Oil and Gas News Briefs
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Renewed interest could reverse decline in nuclear power

(Bloomberg; Oct. 16) - Nuclear power has long been on the decline, its share of the world's electricity generation halving from 18% in the mid-1990s to 9% today. Now there are signs of a revival. While China, India and Russia never stopped expanding their nuclear industries, many Western countries moved the other way due to the technology's heavy construction costs and an abundance of cheaper alternatives.

More recently, concern about global warming and the security of energy supplies amid Russia's war against Ukraine has sparked renewed interest in nuclear energy. Some countries are committing to build new, large nuclear plants. More are spending money to extend the lifetime of existing facilities. Many of the reactors in wealthy countries are approaching the end of their original life span, which is usually 40 years. A reactor's longevity can be extended, but only with significant investment in refurbishment.

Among Western nations, the U.K. and France lead the pack in boosting nuclear power. The U.K., where reactors currently generate about 15% of electricity, wants to boost that figure to 25% by 2050, in part by building as many as eight large reactors. France, which already generates 70% of its electricity with nuclear power, plans to build six new units while also extending the life of existing reactors. A number of countries are also investing in small modular reactors. The idea is that standardized parts would be built in factories and shipped for assembly on site, thereby reducing the cost.

Higher costs for natural gas constrain its use in China

(Reuters columnist; Oct. 17) - China has boosted imports of liquefied natural gas this year to the highest since 2021 and has lifted gas-fired electricity generation to record levels. That might suggest that China is starting to rely more on gas to generate power and electricity, and that further increases in gas imports and consumption are looming. However, a closer look at China's electricity trends reveals that gas plays only a minimal role in the generation mix. Renewables and other clean-power sources hold much greater prominence when it comes to electricity production.

What's more, gas prices remain elevated compared to power produced from coal and renewables, which is undermining gas's appeal as a power source among industrial firms which have been hit by China's enduring property crisis and economic slowdown. If smokestack firms continue to favor cheaper fuels for industrial applications while utilities prioritize renewables, there may be only very limited scope for further gas consumption increases in China over the near to medium term.

The power generated from imported LNG is estimated to be roughly $30 to $40 more expensive per megawatt hour than that produced using coal, according to the Institute for Energy Economics and Financial Analysis. That means that only those firms that have already replaced coal-fired boilers with gas-fired setups are burning that gas, while those plants that can still use coal or other fuels are burning that instead and keeping clear of pricey gas. Unless LNG costs come materially lower over the near term, few other Chinese industrial users are expected to sign up for a switch to gas.

China’s refineries process less oil, adding to crude stockpiles

(Reuters; Oct. 21) - The weak position of China's crude oil sector was underlined by September data showing a sixth consecutive monthly drop in refinery processing, leading to nearly 1 million barrels per day of oil being available for storage. Refineries processed 14.29 million barrels per day of crude in September, up slightly from August but down 5.4% from the same month in 2023, according to data released on Oct. 18.

The softness in refinery throughput followed earlier data showing crude imports fell 0.6% in September from a year earlier, slipping to 11.07 million barrels per day, the fifth straight month that imports were less than in 2023. The frailty of China's oil sector meant that the ongoing pattern of this year of significant volumes of surplus crude were available to be added to either commercial or strategic storages.

China, the world's biggest crude importer, doesn't disclose the volumes of oil flowing into or out of strategic and commercial stockpiles, but an estimate can be made by deducting the amount of crude processed from the total of crude available from imports and domestic output. For the first nine months of the year the total volume of crude available was 15.25 million barrels per day, while refinery throughput was 14.15 million, leaving a surplus of 1.1 million barrels per day.

Cheniere close to starting LNG production at Texas expansion project

(Reuters; Oct. 17) - Cheniere Energy moved one step closer to producing the first liquefied natural gas from its Corpus Christi, Texas, expansion project on Oct. 17 after it received permission from federal regulators to put a supply line into operation. Cheniere is the largest U.S. LNG exporter and the world's second-largest producer of the gas. The expansion will take total capacity at Corpus Christi to 25 million tonnes per year. Cheniere’s first LNG project, at Sabine Pass, Louisiana, has a production nameplate capacity of 30 million tonnes per year.

The Federal Energy Regulatory Commission issued an order Oct. 17 allowing Cheniere to take liquefied gas from the Texas plant to refrigerated liquid storage facilities and then onto an LNG tanker for export. Cheniere has said it wants to produce LNG from its

Corpus Christi Stage 3 facility by the end of the year. The project is comprised of seven liquefaction units with an expected capacity of approximately 10 million tonnes per year.

Oil prices suffer worst week since early September

(Reuters; Oct. 18) - Oil futures dropped on Oct. 18 as they headed for a roughly 7% weekly drop as China's economic growth slowed and threats to supply abated in the Middle East. Brent crude futures dropped about a dollar, to about $73, on Oct. 18, while U.S. West Texas Intermediate crude settled just over $69. Over the five trading days, it was their biggest weekly decline since Sept. 2. Both OPEC and the International Energy Agency this week cut their forecasts for global oil demand in 2024 and 2025.

In China, the world's top oil importer, the economy grew at the slowest pace since early 2023 in the third quarter, though consumption and industrial output for September beat forecasts. China's refinery output also declined for the sixth straight month as weak fuel consumption and thin refining margins curbed processing. Meanwhile, China's central bank rolled out two funding schemes that will initially pump 800 billion yuan ($112.38 billion) into the stock market through newly created monetary policy tools.

"Positive U.S. economic data has helped alleviate some growth concerns, but market participants continue to monitor potential demand recovery in China following recent stimulus measures," said Hani Abuagla, senior market analyst at XTB MENA. Markets, however, remained concerned about possible price spikes given the war in the Middle East. After the killing of Hamas leader Yahya Sinwar, Lebanon's Hezbollah militant group said it was moving to a new and escalating phase as it battles Israeli troops.

Oil prices continue dropping, despite U.S. sanctions on Iran’s oil trade

(Bloomberg; Oct. 19) - A week ago, the U.S. government imposed yet more sanctions on Iran’s oil trade. Crude prices have sagged more than $5 a barrel since. The decline was largely driven by indications that Israel is going to avoid attacking Iran’s oil infrastructure — one of the market’s big concerns. But the drop nevertheless highlights how unfazed traders are by actions the U.S. takes against foes that are large producers of oil — be it Iran or Russia.

Traders are skeptical that sanctions will send prices higher as Washington seeks to keep a lid on fuel costs and balance competing priorities with China, a major buyer of Iranian oil. The Oct. 11 measures against Iran mean the U.S. can target any part of the Iran’s oil trade, and go after almost anyone who deals with it. But U.S. officials privately concede there’s a reluctance to target the biggest Chinese oil buyers and Emirati middlemen who have helped Iran’s oil exports surge since the second half of 2019.

Washington has the means to hurt Tehran but has refrained from pulling the most aggressive levers as that would risk oil market volatility and complicate wider foreign policy goals, according to sources. Iran's oil exports averaged 1.7 million barrels a day in the third quarter of this year, almost two-and-a-half times as high as they were in second half of 2019, according to data from TankerTrackers.com, which has been monitoring the nation's shipments using satellite data for years.

Non-OPEC producers will supply most of next year's higher volumes

(Bloomberg; Oct. 16) - Even as oil prices swirl amid the turmoil gripping the Middle East, many traders have remained resolutely pessimistic about the market outlook for next year. The bearishness — which could be derailed should a major escalation disrupt fuel flows — stems from a belief that supplies will exceed global demand in 2025, with increases from outside OPEC playing a major role. That has been reinforced by all three main oil agencies paring back estimates for demand next year.

Ever since the International Energy Agency first published its 2025 outlook in April, it has projected faster non-OPEC supply increases than consumption growth next year. The U.S. Energy Information Administration took a similar view in seven of the past eight months. The bulk of the growing supplies is likely to come from four producers that have dominated non-OPEC additions in recent years — the U.S., Brazil, Guyana and Canada, with some boost also projected in Norway. The extra volumes come before counting any of OPEC+'s planned production boost next year.

Canadian oil sands crude shipped to Alaska refinery

(Bloomberg; Oct. 18) - A tanker of Canadian crude was shipped from Vancouver to Alaska for the first time in at least 10 years as the recently expanded Trans Mountain pipeline opens up new export opportunities. The cargo of 466,000 barrels of oil left on a tanker from Vancouver on Oct. 1 and arrived 10 days later in Nikiski, Alaska, according to the Vortexa tanker-tracking service. That's the first such shipment in U.S. Customs data stretching back to 2014. The cargo went to the Marathon Kenai refinery.

The expanded 713-mile Trans Mountain pipeline — which carries crude from Canada's oil sands to a port near Vancouver — began operation earlier this year, bringing the line's capacity up to almost 900,000 barrels a day and increasing exports to refineries on the U.S. West Coast and in Asia. Tankers have since left Vancouver for China, South Korea, Brunei and India, among other locations. The pipeline expansion project was delayed for years and went far overbudget, costing an estimated US$25 billion, setting the stage for disputes over the tariffs to pay for the federal government-owned project.

Most of the crude that's gone from Vancouver to the U.S. travels south to refineries in California or Washington state. The shipment to Alaska, a major oil-producing state, is unusual not just because it originated from Canada. Only five international tanker shipments of crude have gone to Nikiski in the past four years, including two from Argentina this year and two from Russia in 2021. The refinery gets most of its feed gas from Alaska oil fields but needs to supplement those declining volumes with imports.

Argentina boosts oil exports from shale play

(S&P Global; Oct. 18) - YPF, the biggest oil producer in Argentina, said Oct. 18 it completed a pipeline project making it possible to deliver 160,000 barrels per day of crude from the Vaca Muerta shale play to a local oil refinery and for exporting to Chile. The last phase of the Vaca Muerta Norte project involved launching a pumping station with two storage tanks, the state-run company said in a statement.

The pumping station is now the main spot for moving Medanito, a light sweet crude, out of Vaca Muerta, a huge shale play in northern Patagonia where production is surging. The Vaca Muerta Norte project feeds some of the crude to YPF's Lujan de Cuyo refinery in Mendoza. The rest flows to a pipeline to Chile for supplying a state-owned refinery in that country and shipping out via the Pacific. The $250 million project promises to make YPF the biggest oil exporter in Argentina.

Oil production in Neuquén, home to most of the in-production acreage in Vaca Muerta, shot up 31.4% year over year to a record 430,654 barrels per day in August from 327,831 a year earlier, according to the Neuquén Energy Ministry. This fast growth has fueled expectations that output will reach 1.2 million barrels per day by 2030, which will boost exports as Argentina's domestic consumption runs at 500,000 barrels per day.

Iraq looks for Western help to reduce natural gas flaring

(S&P Global; Oct. 16) - Iraq, a major gas-flaring offender, is seeking investment, particularly from U.S. and Western firms, in its associated gas sector to reduce flaring and boost production, the country's Deputy Minister of Petroleum Hamid Younes al-Zobai said at an Oct. 15 conference in Washington, D.C. As OPEC's second-largest producer, Iraq is one of the worst offenders of gas flaring globally — a toxic and wasteful practice that releases usable gas into the atmosphere.

"The Ministry of Oil is incentivizing foreign companies to operate in Iraq and the current government is setting plans to invest to cooperate with international companies," al-Zobai said through a translator at the Atlantic Council's event on Iraq's energy sector. "Iraq is keen to develop its gas sector and make advancements." With a goal to be selfsufficient in gas in five years, Iraq is actively seeking investment, with the U.S. encouraging American companies to enter the country's energy sector.

High-level Iraqi delegations have visited the U.S. twice this year to meet with American government officials and private-sector companies, with the second visit culminating in multiple deals. Iraq, which suffers frequent power outages, relies heavily on electricity imports from Iran, which are subject to U.S. sanctions waivers. The U.S. is helping Iraq attract American firms to invest in gas-capture projects to reduce this dependency. However, concerns about security and corruption have made American firms hesitant.

Russian LNG floats at sea, looking for buyers

(gCaptain; Oct. 16) - As Russia's attempt to establish an LNG shadow fleet enters its third month, undelivered cargos continue to stack up aboard carriers and floating storage units. Some ships have been moving closer to prospective buyers in Asia, but no cargoes have been delivered. "At this time, it looks like they are all in the doldrums," Eikland Energy founder Kjell Eikland said of cargoes from the Novatek-operated Arctic LNG 2 project. "There are 1 million cubic meters of floating, unsold LNG."

Additional loadings have been discharged into a pair of floating storage units in Russian waters. The exact cargo flows are becoming increasingly more difficult to follow, as in the case of the likely fake ship-to-ship transfer at the end of August near the Suez Canal. With winter fast approaching the shadow fleet's situation will not improve anytime soon. "Sea ice has returned, so Novatek faces the dilemma already," confirms Eikland. And using a limited number of available ice-class LNG carriers will only provide temporary relief before the lack of buyers will come to haunt the company again.

"As I have said since December last year, Novatek should mothball the plant, but the question is when (Russian President Vladimir) Putin also finally recognizes that there is no way out of this," asserts Eikland. The three vessels currently in Asia will not be able to return to Arctic LNG 2 via the Northern Sea Route as sea ice begins to block the passage. The key for continued production at Arctic LNG 2 will be Russia's ability to find offtakers. Thus far Asia-Pacific buyers have hesitated to touch Russian spot cargos.

U.K. blacklists 22 Russian oil and LNG tankers

(S&P Global; Oct. 17) - The U.K. government said Oct. 17 it has blacklisted 22 oil and LNG tankers involved in Russian energy trade, in its "largest package of sanctions to date" against so-called shadow tankers. The ships include 18 oil tankers totaling 2.2 million deadweight tons that have lifted up to 62.9 million barrels of Russian crude and fuel oil so far this year, according to an analysis of the U.K.'s list based on S&P Global Commodities at Sea data, with over half of the oil ending up in India.

Those vessels transported an estimated $4.9 billion of oil over the past year, the U.K. government said. Four LNG tankers and Russian gas company Rusgazdobycha were also put on the sanctions list. Six oil tankers and one LNG tanker named in the action are owned by Russian state-owned Sovcomflot, which has been blacklisted itself by Western authorities. Sanctioned vessels are not allowed to enter U.K. ports or access maritime services provided by British companies, which hold the top market share.

The action comes after reports that U.K.-linked businesses were assisting Russia in assembling a sizable shadow fleet to move sanctioned energy products and suggesting that U.K. enforcement was lacking. Earlier this month, the finance ministry confirmed the government had 37 open investigations of suspected breaches of sanctions against the Russian oil industry. Russia has amassed a fleet of ships to transport oil in circumvention of Western measures, while starting to do something similar on the LNG side. The shadow fleet tends to comprise older ships, less well maintained and insured.

Russian LNG tankers move to Dubai manager to avoid sanctions

(Bloomberg; Oct. 18) - A newly established company in Dubai has taken over three liquefied natural gas tankers, in what appears to be Russia's latest effort to circumvent Western sanctions. The Velikiy Novgorod, Pskov and La Perouse — formerly Russian-managed vessels — had aspects of their management transferred to a company called Matias Ship Management in September, according to Equasis, a global shipping database. Dubai-based shell companies are often used to procure tankers, obscuring their ultimate ownership and governance from Western authorities.

Russia is utilizing a network of shell companies stretching from Dubai to China in order to ship gas from the Arctic LNG 2 export terminal, which was sanctioned by the U.S. last year. Opaque ownership structure is a typical feature of shadow fleet vessels. The registered address for Matias Ship Management is a shared office space in the Meydan Hotel, the same location as another Dubai-based firm that's suspected of helping Russia gather shadow fleet vessels. The hotel is located in a free-trade zone that has previously been criticized by the U.S. and some local officials for a lack of transparency.

Matias Ship Management doesn't have a website, a registered email or a phone number. Calls to Meydan Hotel's business center went unanswered. The Velikiy Novgorod, Pskov and La Perouse were all previously managed by Russia's Gazprom or Sovcomflot, according to Equasis.

New LNG carriers are arriving faster than new gas supplies

(Bloomberg; Oct. 17) - Ships that carry liquefied natural gas are being built faster than new supplies of the fuel can come to market, helping to lower transport costs and cushioning consumers from paying even more for energy this winter. The cost of renting an LNG tanker on a short-term basis has fallen to the lowest for this time of year since at least 2018, data from shipbroker Fearnleys show. Shipping rates typically soar in the run-up to the heating season. Instead, they've been declining since August.

"Vessels are coming a little bit before the commodities do," said Thomas Thorkildsen, chief commercial officer at shipowner Höegh Evi. "When you order a vessel in (South) Korea or China, they are usually delivered on time, but often the (new LNG) production comes a bit late, so there is a mismatch." A shift in global trade patterns has also been a factor, with LNG tankers increasingly staying within either the Atlantic or Pacific regions, as they avoid Houthi militant attacks in the Red Sea. That means gas is being consumed closer to where it is produced, contributing to an excess of ships.

While the tanker glut reflects a temporary imbalance in the market, it's good news for consumers. To serve a growing demand, new vessels have been coming to market at an increasing rate. A total of 36 tankers recorded their first loadings so far this year, compared to 30 in 2023, according to ship-tracking data compiled by Bloomberg. The order book for newbuild tankers is growing in anticipation of a further LNG supply boom by the end of the decade. Meanwhile, some new supply keeps getting pushed back.

EU faces challenges in maintaining its Green Deal

(Bloomberg; Oct. 18) - The European Union unveiled its Green Deal five years ago with the goal of making it the cornerstone of the bloc's growth and setting the agenda for the world. Fault lines have now replaced fanfare and risk handing leadership of the clean industrial era to the U.S. and China. Despite the intensifying climate crisis, a right-wing shift in European politics has stirred opposition to the plans and threatens to stall progress. The target of the pushback is on transport fuel and heating policies, which will touch the bloc's 450 million people more directly than anything that's come before.

That's an opening for some member states and Europe's embattled auto industry to demand changes that would put the EU's emissions targets all but out of reach and leave the region a laggard. "The biggest challenge by far for the new commission is proving that it is putting people in the center of the energy transition," said Krzysztof Bolesta, deputy climate minister for Poland, which takes over the EU's rotating presidency in January. "We are expecting real adjustments, not rebranding."

As she starts her second term in office, European Commission President Ursula von der Leyen has vowed to stay the course on the goal to reach climate neutrality by 2050. At the same time, she has indicated she's open to adjusting the overhaul to help industry and vulnerable households. That's already been evident in the EU's move to postpone a landmark law to tackle global deforestation, and opponents are seeking more.

[Alaska LNG authorization goes before federal appeals court Oct. 21]

(Bloomberg Law; Oct. 18) - The Department of Energy's discretion in studying the climate impacts of exporting liquefied natural gas to countries that don't have a free-trade agreement with the U.S. will come under fire in a federal court next week. The Sierra Club, Earthjustice and the Center for Biological Diversity must convince the U.S. Court of Appeals for the D.C. Circuit in Oct. 21 arguments that the agency's emissions baselines were useless estimates to determine the Alaska LNG project's long-term climate impact and effect on the public interest, as required under the Natural Gas Act.

Those baselines assumed the project would either entirely displace other sources of energy, or not replace any. The court is being asked to review if the agency's study treated the uncertainty of the project's future emissions reasonably under the National Environmental Policy Act. The groups say the emissions baselines didn't amount to a "hard look" at environmental impacts under NEPA, producing an inaccurate assessment of the public interest benefits the department must show under the Natural Gas Act.

The case is unique in challenging how the agency consulted wide emissions baselines instead of how the department calculated the emissions forecast, said Jim Wedeking, an environmental attorney at Sidley Austin. The baselines define the hypothetical emissions range the agency studies when considering an energy project's potential climate impact, whereas the forecast calculations rely on a formula that measures the amount of carbon dioxide released in proportion to how much LNG is produced. *(The litigation is over export authorization for a state of Alaska-backed, $40 billion to $50 billion proposed development that lacks investors, financing or customers.)*