Oil and Gas News Briefs
Compiled by Larry Persily
October 7, 2024

BP reportedly reverses plans to cut oil and gas output

(Reuters; Oct. 7) - BP has abandoned a target to cut oil and gas output by 2030 as CEO Murray Auchincloss scales back the firm's energy transition strategy to regain investor confidence, three sources with knowledge of the matter said. When unveiled in 2020, BP's strategy was the sector's most ambitious with a pledge to cut output by 40% while rapidly growing renewables by 2030. BP scaled back the target in February last year to a 25% reduction, which would leave it producing 2 million barrels per day at the end of the decade, as investors focused on near-term returns rather than the energy transition.

The company is now targeting several new investments in the Mideast and the Gulf of Mexico to boost its oil and gas output, the sources said. Auchincloss took the helm in January but has struggled to stop the fall in BP's stock price, which has underperformed its rivals so far this year as investors question the company's ability to generate profits under its current strategy. The 54-year-old Canadian, previously BP's finance head, has sought to distance himself from his predecessor, vowing instead to focus on returns and investing in the most profitable businesses, first and foremost in oil and gas.

Auchincloss will present his updated strategy, including the removal of the 2030 production target, at an investor day in February, though in practice BP has already abandoned it, the sources said. BP has invested billions in new low-carbon businesses and sharply reduced its oil and gas exploration team since 2020. But supply chain issues and sharp increases in costs and interest rates have put further pressure on the profitability of many renewables businesses. A company source said that while rivals had invested in oil and gas, BP had neglected exploration for a few years.

IEA reports record LNG demand this year; new supply catching up

(S&P Global; Oct. 3) - The global gas balance remains "fragile" as limited LNG production growth keeps supply tight in 2024 amid rising global demand, the International Energy Agency said Oct. 3. In its annual Global Gas Security Review, the IEA noted that following the supply shocks of 2022-23, gas markets returned to more pronounced growth in 2024. "This forecast expects global gas demand to reach new all-time highs in 2024 and 2025," it stated, adding that total demand is set to grow by over 2.5% to a record high this year, driven by growth in the Asia-Pacific region.

While supply remains tight, geopolitical tensions continue to cause price volatility, the IEA said. Gas prices in Europe and Asia have remained volatile throughout 2024, reacting to events that could threaten supply. The IEA reported preliminary data suggesting that global gas consumption increased by 2.8% year-on-year in the first three quarters of 2024, well above the 2% average growth rate from 2010 to 2020. "The fast-growing markets of Asia accounted for the majority of this growth." In 2025, global gas demand is forecast to increase by another 2.3%, again driven by Asia.

Global LNG supply growth remained weak in the first nine months of 2024, increasing by just 2% year on year. "This is well below its 8% average annual growth rate between 2016 and 2020." Project delays and feed gas supply issues at certain legacy producers have hindered production growth. However, the expected start-up of the Plaquemines LNG export terminal in Louisiana and Tortue FLNG off the coast of West Africa are anticipated to improve LNG supply availability in the fourth quarter. In 2025, LNG supply growth is set to accelerate to nearly 6% as several large LNG projects come online.

Europe's heavy industry expected to reduce gas use long term

(Bloomberg; Oct. 4) - Europe's heavy industry, scarred by recent energy-price shocks, is likely to curtail gas use for years to weather a prolonged period of high costs and weak profits. A tighter gas market in 2025 is expected to push up energy bills. That means price-sensitive sectors such as ammonia production and refining will have to cut consumption, said Erisa Pasko, an analyst at Energy Aspects in London. The curbs would erase a modest uptick in demand seen earlier this year.

A vital feedstock and power-generation fuel, gas is used by producers of everything from chemicals and plastics to glass and steel. Prices soared when Russia's invasion of Ukraine squeezed supplies, forcing some factories to halt or run at a loss. A sluggish economy means gas demand may not pick up again until 2027, according to Anna Galtsova, a director at S&P Global Commodity Insights. While industrial gas use is up year-on-year, S&P cut its estimate for 2024 growth to 5.8% and sees a 0.7% decline in 2025. Consumption remains far below what it was before the energy crisis.

The data firm expects 330 billion cubic feet of annual demand to be permanently lost due to shuttered output and energy-efficiency measures. Energy-intensive sectors such as fertilizers and steel are among the worst affected. "It's very difficult to compete with the steel industry outside Europe," said Miroslav Kiralvarga, vice president of Slovakia's US Steel Kosice, the largest producer of the alloy in central Europe. In Europe, gas is about four times more expensive than in the U.S. Plants in the European Union must also pay to emit carbon dioxide as part of the bloc's emissions-trading system.

Japan’s LNG buyers want to curb emissions from suppliers

(Bloomberg; Oct. 4) - Twenty-two Japanese utilities and trading houses are joining an initiative that aims to leverage their buying power to curb methane emissions from liquefied natural gas supply chains, as pressure mounts globally to curb the harmful greenhouse gas. Companies joining the Coalition for LNG Emission Abatement Toward Net-Zero initiative include all of Japan’s major power utilities as well as trading firms like Mitsubishi and Mitsui, according to a copy of the group’s report seen by Bloomberg.

The CLEAN partnership was launched last year in Tokyo by JERA and Korea Gas in collaboration with state-backed Japan Organization for Metals and Energy Security to collect data on methane emissions from individual LNG projects. The expansion of the group could add pressure on major LNG suppliers from the U.S. to Australia to cut methane emissions from their supply chains.

Japan and South Korea are the second- and third-largest buyers of LNG and together accounted for 27% of the world’s imports last year. Although support is growing to cut releases of the potent gas, scientists say atmospheric concentrations of methane have risen faster the past five years than ever before. The greenhouse gas — with more than 80 times the warming power of carbon dioxide in its first 20 years in the atmosphere — can be intentionally or accidentally released from oil, coal and gas supply chains. Those emissions are some of the lowest hanging fruit in the fight against climate change.

Qatar continues on $20 billion ordering spree for new LNG carriers

(Energy Intelligence; Oct. 1) - Qatar is undergoing a massive $20 billion LNG fleet expansion program in order to underpin its North Field expansion project. The push will provide transport capacity to serve QatarEnergy’s multiphase buildout, which will expand its total liquefied natural gas production capacity to 142 million tonnes per year by 2030 from its current 77 million tonnes. This year alone, QatarEnergy has added more than 50 LNG carriers to its delivery fleet.

The fleet expansion will also support its wider global LNG shipping needs, including handling volumes from the 18-million-tonnes-per-year Golden Pass LNG export project in Texas. QatarEnergy holds a 70% stake in the project, which is expected to start operations by 2026. ExxonMobil holds the other 30%.

Qatar kicked off the first phase of its fleet expansion in 2020 by ordering 60 LNG vessels from three South Korean firms. The deal was followed a year later by QatarEnergy’s first-ever order with a Chinese shipyard, Hundong, a wholly owned subsidiary of China State Shipbuilding Corp. It then kicked off another phase in 2023 for a further 66 LNG vessels. Qatar followed with a shipbuilding agreement with China State Shipbuilding for construction of 18 vessels — the largest LNG vessels ever built.

EU agrees to slow down deforestation regulations

(Bloomberg; Oct. 3) - Europe forged its plan to curb global deforestation three years ago when more than 100 world leaders pledged at the COP26 climate conference to reverse the destruction of millions of acres of woodland every year. There was an aggressive timetable, but as with many of the European Union's green plans, it proved too much for some, and the bloc on Oct. 2 caved to calls from countries including Brazil and the U.S. to slow down. The decision to delay deforestation targets symbolizes the bloc's overreach when it comes to persuading the world to follow in its green footsteps.

It's the result of ambitious environmental aims clashing with hard reality. Businesses said they needed time and money to get ready for the huge change the EU envisages, as did emerging economies. More than $110 billion of trade was set to be affected by the deforestation regulation, which aimed to end the chopping down of forests as a result of the EU's insatiable thirst for commodities such as coffee, cocoa, soy and beef.

The 12-month shift in the timetable, pushing the start out to the end of 2025, follows months of intense pressure from global trade partners, commodity suppliers and even EU member states that had signed up less than two years ago. But a lot has changed since then, and Europe's Green Deal has become more politically and economically challenging. Across Europe, right-wing parties are in the ascendancy and calling for less red tape and a greater focus on competitiveness, rather than green ideals. And globally, countries have become more vocal on what they see as European interference.

Attack on Iranian oil production could drive up prices $20

(CNBC; Oct. 4) - Oil prices could shoot up $20 per barrel if Iranian production sees a hit, according to Goldman Sachs. U.S. crude futures rose around 5% on Oct. 3 and ticked up an additional 1% on Oct. 4 on concerns that Israel could strike Iran's oil industry in retaliation for Tehran's missile attack this week. "If you were to see a sustained 1 million-barrels-per-day drop in Iranian production, then you would see a peak boost to oil prices next year of around $20 per barrel," Daan Struyven, Goldman Sachs' co-head of global commodities research, told CNBC's "Squawk Box Asia" on Oct. 4.

That's under the assumption that oil cartel OPEC+ refrains from responding by boosting production, Struyven said. Should key OPEC+ members such as Saudi Arabia and UAE offset some of the production losses, oil markets could see a smaller boost of slightly less than $10 barrel, he said. Although some industry analysts believe that OPEC+ has enough spare capacity to compensate for a disruption in Iranian exports if Israel targets its oil infrastructure, the world's spare oil capacity remains largely concentrated in the Mideast, especially among the Gulf states, which could be at risk if the conflict worsens.

Iran, which is a member of OPEC, is a key player in the global oil market. It produces almost 4 million barrels of oil per day, and an estimated 4% of the world's supply could be at risk if Iran’s oil infrastructure becomes a target for Israel as the latter considers a countermove. “The bigger concern is this is the kind of a much more imminent beginning of a wider conflagration of the conflict which could impact transit through the Strait of Hormuz,” said Saul Kavonic, senior energy analyst at MST Marquee.

It’s a race against ice to deliver power plant to Russian LNG project

(gCaptain; Oct. 4) - A small fleet of Chinese cargo vessels has set out from shipyards near Shanghai, attempting to deliver a critical power plant to Russia’s Arctic before winter. With just days left before the Northern Sea Route shuts down to vessels with no or low ice-class ratings, the convoy may run out of time and ice-free waters. The vessels carry a power plant for Russia’s $21 billion liquefied natural gas project, Arctic LNG 2.

Without the power station, the project’s next stage cannot be commissioned. The U.S. has been trying to dissuade vessels from carrying materials to the sanctioned project in an effort to kill the development. Originally, Western turbines were intended to drive the liquefaction process. But following the exit of American company Baker Hughes, the project’s majority owner Novatek was forced to redesign parts of the plant to be electrically driven. Its Chinese partners provided the technology solution.

The onshore power plant was built at Wison New Energies’ Zhoushan yard between the end of 2022 and the summer of 2024. It was loaded aboard three heavy-lift in recent weeks. The vessels departed from Eastern China between Sept. 23-28. After refueling stops in Vladivostok, Russia, where one the ships remains, the two are inching toward the Bering Strait at between 9 to 11 knots. Especially for the no-ice-class Ocean 28, the legal navigation window is rapidly closing. At current speeds, the journey will last another three weeks, almost certainly taking it into ice-covered waters as winter arrives.

Japan, South Korea and Italy talk about LNG cooperation

(Reuters; Oct. 5) - Japan has agreed to study cooperating with South Korea and Italy on procurement of liquefied natural gas as the world's second-biggest LNG importer after China seeks greater flexibility while strengthening its energy security. JERA, Japan's biggest gas buyer, and South Korea's Korea Gas, also a major buyer, are collaborating on opportunities for joint procurement, cargo swaps and other forms of cooperation, Japan's Ministry of Economy, Trade and Industry said in a statement on Oct. 5.

"The governments of both countries expect that this endeavor will serve as the starting point for a new LNG cooperation between Korean and Japanese companies," said the statement co-signed by the South Korean Ministry of Trade, Industry and Energy. Separately, the state-backed Japan Organization for Metals and Energy Security

(JOGMEC) signed a preliminary agreement with Italian energy company Eni to cooperate on LNG procurement, as Eni also seeks investors for its LNG projects.

"We already deal with Japanese buyers on a short-term basis and we would like to expand that collaboration to a long-term basis," Cristian Signoretto, Eni's director for global gas and LNG portfolio, told reporters at an LNG conference in Hiroshima on Oct. 5. Japanese buyers are increasingly looking for more flexible contracts with shorter durations that will allow resales so that they can divert cargoes to other buyers when domestic demand declines. Japan is also boosting its own LNG trading in the region.

Japan largest buyer of LNG from Russia's Sakhalin plant

(Reuters; Oct. 4) - Japan is currently the biggest importer of liquefied natural gas from Russia's Far East Sakhalin 2 plant, accounting for 57.5% of its exports, Interfax news agency quoted a company senior manager as saying on Oct. 3. Japan has reduced its imports of Russian energy since the start of Russia's war against Ukraine but has kept stakes in several fossil fuel projects in Russia.

China has taken for 26.3% of Sakhalin 2's LNG supplies, followed by South Korea at 16.2%, Interfax quoted the company's chief of marketing unit Leonid Alexandrov as saying. He did not specify a timeframe. Japan reduced its LNG purchases from Russia by 11% last year to 6.1 million tonnes, though Moscow remained Japan's third-biggest supplier with a 9% share behind Australia and Malaysia.

Japanese companies Mitsui and Mitsubishi have 12.5% and 10% stakes in Sakhalin 2, which is led by Russia's Gazprom. The plant delivers more than 80% of its LNG under long- and medium-term contracts while the rest is sold on the spot market.

Russia succeeds in getting around Western sanctions on its oil

(The New York Times; Oct. 3) - The Jaguar, a tanker the length of nearly five Olympic-size swimming pools, left a port near St. Petersburg, Russia, last year, bound for India and loaded with Russian oil. Its trip came as Western authorities were frantically trying to piece together the network to which the ship belonged: one of shadowy ships with hidden owners on whom Russia has relied on to transport the nation's valuable oil.

But by a quirk of the shipping industry, the Jaguar had ties to the West. The tanker flew the flag of St. Kitts and Nevis, which has its maritime registry just outside London — some 20 miles from the very British authorities who chase Russia's assets around the world and chart its oil shipments. After unloading the oil, the Jaguar would soon switch to a more obscure flag, the Central African nation of Gabon. With an act of paperwork, the Russian tanker had moved beyond the reach of Western financial authorities.

Dozens of tankers have made similar moves over the past year and a half, records show, as Moscow has worked to protect its so-called dark fleet against international pressure to limit the market for Russian oil. It is the latest in a cat-and-mouse game that President Vladimir Putin has played with the West since Moscow's war on Ukraine in February 2022. In doing so, he has shaped a new world order of companies and countries willing to transact with Russia, assembling an economy largely independent of the dollar, euro or pound — and increasingly beyond the reach of regulators.

Russian LNG project struggles under U.S. sanctions

(Bloomberg; Oct. 3) – Russian President Vladimir Putin's strategy to expand liquefied natural gas exports hinges on finding buyers willing to circumvent U.S. sanctions. So far, that's proven a challenge. Key to the Russian president's plans is the vast Arctic LNG 2 plant, which started using a shadow fleet to export the fuel in August. Of the six tankers that have loaded gas from the terminal, none has yet discharged cargoes at a foreign port. Four were delivered to floating storage facilities off the Russian coast.

A reluctance to get caught in Washington's crosshairs is the main reason. The U.S. has been ramping up sanctions against Arctic LNG 2 — and shipping lines that may carry the fuel — in an effort to cut off Moscow's funds for its war in Ukraine. Many potential buyers are dependent on LNG supplies from America, the No. 1 exporter, making them wary of antagonizing the White House. India, a keen purchaser of Russian oil, publicly stated it won't take the gas.

Arctic LNG 2 partner companies from France, China and Japan have distanced themselves from the project, forgoing their share of supply. Major Chinese importers are also steering clear. To be sure, two vessels carrying the gas are currently en route to Asia, indicating there may be buyers. Russia has sought to find new markets for its gas after losing most of its European customers following the invasion of Ukraine. Putin wants to triple LNG exports by 2030, but if the problems with the $21 billion Arctic LNG 2 project are anything to go by, that looks tough to achieve.

Australian state of Victoria now considering LNG import project

(Australian Financial Review; Oct. 3) - The government for the Australian state of Victoria is examining a floating liquefied natural gas import terminal in the southwest of Port Phillip Bay as it faces up to prospect of gas shortages as early as 2027. Victorian Premier Jacinta Allan announced last month that her government would introduce legislation to parliament to support offshore gas storage, in a major backflip for her Labor party which industry has accused of demonizing gas as an energy source.

Royal Vopak, an international energy terminal developer, told The Australian Financial Review it had been in discussions with key Victorian ministers and agencies since 2019. It is set to formally file its plans and proceed through an environmental impact statement process. Vopak's terminal would be about 10 miles offshore and would enable LNG carriers to use a floating storage and regasification unit to enable imported gas to flow directly into the pipeline system without any dredging of Port Phillip Bay.

A Victorian government spokeswoman confirmed the project is being considered. "Gas supplies in the Gippsland Basin are depleting and exploration has been largely unsuccessful," she said. Vopak operates 76 terminals across 23 countries, including five LNG import terminals in Mexico, Columbia, Pakistan and The Netherlands. The Victorian government is also examining a project by Viva Energy for a gas terminal adjacent to the Geelong oil refinery as an extension to the existing refinery pier.

TotalEnergies CEO headed to Mozambique to talk about LNG project

(Reuters; Oct. 2) - TotalEnergies CEO Patrick Pouyanne said he planned to go to Mozambique later this month to meet the country's new president about the company's planned Mozambique LNG project. "The project remains profitable, we remain committed," Pouyanne said at an investor presentation. The Mozambique gas project, estimated to cost more than $20 billion, has faced delays due to concerns over violent unrest in the region, but Pouyanne said there had recently been "progress on security."

Mozambicans will vote in presidential and legislative elections on Oct. 9 that are almost certain to extend the ruling Frelimo party's half century in power as it battles a long-running Islamist insurgency near one of Africa's largest gas fields.

Pouyanne added that 70% to 80% of a $14 billion financing package underpinning the LNG project has been reconfirmed by financiers. "We are waiting on the green light on financing from three credit agencies, some are in Western countries where rules on gas have changed. … As soon as that is in place we will move," Pouyanne said. TotalEnergies put the project on hold in 2021 due to insurgent violence in the region, but has talked of restarting site work by next year. At full build-out, the export project would have capacity to make 13.1 million tonnes of LNG per year.

TotalEnergies says it will cut investment if U.K. changes taxes

(Bloomberg; Oct. 2) - Planned oil and gas tax changes in the U.K. will prompt TotalEnergies to reduce capital expenditures and restructure operations in the country, Chief Executive Officer Patrick Pouyanne said. The French energy company's warning echoes similar comments from the industry lobby, which has said changes announced by the new government, including a higher windfall tax and removal of an investment allowance, may undermine capital spending on projects in the North Sea.

“We’ll be very selective on any capex we’ll spend in the U.K., and we are clearly looking seriously to ways to restructure operations,” Pouyanne said during the company’s annual investor day in New York on Oct. 2. The CEO suggested the U.K. should copy the Norwegian system, which combines high taxes with incentives to invest. “If we have the high fiscals without any incentives to invest, I’m afraid the production in the U.K. North Sea will diminish quickly,” Pouyanne said.

As to France’s plan to raise its own taxes on corporate profits to reduce the country S budget deficit, the impact on TotalEnergies should be “limited” because most of the company’s profits are realized and taxed in countries where it produces oil and gas, Pouyanne said. A planned French tax on share buybacks should represent about 1% of the company’s repurchase costs, he added.