portfolio. Financing arrangements for the acquisition include a loan guarantee from the Japan Organization for Metals and Energy Security (JOGMEC).

BP will go ahead with $7 billion gas project in Indonesia

(Upstream; Nov. 21) – U.K. supermajor BP has sanctioned a $7 billion carbon capture, utilization and storage project tied to its Tangguh liquefied natural gas project in Papua Barat, Indonesia, which is expected to help unlock about 3 trillion cubic feet of additional gas resources. BP aims to produce gas from the Ubadari field and feed it to Tangguh's three liquefaction trains, the third of which began operation in 2023 and pushed nameplate production capacity to 11.4 million tonnes per year.

Gas production from the Ubadari field is expected to begin in 2028. The CCUS project will capture approximately 15 million tonnes per year of CO_2 in its first phase and inject some of it back into Tangguh's reservoirs for enhanced gas recovery. BP earlier this month kicked off prequalification for another key contract linked to this multibillion-dollar Tangguh expansion project. The oil and gas major started the tender ball rolling for well placement services for the Tangguh project.

The work includes well planning and engineering, directional drilling, reservoir navigation, surveying and drilling optimization of five development wells on the Ubadari field and three enhanced gas recovery wells. The Badarin development envisages two new offshore platforms installed in water depths of about 75 feet, plus undersea pipelines to deliver the gas to the Tangguh LNG plant. BP operates Tangguh with a 40.22% interest. Its partners include Chinese and Japanese companies.

Argentina lacks pipelines to export its growing natural gas production

(Reuters; Nov. 21) - Natural gas production is booming in Argentina's vast Vaca Muerta shale lands, but full pipelines and the government's free-market approach to paying for new lines may prevent the country from becoming a major gas exporter by early next decade. About $58 billion worth of new or upgraded pipelines, processing plants and export terminals is needed to handle Argentina's growing production from the world's second-largest shale gas reserves Vaca Muerta, which is Spanish for "dead cow."

But libertarian President Javier Milei has replaced direct investment by the national government in gas infrastructure with tax breaks and other incentives, a radical shift from his predecessors. The government's goal is to export $15 billion worth of liquefied natural gas annually by 2032, up from zero currently. "Until now, all gas projects were done by the state as public works. Now that's not an option," said Daniel Dreazen, Argentina's former secretary of energy planning and now director of a consulting firm.

A new $710 million pipeline opened this month, funded by the government and a loan from the Development Bank of Latin America and the Caribbean. Milei's government called it the last state project. Milei's austerity drive has driven down inflation and lowered Argentina's investment risk, but some investors are still waiting to see if the changes will last to pay off long-term investments. Vaca Muerta's gas output has increased five-fold to nearly 3.5 billion cubic feet per day since 2018, but the country's pipelines cannot even deliver enough for use by Argentina and neighboring countries.

Work slows down at Russian LNG modules construction yard

(Bloomberg; Nov. 22) - Activity appears to have slumped at Russia’s only construction yard for liquefied natural gas modules, another sign of how Western sanctions are thwarting the country’s ambition to become a top player in the market. Novatek’s Belokamenka facility on the Barents Sea, dubbed “the plant to make LNG plants,” looks to have been largely mothballed. In late October and the first days of November, night-time light at the plant was the dimmest since 2019, according to satellite data analyzed by the Earth Observation Group at the Payne Institute for Public Policy in Colorado.

The site was intended to become a hub for domestic assembly of modular liquefaction plants. But after building two units for Arctic LNG 2, Russia’s new export facility, there’s no sign of activity that would be needed to further expand capacity in the near future. That’s because of U.S. and European efforts to restrict Moscow’s energy revenue after its invasion of Ukraine. Western powers have imposed sanctions on Novatek and all its future LNG projects, including production plants, transshipment facilities and tankers.

Rather than building LNG production facilities from scratch in the challenging Arctic climate, Novatek came up with an idea of assembling them in milder conditions near the port of Murmansk. The yard at Belokamenka built the first two liquefaction trains for Arctic LNG 2. Upon completion — one in 2023 and one this year — they were towed 1,500 nautical miles across the Northern Sea Route to the plant site and installed at Arctic LNG 2. But then Western sanctions made shipping and selling cargoes difficult and largely shut down the facility. A third train, partly built, remains at Belokamenka.

U.S. imposes further sanctions on Russian energy transactions

(Bloomberg; Nov. 21) - The U.S. has sanctioned Gazprombank, the last major Russian financial institution exempt from penalties, closing a loophole that Washington kept open over the course of the war in Ukraine because the lender is key for energy markets. The Biden administration had previously decided not to levy sanctions against the bank, which European nations use to pay for the gas they still buy from Russia, for fear of causing turmoil in global commodity markets.

The sanctions increase the risk of a cut-off of some of the remaining Russian natural gas flows to a handful of central European nations. Although Europe has reduced its reliance on Russia, losing one of the last available routes for pipeline gas would increase competition for remaining supplies and increase prices across the continent at a time when storage levels are already depleting unusually fast.

The latest sanctions will make it more difficult for Russia to profit from energy exports to Europe. Payments to Gazprombank for energy transactions will be prohibited after a wind-down period, according to a source. The sanctions, however, exempted transactions related to the Sakhalin-2 oil and gas project north of Japan through June 2025. The Japanese government has remained committed to receiving liquefied natural gas from Sakhalin-2, calling it an important project for the country’s energy security.

Japan says Russian LNG important for energy security

(Reuters; Nov. 22) - Japan will take all possible measures to prevent disruptions in securing a stable supply of liquefied natural gas from Russia's Sakhalin-2 project following new U.S. sanctions, Japan Industry Minister Yoji Muto said on Nov. 22. The U.S. imposed new sanctions on Russia's Gazprombank on Nov. 21, the Treasury Department said, as President Joe Biden steps up actions to punish Moscow for its invasion of Ukraine before he leaves office in January.

Gazprombank is one of Russia's largest banks and is partially owned by Kremlin-owned gas company Gazprom. The new sanctions, however, made exception for transactions related to the Sakhalin-2 oil and gas project in Russia's Far East until June 28, 2025, according to an updated general license published by the U.S. Treasury Department.

"Sakhalin-2 is important for Japan's energy security," Muto told a news conference, noting there is no immediate disruption as transactions through Gazprombank with Sakhlin-2 or Sakhalin Energy are excluded from the sanctions. Separately, the president of Osaka Gas, a buyer of Sakhalin-2 LNG, said the new U.S. sanctions will not affect its settlement process for buying the fuel.

Russian shipyard works to complete LNG carriers started in Korea

(High North News; Nov. 22) - Russia’s Zvezda shipyard continues to make progress on completing the initial ice-capable Arc7 liquefied natural gas carriers for the sanctioned

Arctic LNG 2 project. In total, the yard received five hulls from South Korean Samsung Heavy Industries but has struggled to complete the final build-out, including the LNG membrane and propulsion units.

Work on the tanker Aleksey Kosygin continues in Zvezda's drydock and earlier this week the carrier received a new paint job applying the Sovcomflot logo on the side of the vessel, photos show. Initially, the first Zvezda Arc7 carrier was supposed to be commissioned before the end of the year, with a second one in early 2025. A second carrier recently relocated within the shipyard's harbor under its own power, confirming ongoing activity and progress toward commissioning the initial batch of vessels.

Production at Arctic LNG 2 is halted due to a lack of ice-class tankers and the project's inability to find buyers for the eight cargoes it loaded in August and September. Delivery of one or two Arc7 vessels would alleviate some logistical concerns for Novatek but would do little to entice buyers to take sanctioned loads. Three LNG carriers, all loaded from Arctic LNG 2, remain in Nakhodka in far eastern Russia. The port's bay provides sheltered waters, but boil-off, the loss of gas through evaporation, is an issue after more than three months at sea. Losses have reached around 15% to 20% of the cargoes.

Russia resumes ship-to-ship transfers of LNG in Arctic waters

(gCaptain; Nov. 22) - Transshipments of liquefied natural gas have resumed in Russia's Arctic waters near Murmansk. The restart comes around a month earlier than during previous years. The Kildin anchorage is off the coast of the Kola Peninsula in the eastern Barents Sea. Energy giant Novatek uses the ship-to-ship transfer of LNG to optimize the use of its fleet of ice-capable carriers. Western sanctions have rendered parts of Novatek's logistics network, including two floating LNG storage units, unusable.

The first transfer this winter involves the Arc7 ice-class vessel Nikolay Urvantsev and Chinese newbuild LNG carrier Wen Cheng. Transfers routinely take around 48 hours. Satellite images show the Nikolay Urvantsev and Wen Cheng at East Kildin on Nov. 18. Additional transfers can be expected with Singaporean carrier Gui Ying destined for Kildin and holding nearby after traveling up the Norwegian seaboard.

The open-water transfer of LNG will gain importance in 2025 as the European Union's transshipment ban takes effect in March. Currently, around 20% of Russian Arctic LNG production from the Yamal project is re-exported via European terminals. If Russia aims to transfer a similar volume via ship-to-ship operations, the Kildin anchorage could see 55 additional reloadings next year. In a typical year the site sees around 20 transfers, primarily during winter when conventional LNG carriers cannot travel to Yamal LNG.

Goldman Sachs says geopolitical uncertainty props up oil prices

(Reuters; Nov. 22) - Goldman Sachs expects Brent prices to average around $80 per barrel this year amid geopolitical uncertainty and citing an anticipated 400,000-barrels-per-day surplus next year, the bank said in a note on Nov. 21. "Our base case is that Brent stays in a $70 to $85 range, with high spare capacity limiting price upside, and the price elasticity of OPEC and shale supply limiting price downside. However, the risks of breaking out are growing," Goldman Sachs said.

Oil prices rose on Nov. 22, with Brent futures reaching $74.37 after Russia announced it had fired a ballistic missile at Ukraine and warned of a potential widening conflict, raising concerns over tightening crude supplies. The bank sees upside risks to Brent prices in the short term, with prices potentially rising to the mid-$80s in the first half of 2025 if Iran's supply drops by a million barrels a day on tighter sanctions enforcement.

The investment bank still sees Brent averaging $76 per barrel in 2025, but edged down its 2026 forecast to $71 per barrel on a 900,000-barrels-per-day surplus. Goldman expects oil demand to continue growing for another decade, driven by rising total energy demand alongside GDP growth, and the ongoing challenges of decarbonizing air travel and petrochemical products.

Projections of oil inventory drawdowns may not match reality

(Bloomberg; Nov. 19) - Oil traders broadly share the International Energy Agency's view that stockpiles will grow next year — but there is reason to think the surplus could be smaller than forecast. In the past quarter, preliminary data shows that global oil inventories declined by 1.16 million barrels a day, the agency said. That's significantly above the 380,000 barrels a day projected by the IEA. The inventory gap between the two would add up to about 70 million barrels consumed over the three-month period.

What happened with those missing barrels over the quarter could shape how the market looks in 2025. Oil bulls argue that the IEA will likely end up revising its balances to catch up with the bigger stock draws, potentially reducing the size of the surplus next year. Oil forecasting has long had to wrestle with the concept of missing barrels. The IEA as well as the U.S. Energy Information Administration and OPEC constantly benchmark their analysis with changes seen in the world to ensure their models are reliable.

"There is an ongoing mismatch with the missing barrels," said Giovanni Staunovo, a commodity analyst at UBS Group. "My expectation is that the demand forecasts will be revised higher, and that the agency's balances will look less bearish." The IEA says the mismatch likely reflects inventory changes in countries where data may not be available or isn't very good. But don't expect the discrepancy to disappear completely any time soon. Historical data revisions are commonplace.

Nigeria’s new oil refinery may make life better — or maybe not

(BBC; Nov. 18) - Petrol production at Nigerian business tycoon Aliko Dangote’s $20 billion state-of-the-art oil refinery ought to be some of the best business news Nigeria has had in years. But many Nigerians will judge its success on two key questions. First, "Will I get cheaper petrol?" Sorry, but probably not, unless the international price of crude drops. And secondly: "Will I still have to spend hours watching my hair turn grey in a hypertension-inducing fuel queue?"

For much of the time since oil was first discovered in Nigeria in 1956 the downstream sector, which includes the stage when crude is refined into petrol and other products, has been a cesspit of shady deals with successive governments heavily involved. It has always been impossible to follow the money, but you know there is something dreadfully wrong when the headline "Nigeria’s state-owned oil firm fails to pay $16 billion in oil revenues,” pops up on your news feed, as it did in 2016. It is only in the past five years that the state-owned Nigerian National Petroleum Co. has been publishing accounts.

The Africa head at the Eurasia Group think-tank, Amaka Anku, hails the new refinery as "a very significant moment" for the West African state. "What the local refinery allows you to do is have a truly competitive downstream sector with multiple players who will be more efficient, profit making and they’ll pay taxes." To put it bluntly, the population of this oil-rich nation has been conned on a colossal scale for many years. The business model has been baffling, including that of Nigeria’s four previously existing oil refineries.

Canada’s low-carbon ammonia ambitions face rail transport problem

(S&P Global; Nov. 21) - Efforts to develop Western Canada as an exporter of low-carbon ammonia to the Asia-Pacific region could run into similar challenges faced by the region's LNG projects, which raises concerns about potential permitting, construction, transportation and cost hurdles, market sources said. Canada is looking to develop several projects on both coasts to export hydrogen and derivatives like ammonia, which are viewed as potential low-carbon fuel supplies to Europe and Asia.

Like its efforts with LNG, Canada is leveraging hydrogen investment tax credits to advance these projects, aiming to finalize low-carbon trade flows. Alberta-based Hydrogen Canada plans to use abundant, low-cost natural gas to build and operate a carbon capture storage-derived "blue" ammonia facility and export infrastructure to serve Asian markets, targeting South Korea and Japan, it said on its website. Global chemicals company Linde is also planning a blue hydrogen facility in Alberta, expected to be completed by 2028, which will produce gas-fed hydrogen combined with CCS.

But a “significant challenge” is rail transport from Alberta to a West Coast port. “Current Transport Canada regulations prohibit long-haul ammonia trains, and both industry and provincial governments in Alberta and British Columbia are working to address this issue," a federal official said. Rail and insurance costs are significant challenges for ammonia export projects, said a low-carbon ammonia developer. Unless this ammonia rail liability/insurance discussion gets resolved, West Coast projects cannot physically deliver ammonia to South Korea, the Canadian government representative added.