Oil and Gas News Briefs
Compiled by Larry Persily
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Falling oil prices could help global economy

(Bloomberg; Sept. 10) - The world's advanced economies might just have a new reason to hope for a firmer growth footing in the next year, if some of the most bearish forecasts for oil prices are correct. With global benchmark Brent crude falling below $70 a barrel for the first time since late 2021 on Sept. 10, a key component of the energy shock that drove the worst inflation crisis in a generation is already benign enough to give policymakers a green light for interest rate cuts.

The prospect of a drop toward $60 a barrel in 2025, raised by forecasters from Citigroup to JPMorgan Chase, and echoed on Sept 9 by one of the world's largest commodities traders, could further bolster the chances of the U.S. and its peers weathering the effect of high borrowing costs without a damaging recession. The promise of $60 oil — at least for those investors and policymakers who believe it — has the potential to further depress headline inflation rates and offer consumers a disposable-income boost.

Many analysts expect oil prices to fall further next year, as new supply overwhelms subdued demand growth. Brent is "probably going to go into the $60s some time relatively soon," Ben Luckock, global head of oil at Trafigura, said at the Asia Pacific Petroleum Conference on Sept. 9. Anemic demand is part of the equation with the U.S. economy losing momentum and China's deflationary backdrop ever more pronounced.

Global oil production will swell by 1.5 million barrels a day this year and next — led by U.S. shale — surpassing growth in world demand by roughly 50%, according to the International Energy Agency in Paris. This supply surge is one reason why prices have continued to wilt despite extended production cuts by Saudi Arabia and OPEC+ allies.

IEA expect oil prices to keep dropping as supply exceeds demand

(Financial Times; London; Sept. 12) - Oil prices are likely to keep falling, the head of the International Energy Agency has said, as producers continue to pump volumes that exceed global demand. "Given the current weak demand and lots of oil coming from the non-OPEC countries, mainly from America and others, we may well see downward pressure on the price," said Fatih Birol. The bearish comments come after a turbulent fortnight in oil markets, with the price of benchmark Brent crude falling by more than $10 a barrel to tumble below $70 on Sept. 10 for the first time in nearly three years.

The mood among traders and speculators has turned sharply in recent weeks on fears of weaker growth in China and the U.S., prompting OPEC to delay a plan to start reversing more than 2 million barrels a day of cuts. Birol spoke as the IEA released its latest monthly report on the oil market, which noted that oil demand in the first six months of the year grew at the slowest pace since the pandemic. The main reason for the slower growth of the oil market is China, he said.

“In the last 10 years, around 60% of global oil demand growth has come from China. Now the Chinese economy is slowing down,” Birol said. China’s rapid embrace of clean energy was also weighing on fossil fuel demand. “There is a very strong deployment of electric vehicles and improvement in fuel efficiency. As a result, the oil price fell substantially,” he added. Birol noted that the oil markets had turned despite geopolitical tensions and production shutdowns that would normally prop up prices.

Researcher says China’s demand for oil products peaked in 2023

(Reuters; Sept. 10) – Refined oil products demand in China, long the driver of global crude consumption, peaked in 2023 and is forecast to decrease by 1.1% annually between 2023 and 2025, with the drop accelerating in subsequent years, a China oil researcher said on Sept. 10. Declining Chinese oil demand from the growing adoption of liquefied natural gas trucks and electric vehicles, as well as China's slowing economic growth following the pandemic, has been a drag on global oil consumption and prices.

China's oil products demand shrank 0.5% on year in the first half of this year, mainly led by a 5.8% drop in diesel, while gasoline and jet fuel grew 1.6% and 17.6%, respectively, on travel demand, the researcher said at an event, speaking on the condition that their name and affiliation not be used. "China's products (demand) already peaked last year," the researcher said, adding that consumption is set to decline 1.3% in 2024.

Oil products demand is seen slowing further by an average of 2.7% annually from 2025 to 2030, and by 3.2% annually from 2030 to 2035, the researcher added, driven by the transition to cleaner fuels, economic and social changes. China's LNG-powered truck fleet reached 730,000 in June and is expected to grow to 850,000 vehicles by the year-end, the researcher said, displacing 280,000 barrels per day of diesel in 2024. LNG-powered models account for 33% of new trucks sold in China, with the share rising to as much as half in provinces such as Shanxi and Ningxia, the researcher said.

Big Oil can’t afford to continue costly share buybacks

(Bloomberg columnist; Sept. 9) - When John D. Rockefeller wanted to punish a rival, he cut prices to force them to operate at a loss. The father of the modern oil industry had a name for it: a “good sweating.” A century later, OPEC+ is giving Big Oil the modern

equivalent of Rockefeller's time-tested tactics. Not everyone will be fit enough for it. For the past two-and-a-half years, Big Oil has enjoyed a bonanza, profiting from the impact of Russia's war on Ukraine and OPEC+'s tight control of the market. High prices generated cash, leading to bumper payouts to shareholders — via, above all, buybacks.

But the tailwind has now turned into a headwind, and the size of the group's share repurchases will drop, probably from 2025 onward. Investment bank Jefferies Financial Group has warned that at current forward prices for next year, half of the international oil companies "can't sustain their distribution" without taking more debt. For Big Oil, that's a big problem. The industry doesn't have many allies on Wall Street and certainly even fewer in the greener financial hubs of Europe. In the climate-crisis era, Fossil Fuel Inc. needs to shower shareholders with money just to keep investors happy.

The size of the buybacks has been huge. Only this quarter, ExxonMobil, Chevron, Shell, TotalEnergies and BP plan to repurchase more than $16.5 billion of shares. On an annualized basis, that's equal to $66 billion a year, or about 5.5% of Big Oil's current combined market value. The mega buybacks made sense during the boom. But Big Oil now faces a completely different landscape. Brent, the global oil benchmark, averaged about $90 a barrel between 2022 and 2023. Now it's trading below $75 a barrel, and futures for delivery in 2025 are changing hands at about $70 a barrel.

Texas moves toward updating oil and gas drilling-waste rules

(The Texas Tribune; Sept. 9) - Texas is inching closer to adopting revised oil and gas waste management rules for the first time in four decades. The Railroad Commission of Texas, which regulates the oil and gas industry, announced the draft rules at its Aug. 15 meeting and is now soliciting public comment. The rules regulate a range of disposal sites for oil and gas drilling wastes, from pits dug next to drilling rigs to large commercial facilities managing toxic waste from numerous drillers. Waste streams that fall under the rules include drilling mud, sludge, cuttings and produced water.

The rules also aim to encourage more recycling of drilling wastewater, which can be five to eight times saltier than ocean water and is often laced with fracking chemicals, hazardous compounds such as arsenic, benzene and toluene. The existing rules were adopted in 1984, long before the fracking revolution. Fracking has increased the volume of oil field waste and changed its composition. In Texas, waste pits have been linked to at least six cases of groundwater contamination and hundreds of violations of state law.

A task force with members of the oil industry and consultants met for two years to provide recommendations before regulators released an informal draft to the public last October. An updated draft was released last month. While the draft rules impose stricter requirements than the preexisting rules, they fall short of how other states regulate drilling waste. In North Dakota open pits for liquid waste — including drilling mud and

produced water — are prohibited except under specific circumstances with regulatory approval. New Mexico updated its rules in 2008 and banned unlined pits altogether.

Permian Basin produces more gas than it has pipelines to move

(Marketplace; Sept. 10) - In the energy sector, pipelines play a similar role to railways that move large volumes of cargo across the country. Pipelines bring oil and gas from where it's extracted to refineries, power plants and ports. And with oil production comes gas. In the Permian Basin, there's a lot of both. "As a country, we hit a record high volume of oil production of 13.4 million barrels a day," said Tom Seng, a professor at Texas Christian University. Nearly half of that is from the Permian. "For every one of those oil wells, you do have some level of natural gas that's being produced."

That growth in oil production created an oversupply of gas, said economist Karr Ingham, president of the Texas Alliance of Energy Producers. "It's being produced by companies that want the crude oil, and they're having to deal with natural gas as a byproduct." The growth has also been detrimental to prices," said Ed Hirs, an energy economist with the University of Houston. "We've seen many instances over the past half-a-dozen years where the price has actually gone negative. … The gas has really had no place to go."

New pipelines in the works will give all that Permian natural gas a play to go and a way to get there. "They're going to go to the Gulf Coast, where they're going to be put to use in plants that utilize that natural gas," said economist Ingham. "It's going to be loaded on boats and LNG facilities and sent somewhere around the world."

Kuwait rich in oil but needs to import more LNG for power generation

(The New York Times; Sept. 8) - Kuwait, with about 6% of the world's oil reserves, is one of the world's wealthiest states and a major energy exporter. But in June, as soaring temperatures strained the country's electrical grid, a Kuwaiti elementary school teacher, Shaikha al-Shammari, found herself leading lessons in the dark when the power suddenly cut out. Last month, she went home to find her own children struggling to cope after the electricity went out there, too, shutting off the air conditioning.

Mishari al-Olyan said the rolling blackouts the government resorted to recently were a "catastrophe." His father needs an oxygen tank to breathe — and the tank needs electricity to operate. So now he makes sure he keeps a spare machine charged. "Since when does a country like Kuwait have electricity cuts?" he asked. The country's power problems have many causes. As the planet warms, soaring demand has outpaced the electrical grid's capacity, while bureaucratic delays have stymied efforts to expand it.

Kuwait has also largely shifted away from burning oil to generate power — a more polluting method — in favor of natural gas. And since the country produces relatively little natural gas, it needs to import it. Kuwait relies mainly on gas for electricity generation, and its consumption per capita increased 16% from 2000 to 2021, according to the International Energy Agency. Last month Kuwait Petroleum Corp. announced it had secured a 15-year supply of liquefied natural gas from Qatar, building on other such deals to ease the nation's power shortage and blackouts.

Taiwan expects to need more LNG as it phases out nuclear power

(Reuters; Sept. 9) - Taiwan's annual imports of liquefied natural gas are set to rise as more gas-fired power plants come online amid the planned phase-out of nuclear power by 2025, an official at state energy firm CPC Corp said. This year Taiwan's LNG imports could rise to about 20 million tonnes from 19 million in 2023, said vice president Jane Liao. The country uses 80% of its LNG imports for power generation, with state-owned utility Taiwan Power Co., or Taipower, its biggest customer.

Taiwan relies heavily on imports, mostly of coal and natural gas, to meet its energy needs, though it has embarked on a big push for more renewable energy to achieve its carbon-neutral target. It is the fifth-largest LNG importer in Asia. As Taiwan's sole LNG importer, CPC has long-term supply contracts from Australia, Qatar and Papua New Guinea. To make up for its nuclear power phase-out, Taiwan is building gas-fired power plants and raising renewable energy generation.

"There are several gas-fired power plants still under construction and supposed to be completed by next year to back up nuclear. That is the new demand coming in," said Liao. Of Taiwan's LNG imports last year, 25% came from short-term supply or spot cargoes and the rest from mid to long-term supplies, she added. The volume of spot or short-term supply could increase as CPC holds off signing more long-term supply deals given uncertainty in Taiwan's nuclear power phase-out timeline.

Japanese government wants to support long-term LNG contracts

(Reuters; Sept. 11) - The Japanese government is considering support measures to make it easier for companies to enter into long-term purchase contracts for liquefied natural gas to ensure a stable supply of the fuel, the industry ministry said on Sept. 11. At a meeting with energy experts to discuss fossil fuel procurement, the Ministry of Economy, Trade and Industry outlined possible measures, including financial support for securing storage tanks in Japan and abroad, and a new scheme to assist LNG buyers committing to long-term contracts. Details are still being finalized, a ministry official said.

Gas-fired power generation accounts for about 30% of Japan's power mix. Japan, the world's second-biggest LNG importer, faced heightened energy security risks after Russia's invasion of Ukraine, which led to soaring spot LNG prices and subsequently increased electricity costs. To mitigate these risks, METI is exploring measures to support Japanese power and gas utilities in securing long-term LNG contracts, as LNG imports remain a crucial fuel source for Japan.

From an energy security perspective, the ministry is also considering forming an index to assess how much LNG Japan can buy and use relative to its needs. Other measures include a government-led initiative to secure LNG in emergencies, potentially through a pre-arranged agreement between gas suppliers and the government, with a fee paid to ensure supply, the ministry official said. METI also emphasized the importance of diversifying sources for oil, as Japan relies on the Middle East for 95% of its oil.

Opponents go to court to stop LNG project in Louisiana

(Louisiana Illuminator; Sept. 9) – Following recent decisions forcing federal regulators to reconsider approvals of three liquefied natural gas export terminals, a federal court is now being asked to do the same with a fourth — Venture Global's proposed Calcasieu Pass 2 terminal in Louisiana. On Sept. 4, environmental groups and residents filed two petitions asking the U.S. Court of Appeals for the D.C. Circuit to reject the June decision by the Federal Energy Regulatory Commission approving the proposed $10 billion CP2.

Opponents have labeled the plant a "carbon bomb" that would emit greenhouse gasses equivalent to 1.8 million gasoline-powered cars — more than the number of registered vehicles in the state. Since FERC approved CP2, the court in separate cases has vacated or remanded FERC approval of the Rio Grande, Texas and Commonwealth LNG plants. In rejecting FERC decisions on those terminals, the court cited inadequate review of impacts on environmental justice, greenhouse gas emissions and air pollution.

In less than a decade, U.S. LNG exports have grown from almost zero to become the world's top supplier. In January, the Biden administration issued a pause on approving new LNG export permits to evaluate their environmental and economic impact. That decision was overturned by a federal judge in July. The recent court decisions might signal that judges are beginning to understand how impactful the LNG terminals are on surrounding communities, said Elizabeth Calderon, a senior attorney with Earthjustice focused on the Gulf Coast LNG build-out.

Abu Dhabi signs long-term deal to supply India with LNG

(Reuters; Sept. 9) - The Abu Dhabi National Oil Co. has agreed a 15-year deal to supply Indian Oil with 1 million tonnes per year of liquefied natural gas, the Abu Dhabi Media

Office said on Sept. 9. The LNG will mainly come from ADNOC's Ruwais LNG project, the government media office said. ADNOC has big ambitions in gas and LNG, which along with renewable energy and petrochemicals it sees as pillars for its future growth, putting it in competition with regional rivals Qatar, one of the world's top LNG exporters, and Saudi Arabia, which also has LNG ambitions.

ADNOC awarded Shell, BP, TotalEnergies and Japan's Mitsui each a 10% stake in the Ruwais project, expected to begin production in late 2028. The project, which will run on clean power, will consist of two liquefaction units each producing 4.8 million tonnes per year of LNG, which will more than double ADNOC's LNG capacity to 15 million tonnes.

India wants a third of its long-haul trucks to run on LNG

(Reuters; Sept. 9) - India plans to have a third of its heavy-duty long-haul trucking fleet fueled by liquefied natural gas instead of diesel in five to seven years to cut pollution, according to a draft policy from the federal oil ministry. India, one of the biggest emitters of greenhouse gases, has set a 2070 net-zero goal and wants to raise the share of natural gas in its energy mix to 15% by 2030 from about 6% now.

India, however, is slow to adopt LNG-fueled trucks compared to China, where use of electric vehicles and LNG-powered trucks is weighing on its oil demand. Diesel consumption accounts for the bulk of refined fuels in India, the world's third-biggest oil importer and consumer. Switching trucks to LNG would curtail India's need for diesel. While some cars and buses in India use compressed natural gas, the government says LNG, which gives better range, would be a better option for long-haul trucks.

Indian oil and gas retailers are setting up 49 LNG dispensing stations in the initial phase and the government plans to work toward a consistent LNG price across the country, according to the draft policy, which was published last week. At present, due to state tax variations, the cost of LNG is not uniform in India. Heavy-duty vehicles account for a majority of energy-related carbon dioxide emissions by India's transport sector.

LNG carrier moving Russian gas formerly sailed under Norwegian flag

(The Barents Observer; Sept. 9) - The Everest Energy used to be based in a Norwegian port and sail under Norwegian flag. Now it is operated by a recently established India-registered enterprise and sails across Arctic waters as part of a shady Russian scheme established to bypass Western sanctions. The 908-foot-long Everest Energy is one of at least seven such carriers that take part in Russia’s covert efforts to ship liquefied natural gas from the sanctions-ridden Arctic LNG 2 project.

This week, the 21-year-old ship with a light ice-class rating picked up LNG from the Arctic terminal and set course for east Arctic waters and markets in Asia. However, the ship is not listed in the registries of the Northern Sea Route Administration, the Russian state body that regulates shipments on the route. All ships that sail in the remote Russian Arctic waters are normally listed in registry. The Everest Energy and the other notorious tankers are hired by Novatek and its partners to circumnavigate sanctions.

Following the U.S. introduction of massive sanctions against the Russian energy sector, Moscow's oil and gas companies have taken a series of extraordinary measures to continue to export hydrocarbons. They have established so-called "shadow fleets," whose owners and operations can be tracked only with great efforts. The Russians have found useful partners in India. The Everest Energy is owned by Ocean Speedstar Solutions, a company registered in Mumbai and established in January 2024.

Norwegian developer eyes building LNG export plant offshore U.S.

(Bloomberg; Sept. 10) - An upstart liquefied natural gas developer that first considered constructing import terminals in Scotland and India is now turning its sights to building out export capacity from the U.S. Gulf Coast, joining a slew of projects vying to supply the world. Norwegian company Crown LNG Holdings plans to start a new U.S. LNG export project offshore in the Gulf of Mexico, CEO Swapan Kataria said.

Crown's project — still in its conception — would join an incoming wave of new supply from Qatar and the U.S. that's pressuring prices globally. While lower prices would help open up price-sensitive markets such as India, BloombergNEF expects global LNG supply to exceed demand by 2030. Kataria said Crown's concept is unique because the export project would be directly tied to its planned import terminals in India and Scotland, which remain in the feasibility stage.

"Most of our customers, they do not have ability to go to the U.S. to buy on their own — they depend on traders," Kataria said. "They will then have access to better rates and more capacities coming to us." A location for the U.S. project hasn't been finalized, and permitting hasn't started. The project could cost just under $10 billion for two production units that would each have as much as 5 million tonnes a year of capacity, Kataria said.

China prepares for winter with build-up of gas storage

(Bloomberg; Sept. 8) - China has boosted underground storage of natural gas after it made an early start on preparations for peak demand over the winter. But the build-up may also signal subdued consumption in recent months due to a slowing economy, which has left the country uncommonly well stocked with the fuel. If the winter is bitter,

then China will surely be glad of its hoard. But mild weather could have implications for imports, especially the more expensive spot purchases of liquefied natural gas.

Beijing has a particular sensitivity around power and heating supplies after enduring shortages in recent years. Gas is also heavily keyed to geopolitical conditions, shown by the spike in prices that followed the invasion of Ukraine, creating another incentive to secure supplies. The government doesn't publish nationwide figures on inventory, but recent releases from major storage hubs indicate that increased volumes have been injected into the subterranean caverns that supply China's cities. Those caves are also getting bigger as old oil wells are repurposed to house more of the cleaner-burning fuel.

Gas injections into storage in China typically run from April through September, to meet withdrawals over the colder months when the fuel is most needed. The Huabei site, which serves Beijing, had stored 70 billion cubic feet by the end of August, according to the Shanghai Petroleum and Natural Gas Exchange. That's 83% of the facility's annual target, and equal to last year's injections with still a month to go. The site has doubled in volume over the past six years and will be expanded again this winter.

Qatar orders LNG carriers from Chinese shipyard

(Reuters; Sept. 9) - QatarEnergy has signed a deal with China State Shipbuilding Corp. to buy six additional ultra-large ships to carry liquefied natural gas, it said on Sept. 9, raising such vessels it has on order to 128 as part of its fleet-expansion program to match the large-scale addition to its LNG production and export capacity.

The ships, QC-Max, are the largest LNG vessels ever built, QatarEnergy said. They will be built at China's Hudong-Zhonghua shipyard, with delivery expected between 2028 and 2031. QatarEnergy, already among the world's top LNG exporters, will boost its position with its North Field expansion project, which will ramp up Qatar's liquefaction capacity from 77 million tonnes per year to 142 million tonnes by 2030. The agreement with the Chinese shipbuilder takes the total number of QC-Max vessels on order by QatarEnergy to 24, worth a total of about $8 billion, QatarEnergy said.

Czech official worries Russian gas could be mixed with other supply

(Bloomberg; Sept. 6) - The European Union's gas supplies next year may contain flows from Russia that are furtively mixed in, giving Moscow a workaround when a transit deal expires, said a candidate tipped to run the bloc's energy policy. Europe has tried to wean itself off Russian gas but several eastern countries continue to receive it through a pipeline across Ukraine. That agreement ends this year, potentially cutting off countries such as Austria and Slovakia from more than 500 billion cubic feet of annual supply.

One alternative that's been discussed is for European companies to buy gas from Azerbaijan. The risk, said Czech Energy Minister Jozef Sikela, is that while such gas may appear to be non-Russian, it will be difficult to pinpoint where those molecules originate if gas from the two suppliers is comingled. "We need to avoid a situation when we purchase gas that is formally non-Russian, but which could be swapped for Russian gas en route, undermining our efforts to reduce dependency on Russian supplies," Sikela said in a letter to current EU Energy Commissioner Kadri Simson.

Sikela has been nominated by Prague to be part of President Ursula von der Leyen's team after she was reelected by the 27-member EU. German newspaper Die Welt reported that Sikela will be nominated as the next commissioner for energy.

Coal demand growing in Vietnam and the Philippines

(Reuters; Sept. 10) - Southeast Asia countries such as Vietnam and the Philippines are expected to boost coal trade and consumption this decade, industry officials say, even as demand from top consumer China approaches its peak. The Indonesian Coal Miners Association expects coal imports by China and India to peak in 2025, ending growth in global seaborne trade volumes of the polluting fuel, its Chairman Priyadi said in a presentation to the Coaltrans Asia conference.

However, the association expects annual coal imports by Southeast Asia countries including Vietnam and Philippines to grow nearly 3% on average per year through 2030. Power generation in Vietnam, the fastest growing economy in Southeast Asia, is seen as the most promising growth market for coal, traders and industry officials said.

Dinh Quang Trung, deputy general manager of coal trading at state-run Vinacomin, said: "We (will) reach peak imports by year 2035 of 86 million tons of coal per year. About 70% to 75% of our total consumption will be for electricity." Coal imports by the Philippines grew 7.6% during the eight months ended Aug. 31, while Malaysian shipments grew 4%, Kpler data showed. Malaysia, Philippines and Indonesia have among the lowest renewable energy penetrations in Asia, and significantly lag large green-energy producers such as China and India.