

# Oil and Gas News Briefs

## Compiled by Larry Persily

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#### **Oil markets today react differently to Mideast supply risk**

(Bloomberg columnist; Oct. 8) - When Israel invaded Lebanon in July 2006, oil prices jumped nearly 10%, rising to \$80 a barrel. Fast forward to the present, and the reaction has been remarkably similar. The fighting, though, is much worse. Rightly or wrongly, the oil market isn't reacting to Mideast oil-supply risk as strongly as it once did. The "war premium" is smaller and fades faster. In the past, the market used to price in a what-if storyline that almost always involved the worst possible scenario. Not so much now.

Why are traders so sanguine? The four most dangerous words on Wall Street are "this time is different." Yet it does feel different. There are good reasons why geopolitical risk is priced differently now than yesteryear. The U.S. is the world's largest oil producer, and thus its dependence on Middle Eastern petroleum has collapsed. The West has shown the will to do "whatever it takes" to minimize supply shutdowns, including using strategic petroleum reserves earlier than had been the case — and in greater amounts.

Western countries have loosened oil sanctions against producing nations, sometimes risking a loss of political credibility, to keep markets well supplied and prices lower. The oil options market is far more liquid, allowing traders to buy insurance instead of taking outright directional bets. The fog of war is thinner due to the availability of commercial satellite photographs that allow traders to observe what's happening instead of guessing. Simply put, the market can trade more on information and less on rumor. But past performance doesn't guarantee future returns. If a wider regional war explodes in the Middle East, the oil market will be shocked to its core, forcing everyone to reprice.

#### **U.S. natural gas consumption sets record, driven by power generation**

(Reuters columnist; Oct. 8) – U.S. power producers lifted gas-fired generation to new highs over the first nine months of 2024, sustaining the country's position as the leading driver of global gas consumption. Natural gas's share of U.S. power generation also has climbed to new highs. Gas supplied a record 46% of total U.S. power since June, LSEG data shows, as power firms boosted output from all sources to meet rising demand.

The fast growth pace of gas use in the U.S. undermines its credibility as a leader in energy transition efforts and is at odds with ambitions to lower fossil fuel use in power generation by 2030. Yet most key power systems within the U.S. — which is also the world's largest gas producer — show no signs of reducing gas use over the near term, and look more likely to continue lifting gas-fired output for years to come. This widening

discrepancy between international climate pledges and national-level power generation trends leaves the U.S. open to fresh criticism from climate advocates.

Through the first nine months of the year, power generation from gas-fired power plants in the U.S. was 55.6 million megawatt hours, according to LSEG. That was up nearly 5% from the same months in 2023, and the highest since at least 2021. That growth pace was well above several other major gas-consuming nations, including China, South Korea, Japan, Iran, Italy and Russia, data from energy think tank Ember shows.

The main drivers of U.S. gas demand growth are a handful of power systems that are taking steps to reduce output from coal-fired plants in order to cut pollution but are struggling to meet rising power demand without gas-fired output. As long as that coal phaseout process continues, total U.S. gas-fired generation looks set to keep climbing, regardless of any country-level aims to curb power output from fossil fuels.

### **Western Canada gas producers stuck in monthslong price slump**

(Calgary Herald columnist; Oct. 9) - Natural gas prices in Western Canada stumbled into negative territory last month, creating a sticky situation for petroleum producers. Either pay someone to take their gas or curtail their output. Storage levels in the region have been running close to maximum and industry experts wonder how much more capacity is available for putting additional gas into storage before winter arrives.

After months of pain for producers tied to dismal gas prices in the province, industry players and the provincial government are contemplating what steps, if any, can be taken to help the sector before an expected change in fortunes sometime next year. "We recognize that they're struggling," Alberta Energy Minister Brian Jean said in an interview this week. "We're consulting with stakeholders on what can be done to support the industry, and dry gas producers in southern and central Alberta are obviously hurting. We've asked industry producers ... to give us advice."

Alberta gas prices have been mired in a miserable slump this year, coming off warmer-than-normal winter weather last year. "We have just come through probably the worst summer on record for the last 10 years in terms of pricing," said Doug Dafoe, CEO of Calgary-based gas producer Ember Resources. Alberta spot prices traded at just five cents Sept. 27 and were stuck below \$1 per million Btu between late July and last week, before closing Oct. 8 at \$1.66. Last month, the Station 2 gas price benchmark in British Columbia closed in negative territory three times, including minus 19 cents on Sept. 23.

## **Project delays could extend tight LNG supply deep into 2025**

(Bloomberg; Oct. 9) - A wave of new liquefied natural gas supply from projects agreed to years ago in anticipation of surging demand keeps getting pushed back, threatening to extend the global energy crisis. Project delays from the U.S. to Mozambique promise little imminent relief from high fuel prices, despite more than \$200 billion in investments that were supposed to flip the LNG market into oversupply as early as 2025.

There are several reasons for delays, including extended construction at projects in Texas and Mexico, as well as Western sanctions holding back Russia's Arctic LNG 2 plant. For some countries, new supplies can't come fast enough. Germany hasn't seen two consecutive quarters of growth since before the energy crisis sent its manufacturers tailspinning. And while Europe has seen two exceptionally mild winters, colder temps predicted for some areas this season could push competition with Asia for LNG.

At the same time, global demand is rising and new buyers are entering the fray, with Egypt becoming a net importer this year after facing production issues and an extremely hot summer. Global consumption will probably be higher next year than in 2024, in part driven by a gradual shift to gas in the power and transport sector in Asia, said Florence Schmit, an energy strategist at Rabobank.

Any additions to supply in the second half of 2025 might come too late to catch up with the increased demand, Schmit added. But it could get better for buyers in 2026. "This is still a sizable annual increase, so downward price pressure remains a key theme for 2026," said Lucas Schmitt, an analyst at Wood Mackenzie. Qatar is set to lift exports by more than 80% by 2030, but is a couple of years away from producing the first supplies.

## **Japan signing to buy more LNG than it needs, as it resells the gas**

(Gasworld; Oct. 8) - Canadian liquefied natural gas projects, particularly along the country's western coast, are being positioned as a crucial part of Japan's energy security and decarbonization strategy. However, a new report from the Institute for Energy Economics and Financial Analysis (IEEFA) raises doubts about this narrative, highlighting that Japan's LNG demand has been steadily declining. With the Shell-led LNG Canada project set to begin exports next year, the race is on for new projects, such as the smaller Woodfibre LNG and Cedar LNG, to cash in on exports to Asia.

In a 2023 visit to Ottawa, former Japanese Prime Minister Fumio Kishida stressed the "crucial role" of Canadian LNG for Japan's energy transition. Yet, this emphasis on LNG appears increasingly misplaced. Japan's LNG demand has dropped by 25% since 2014, with government forecasts indicating a further decline of 25% by 2030 as the country pivots toward nuclear power and renewables. "Why, then, is Japan pressuring countries like Canada to ramp up LNG production?" the IEEFA report asks.

One possible reason lies in the reselling of LNG. In fiscal year 2022, Japan resold nearly 32 million tonnes of LNG to other markets, exceeding the combined annual export capacity of the three Canadian projects now under construction. This trend is driven by major Japanese buyers such as JERA and Tokyo Gas, which have already committed to purchasing gas from the Canada LNG project. IEEFA said both companies are likely to have a surplus of LNG supplies through 2030 and have plans to expand their LNG business outside of Japan, eyeing opportunities in other Asian markets.

### **Delays in nuclear, solar projects push up power costs in Japan**

(Bloomberg; Oct. 8) - Delays in restarting nuclear reactors and a solar installation slowdown are tightening Japan's power supply outlook and will push up electricity prices next year, BloombergNEF said in a report. Monthly prices will peak at about 16 yen (\$0.11) per kilowatt hour in January, analysts Mariko O'Neil and Yumi Kim said in the report released Oct. 8, in which they raised their 2025 average price estimate by 15%.

"Japan's nuclear restart program remains one of the biggest unknowns in its power market, and continues to face delays," the analysts said. Each month a reactor restart is postponed, Japan requires a little more than one additional liquefied natural gas import cargo, they said. Nuclear used to account for about a quarter of Japan's power mix, but most reactors were idled after the 2011 Fukushima disaster and it was under 8% last year. The government has been trying to restart them to curb fossil fuel imports, but regulations and local opposition have kept most of Japan's 33 operable reactors offline.

### **U.K. will import more electricity after closing last coal power plant**

(Bloomberg; Oct. 7) - The U.K. will rely on imports of electricity from Europe to meet demand at peak times after it closed its last remaining coal plant last week. The buffer of spare capacity the U.K. network operator has for this winter — the first without power from any coal plant — is set to widen to 8.8% as the country bolsters its electrical links with the continent, according to a Winter Outlook published by the U.K.'s National Energy System Operator. That's an increase from 7.4% last year.

Imported electricity will play a bigger role as a new cable linking the U.K. to Denmark started up in April. An increase in imported power and growth in battery storage capacity "combines to more than offset generation retirements — such as the recent closure of Ratcliffe-on-Soar," the grid operator said, in reference to the shuttered coal plant.

Wholesale power prices are still about double what they were five years ago, even after dropping from the extreme levels seen during the 2022 energy crisis. This has caused some permanent demand destruction and means households are still struggling with bills. Debt due to energy bills in the U.K. has reached a record £3.7 billion (\$4.8 billion),

according to regulator Ofgem. "Household energy prices remain historically high, so we do not expect demand to recover to the levels seen in 2021, as consumers continue with many of the behavioral changes," operator National Gas Transmission said.

## **Higher costs plague Norway's offshore oil and gas projects**

(Reuters; Oct. 7) - Equinor, Aker BP and Vaar Energi have raised their cost estimates for major oil and gas development projects offshore Norway, the country's government said Oct. 7. Equinor's Johan Castberg project is now expected to cost 86 billion crowns (\$8.08 billion), up from an estimate of 80.3 billion one year ago, the government's fiscal budget documents showed. The oil field in the Arctic Barents Sea is expected to start production by the end of this year, two years behind its original schedule.

The field was initially estimated to cost 49 billion crowns to develop when it was approved in 2018. The latest cost increase from a year ago was due to Castberg's production vessel having to spend more time at a shipyard in Norway, currency effects and general cost increases, Equinor said. Meanwhile, Aker BP's Yggdrasil project is expected to cost 134.4 billion crowns, up from 120.2 billion a year ago, while Vaar's Balder Future project is at 52.2 billion crowns, up from 44.5 billion a year ago. Balder's costs have more than doubled from an initial 2019 estimate of 19.6 billion crowns.

## **U.S. energy agency lowers oil price forecast for 2024 and 2025**

(S&P Global; Oct. 8) - The U.S. Energy Information Administration on Oct. 8 lowered its 2024 crude price forecasts by nearly \$2 per barrel and by \$6.50 for 2025, as concerns over global demand growth outweighed the short-term uncertainty of potentially disruptive escalation between Israel and Iran in the Middle East. Concerns over global oil demand growth should cause oil prices to remain lower in 2024 and 2025 than previously forecast, the agency said in its October Short-Term Energy Outlook.

The EIA cut its 2024 forecast for Brent crude by \$1.91 to \$80.89. Citing a \$6 September drop in prices, the EIA also reduced its 2025 Brent outlook by \$6.50 to \$77. The agency forecast U.S. benchmark West Texas Intermediate crude down \$1.89 from last month's estimate for the year, while it lowered by \$6.50 its expectation for 2025 to \$73.13.

"Following the September drop in prices and our expectation that oil demand growth will be lower next year than we had previously forecast, we have lowered our forecast for crude oil prices despite increasing oil prices in early October," the agency wrote in its outlook. "No oil supplies have been affected by increased military action in the Middle East at the time of publication, and we do not assume any disruption in our forecast. However, the conflict has escalated in recent weeks with no timeline for a potential resolution, increasing the possibility for supply disruptions and price volatility."

## **World's biggest producers consider stake in Namibia oil discovery**

(S&P Global; Oct. 9) - The world's biggest upstream players are squaring up for a stake in Galp's massive Mopane discovery in Namibia's Orange Basin, thought to be the biggest find to date in the industry's most exciting exploration frontier. According to estimates from the Portuguese energy firm, the Mopane find — located off the western coast of Namibia — could hold up to 10 billion barrels of oil equivalent in place, sparking a rush by international oil companies for a share of the spoils.

Galp holds an 80% stake in the development, alongside state-owned Namcor and Namibia-based Custos with 10% each. Galp is willing to farm out up to half its stake, which would leave it with 40% of Mopane, but not before drilling an additional four wells in the fourth quarter of 2024, its CEO Filipe Silva said in July, adding that he was in no "rush" to de-risk the prospect. Any potential partner would be one that is keen to develop the field quickly and contribute capital expenditure, Silva said, adding that Galp expects to have a partner in place "later in 2025."

Potential suitors are already lining up for a stake in the project and Galp has opened the bidding process, according to reports. In late September, Sylvia dos Anjos, exploration and production director of Brazilian oil and gas giant Petrobras, said the state-run company would seek the entire 40% stake in Mopane. And as many as a dozen other firms are understood to have expressed an interest in the Mopane stake, including Chevron, France's TotalEnergies, Australia's Woodside and Shell.

## **Chevron sells stakes in Canada's oil sands and shale regions**

(Wall Street Journal; Oct. 7) - Chevron is selling its stakes in some oil sands and shale assets to Canadian Natural Resources for \$6.5 billion, driving ahead with its effort to refocus its operations and adding to the wave of consolidation in Canada's energy-rich West in recent years. Chevron Canada, a subsidiary of the oil major, said Oct. 7 it had agreed to sell its 20% interest in the Athabasca Oil Sands Project and a 70% interest in the Duvernay shale. Both are located in the province of Alberta.

The all-cash transaction, which has an effective date of Sept. 1, is expected to close by the end of the year. The deal marks a big step in Chevron's plans to sell \$10 billion to \$15 billion in assets by 2028 as it focuses on areas such as the Permian Basin in the U.S., and also in Kazakhstan. Chevron also is working to close a \$53 billion deal to buy Hess, the latest megamerger among U.S. producers taking advantage of strong crude prices while securing future oil reserves.

Chevron said the assets being sold to Canadian Natural produced 84,000 barrels of oil equivalent a day in 2023, net of royalties. The sale also includes additional working interests in other non-producing oil sands leases covering about 100,000 net acres. The purchase will boost Canadian Natural's stake in the Athabasca Oil Sands Project to

90%, adding about 62,500 barrels a day of synthetic crude oil production. Chevron's controlling interest in light oil and liquids-rich assets in the Duvernay play that Canadian Natural agreed to buy are targeted to produce 60,000 barrels of oil equivalent in 2025.

### **LNG industry group says gas will be needed for decades**

(Bloomberg; Oct. 6) - Liquefied natural gas will be needed for decades to ensure adequate energy supply, even as the world shifts to cleaner sources, an industry group of importers emphasized on Oct. 7. Regular investments will be required to meet rising demand in places like Southeast Asia, especially as Europe weans itself off Russian pipeline gas, the International Group of Liquefied Natural Gas Importers said in a statement at its annual general assembly held in Hiroshima.

"Reduced investment will impact both access to affordable and reliable energy and economic growth for producers and consumers," the group said. The view echoes major energy producers, including Shell and Chevron, which assert that gas will play a long-term role in the energy transition to intermittent renewables. The International Energy Agency, however, sees global demand for natural gas peaking this decade and therefore no new long-lead projects are required.

### **IEA expects China's demand for LNG will grow next year**

(Reuters; Oct. 7) - China is set to remain the world's top buyer of liquefied natural gas this year and next because of strong industrial demand, Keisuke Sadamori, a director with the International Energy Agency, said on Oct. 7. China, the world's second-biggest economy after the U.S., last year overtook Japan as the world's top LNG buyer as Japanese demand is falling amid nuclear reactor restarts, the rollout of renewable energy and overall weak economic development.

Natural gas demand in China rose by around 10% in the first eight months of the year and is set to expand by 16% by 2025 from 2023 driven mainly by industrial sectors, Sadamori told a conference in Hiroshima. "Strong domestic demand growth is set to drive up China's energy imports to new record highs, both in 2024 and 2025, solidifying its position as the world's largest LNG market," he said. China produces its own gas but imports LNG and pipeline gas to cover more than half of its needs.

### **Russia wants to boost coal exports to India**

(Reuters; Oct. 7) - Russia is interested in increasing its coal exports to India to tap into growing demand for the fuel in the Asian country, Russian Deputy Prime Minister

Alexander Novak said. China remains the biggest buyer of Russian coal but Moscow has said India may overtake it by the start of the next decade as Beijing plans cutbacks on coal-fueled power generation.

India has increasingly relied on coal to address record power demand, with the rise in coal-fired power output earlier this year outpacing renewable energy growth for the first time since at least 2019. Its coal production in the past fiscal year to March 31 rose to a record 997.828 million metric tons, a 12% rise from a year ago. More than 75% of India's power generation was from coal in 2023.

India imported 176 million tons of thermal coal in 2023, driven mainly by power plants. Russian exports to India reached 26.2 million tons last year, up from 20 million tons in 2022, according to Russia's energy ministry. Russia is already the largest supplier of oil to India thanks to diversification of trade ties away from Europe, once Moscow's key business partner, due to a political standoff with the West over the war in Ukraine.

### **Environmental scientist says LNG can be worse than coal**

(Energy Mix; Oct. 7) – U.S. LNG exports carry a 33% larger climate impact than coal over a 20-year period, despite persistent industry efforts to brand it a cleaner fossil fuel, Cornell University environmental scientist Robert Howarth concludes in a peer-reviewed paper in the journal *Energy Science & Engineering*. The difference is mostly due to methane leaks from U.S. shale gas production, the paper states, and to a lesser extent, methane slippage in tankers that burn some of their cargo en route to delivery.

Methane is a shorter-lived greenhouse gas than carbon dioxide, but packs about 84 times the global warming potential over the first 20 years in the atmosphere. Howarth's findings "have implications for LNG production in the U.S., which is the world's largest exporter. Most of its gas production is coming from fracking operations in Texas and Louisiana, writes Cornell Chronicle, the university's in-house newsletter.

Liquefying gas makes it easier to ship, "but that mode of transportation comes at an environmental cost," the Chronicle explains. "The ships with two- or four-stroke engines that transport LNG have lower carbon dioxide emissions than steam-powered ships. But as those vessels burn LNG during storage and transport, methane slips through as exhaust gas, putting more into the atmosphere." All of which makes it a "global priority" to move away from all fossil fuels, gas as well as coal, rather than making the "massive infrastructure expenditures" needed to expand LNG exports, Howarth concludes.



## **World's largest operator of LNG carriers plans to expand fleet**

(S&P Global; Oct. 8) - Mitsui O.S.K. Lines, the world's largest operator of LNG carriers, expects to expand investment in its LNG businesses and boost its fleet to around 150 vessels by 2030, buoyed by its solid position for the energy transition, CEO Takeshi Hashimoto told S&P Global Commodity Insights. After a period marked by headwinds in the LNG sector, Hashimoto said he now sees support for LNG as a transition fuel in Japan and abroad, adding that his view was reinforced at the general assembly of the International Group of Liquefied Natural Gas Importers in Hiroshima.

Hashimoto expects global LNG demand to "definitely increase for a while," he said, adding that his attendance at the assembly strongly reaffirmed his view that demand growth will shift from mature markets like Japan, South Korea and Taiwan to Southeast Asia, India and South America. "Currently, we are operating about 100 LNG ships, with a decision having already been made to increase it to about 140 ships," Hashimoto said of its ordered ships, with delivery expected around 2028 or 2029.

"We could almost see an increase a bit more to about 150 ships" by around 2030, he added. In addition to LNG carriers, MOL also sees growth potential in floating storage and regasification units for countries that need to import LNG but do not want or cannot afford more permanent and expensive onshore import terminals.

## **Australian company completes purchase of U.S. LNG developer**

(Reuters; Oct. 9) - Woodside Energy said on Oct. 9 that it has completed its acquisition of U.S. liquefied natural gas developer Tellurian, including its U.S. Gulf Coast LNG export project, for \$1.2 billion including debt. Last week, Tellurian shareholders voted in favor of its acquisition by the Australian energy producer. Woodside said it has renamed the proposed Driftwood LNG development as Woodside Louisiana LNG.

The company said it is targeting final investment decision readiness by the first quarter of 2025 for the acquired project. FID is the point where a company approves the project's future development. With the development opportunity having a total permitted capacity of 27.6 million tonnes per year, it could strengthen the position of the U.S. as the world's largest producer and exporter of LNG.

Despite years of efforts, Tellurian was unable to sign up firm customers or investors, leading to its sale. Woodside's takeover is expected to help solve Tellurian's financial woes. The U.S. company has been searching for partners to fund construction of the LNG terminal. In May, it said it would sell its upstream assets to pay off some of its debt.

## [Calgary company sees market for turning waste gas into electricity](#)

(The Canadian Press; Oct. 4) - As pressure grows on the oil and gas sector to reduce its emissions, one Calgary-based company is banking on the potential to convert waste gas from oil wells into valuable electricity for nearby communities. The privately held Steel Reef Infrastructure Corp., which owns and operates a network of oil and gas pipelines as well as processing and storage facilities in Saskatchewan and North Dakota, wants to become known as an industry leader in the area of flare-gas recovery.

The company announced this week it has signed a series of power purchase agreements with Crown corporation SaskPower that will see it provide the utility with approximately 100 megawatts of electricity per year for Saskatchewan's grid — enough to power 100,000 homes annually. The electricity, expected to come onto the province's grid by late 2027, will be produced at five of Steel Reef's power plants in Saskatchewan, using recovered gas that would otherwise be flared into the atmosphere at well sites.

Gas is a byproduct that comes to the surface when drillers produce oil. If the volumes are small, and there are no pipelines nearby to transport the gas, companies often choose, for economic reasons, to dispose of it through flaring. Since 2012, Steel Reef has helped its oil-drilling customers by capturing their gas and transporting it by pipe to its facilities where it can be refined into products like propane and butane. But its foray into electricity is new. It plans to invest \$265 million to install new turbines and electrical substations at five of its Saskatchewan locations to burn the gas to make electricity.