

Oil and Gas News Briefs

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Construction costs for U.S. LNG plants up 25%-30% in past 5 years

(Reuters; Sept. 19) - The boom in U.S. construction of liquefied natural gas plants has led to shortages of generators, electric motors and transformers, contributing to higher costs and construction delays, Kiewit Energy President Tom Shelby said on Sept. 19. Equipment shortages and rising costs for equipment, wages and cement have driven up the cost of building new LNG plants by between 25% and 30% over the past five years, Shelby said, noting that wages have risen by 20% in keeping with inflationary costs.

Kiewit, among the largest U.S. contractors, has been involved in building LNG plants including Venture Global's plant at Calcasieu Pass, Louisiana. "For most of my career transformers from order to supply took one year. Now, it's up to nearly two years," Shelby told Reuters on the sidelines of the Gastech conference in Houston. Equipment availability can no longer be taken for granted, and shortages have been compromising quality. "It affects us as an EPC (engineering, procurement and construction) contractor in terms of the quality and the time," said Shelby.

Separately, energy researcher Wood Mackenzie said fees that U.S. LNG developers charge new customers to liquefy gas have been climbing. Twenty-year gas processing deals signed in 2022 and early 2023 were priced between \$2.15 and \$2.30 per million Btu. More recent deals have put tariffs in the \$2.40-\$2.50 range, Wood Mackenzie said.

Gazprom will accelerate pipeline gas flows to China

(Bloomberg; Sept. 20) - Russia's Gazprom agreed with China National Petroleum Corp. to ramp up gas flows on the Power of Siberia pipeline to its maximum by year's end, ahead of schedule. "In line with a request from Chinese partners, the parties agreed on additional supplies for December," Gazprom said in a statement on Telegram. That "will ensure an early increase in daily gas supplies to China via the Power of Siberia pipeline to the maximum contract level," previously targeted for early 2025.

Gazprom has been gradually raising exports on the line, which has a design capacity of 1.341 trillion cubic feet per year. Russia has become increasingly reliant on China as a buyer of its energy since Moscow's invasion of Ukraine opened up a rift with Western buyers. In the first eight months of this year, Gazprom increased supplies via Power of Siberia to about 735 billion cubic feet of gas, according to Bloomberg calculations based on Chinese customs data and price estimates from Russia's Economy Ministry. That compares with 800 bcf for all of 2023.

Gazprom is also developing a smaller line to take gas from Russia's Far East to China. Construction of that link, with a design capacity of 350 bcf a year, is on schedule, the Russian producer said. It has previously given a start date of 2027. A third route — the proposed Power of Siberia 2 — remains under discussion. That line could bring Russia's annual gas flows to China to almost 3.5 trillion cubic feet a year. Yet negotiations have stalled as the two sides are unable to agree on a price for the gas.

India says it will keep buying Russian oil if the price is low

(Reuters; Sept. 18) – As long as the prices are cheap, India is prepared to keep buying oil from Russian companies that are allowed to make such sales, Oil Minister Hardeep Singh Puri said on Sept. 17. Western sanctions on Russia over its war with Ukraine have capped the price Russia can charge for its crude, and India is prepared to buy oil and gas at the lowest possible prices from anyone, Puri told Reuters in an interview at the GasTech conference in Houston. "If an entity is not under sanctions, there is no question I will buy from the cheapest supplier," he said.

India is one of the world's largest consumers of energy, importing 88% of its oil needs, and Puri expects energy use to grow, with increased use of natural gas and renewables. India, the world's third-biggest oil consumer and importer, has annual refining capacity of about 5 million barrels per day and is looking to expand it. "Projects are in place to take it up to 300 million tonnes per year (6 million barrels per day). We are brainstorming whether we should take it to 400 million or 450 million tonnes," he added.

A spike in global prices for liquefied natural gas after Russia's invasion of Ukraine has slowed India's adoption of natural gas for power generation and other uses. India plans to increase its gas use to 15% of the energy mix by 2030 up from 6%, but the speed of change depends on prices. "If gas prices were to stabilize and come down then its share in our energy mix will go up," Puri said.

Reduced flow of Canadian oil cuts deep into storage at key U.S. hub

(Bloomberg; Sept. 19) - Oil-storage tanks at a key U.S. crude hub have drained to near their bottoms as a massive new pipeline in Canada diverts flows elsewhere, muddying market signals that traders have long relied on. Inventories in Cushing, Oklahoma, have been dwindling for the past four months and now sit near the lowest in a decade for this time of year. Market participants say the annual drawdown to make more gasoline for summer drivers was exacerbated this year as the expanded Trans Mountain pipeline shifts Canadian oil onto the country's Pacific Coast and away from the U.S. Gulf Coast.

The expanded pipeline has moved about 400,000 barrels of crude a day since starting operations in May, and Cushing's tanks have lost almost 13 million barrels of oil during

that span. Flows of Canadian crude to the U.S. Gulf Coast have declined to the point where a competing pipeline system owned by Enbridge mostly operated without the congestion it typically experiences during the U.S. summer driving season.

European demand for U.S. crude is also pulling barrels out of storage at Cushing, traders said, particularly since buyers are on the hunt for similar grades after supply disruptions in Libya. Movements in crude price spreads are a closely watched gauge for supply-demand balances, and they are signaling a dearth of oil for immediate delivery despite worries about a longer-term oversupply. Cushing's current stockpiles of about 22.7 million barrels represent less than a third of the hub's working capacity.

Germany's climate envoy says European gas demand will decline

(CBC Canada; Set, 22) - A top German envoy is pouring cold water on calls for Canada to ramp up natural gas exports to Europe. In a briefing for journalists at Germany's embassy in Ottawa on Sept. 20, Jennifer Morgan, the country's state secretary and special envoy for international climate action, warned that Germany and Europe will require less natural gas from countries like Canada in the future.

"All studies show that the market is going to shrink," Morgan said. "Germany will be driving forward on renewables, and gas demand will decline." Morgan, a U.S.-born former head of Greenpeace International, is Germany's first special envoy for international climate policy. She represents Europe's biggest economy and largest emitter and works frequently with her Canadian counterpart.

Morgan said that, like Canada, Germany has a binding law on reducing emissions — but it intends to achieve net-zero by 2045, half a decade before Canada expects to hit that target. She suggested the role gas plays in Germany's economy is set to diminish. "It is a part of the transition, but it is not the long term." She cited studies and projections showing that Germany is expected to reduce its gas imports 30% by 2030 and 96% by 2050. Morgan cited Germany's growing reliance on energy efficiency measures and renewables in its electricity grid, saying these now account for 60% of electricity output.

Texas relies on more solar power and battery storage

(The New York Times; Sept. 18) - During the scorching summer of 2023, the Texas energy grid wobbled as surging demand for electricity threatened to exceed supply. Several times, officials called on residents to conserve energy to avoid a grid failure. This year it turned out much better — thanks in large part to more renewable energy. The electrical grid in Texas has breezed through a summer in which, despite milder temperatures, the state again reached record levels of energy demand. It did so largely thanks to the substantial expansion of new solar farms.

And the grid held strong even during the critical early evening hours — when the sun goes down and the nighttime winds have yet to pick up — with the help of an even newer source of energy in Texas and around the country: batteries. The federal government expects the amount of battery storage capacity across the country, almost nonexistent five years ago, to nearly double by the end of the year.

Texas, which has already passed California in the amount of power coming from large-scale solar farms, was expected to gain on its rival in battery storage as well. The swift growth of battery storage for the grid, along with the continued expansion of large-scale solar farms, could not have come at a better time. Texas, like other states, is facing a surge in power demand from data centers, new manufacturing plants, cryptocurrency mines, residential demand and summer heat. Officials estimate that Texas, already the nation's largest electricity consumer, could about double its demand in just a few years.

Utility says Germany needs to speed up gas plants to replace coal

(Bloomberg; Sept. 19) - Germany's efforts to ditch coal for power generation risk delays if the country doesn't soon move ahead with tenders for its planned expansion of natural gas plants, according to energy firm Uniper. The German utility, which still runs several coal-powered facilities in the country, can't completely close these until it's built replacement gas plants as they are needed for system stability, Chief Executive Officer Michael Lewis said in an interview at Houston's Gastech conference.

While Berlin is preparing to spend billions of euros on subsidizing new gas power plants to back up intermittent renewable sources of energy, it has yet to launch tenders for those projects. Officials recently reiterated that the first auctions will come in early 2025.

"We want to close coal as quickly as possible. We want to build new gas plants, and we want to build the lowest-cost plants we can that can then be subsequently converted to hydrogen," Lewis said. "The sooner we get the auction process next year, the sooner we can start building those plants." Uniper is set to close its last remaining coal plant in the U.K. this month and will also decommission one in Germany.

Conventional LNG tanker makes first transit through Arctic route

(Reuters; Sept. 19) - A conventional tanker carrying cargo from Russia's Arctic LNG 2 project has passed through the Northern Sea Route for the first time and approached a gas hub, according to LSEG ship-tracking data, in the latest sign that Russia's energy exports are flowing despite Western sanctions. According to the data, the Everest Energy, which was placed under U.S. sanctions last month, was seen around 50 nautical miles off the Koryak, a floating LNG storage facility in Russia's Far East.

The Koryak is designed to facilitate Russian LNG exports to Asia, serving as a storage and reloading hub. The final destination for the cargo has not been disclosed. The Northern Sea Route along Russia's Arctic shores from Murmansk in the west to the Bering Strait in the east is physically challenging, often requiring icebreakers, but can cut transport times between Europe and Asia. The Arctic LNG 2 project, 60% owned by Russia's Novatek, is subject to Western sanctions over Russia's war on Ukraine.

The project had been set to become one of Russia's largest LNG plants with eventual output of 19.8 million tonnes a year, but its prospects have been clouded by the sanctions that delayed completion of its liquefaction units and delivery of ice-class tankers to serve the project. Nevertheless, ship tracking data has recently shown several cargoes being picked up from the project, as Russia continues to find buyers.

Russia finds people willing to front for its sanctioned LNG ships

(Bloomberg; Sept. 18) - The crayon marks on the wall of the sparse apartment hint at it being a conventional family home. But the single sofa, plastic chair and bike obscure something else: a vital component in Russian efforts to circumvent U.S. energy sanctions. And it's sitting 90 miles southeast of the Indian city of Mumbai. Since June, the apartment has been the registered address of Ocean Speedstar Solutions. The Mumbai-incorporated company provides essential support to a Russian shadow fleet of tankers exporting liquefied natural gas from a facility above the Arctic Circle.

On occasion, some of the ships have disguised their location as they play high-stakes hide-and-seek with U.S. authorities. Nikhil Ganesh Ghorpade, a photojournalist without any previous connection to the energy industry, lives in the apartment. He said he was persuaded by a friend to register his name and home address on behalf of the company and is listed by an official Indian registry as Ocean Speedstar's sole director.

By agreeing, he unwittingly joined a complex network stretching from Dubai to India and China which is being used to create a shadow fleet of gas carriers to ferry the fuel from Russia's \$21 billion Arctic LNG 2 facility. "Complicate, confuse and delay," Kjell Eikland, managing director of Eikland Energy, who has worked in the oil and gas industry for more than 30 years, said of Russia's strategy. "The Russians have been effectively building up a contact network of individuals. And they find individuals that happen to need money. But Russia is doing all the scheduling, the planning, the eventual selling."

TotalEnergies adds 5 years to its LNG supply contract with China

(Reuters; Sept. 19) - France's TotalEnergies said on Sept. 19 it has extended an agreement with China's CNOOC by five years that will see it deliver 1.25 million tonnes of LNG per year through 2034. The agreement "strengthens its long-term position in the

growing Chinese market," the French oil and gas major said, adding that gas "serves as a crucial transition energy" in China, "mitigating the intermittency of renewable energy and reducing emissions when used as a substitute for coal in electricity generation." TotalEnergies has also recently signed an agreement for LNG deliveries to Turkey, in line with its strategy to grow its long-term LNG sales.

Equinor drops plan to export blue hydrogen from Norway to Germany

(Reuters; Sept. 20) - Norway's Equinor has scrapped plans to export so-called blue hydrogen to Germany because it is too expensive and there is insufficient demand, a spokesperson for the energy company said on Sept. 20. Equinor and Germany's RW signed a memorandum of understanding in January 2022 to build a hydrogen supply chain for German power plants to help reduce greenhouse-gas emissions.

The plans included producing hydrogen in Norway from natural gas in combination with carbon capture and storage — known as blue hydrogen — and exporting it to hydrogen-ready gas power plants in Germany via the world's first offshore hydrogen pipeline. "The hydrogen pipeline hasn't proved to be viable. That also implies that hydrogen production plans are also put aside," Equinor's spokesperson Magnus Frantzen Eidsvold said. "We have decided to discontinue this early-phase project."

The pipeline was not RWE's project, but required support from both Norway and Germany, the German company said in an email to Reuters. Last year, Equinor CEO Anders Opedal told Reuters the cost of the total supply chain could run into the "tens of billion euros," while the pipeline alone would cost some 3 billion euros (\$3.35 billion). Eidsvold said Equinor couldn't continue advancing the projects without firm long-term commitments from European buyers to import hydrogen. "We are not able to make this kind of investment when we don't have long-term agreements and the markets in place."

Qatar leading candidate to supply LNG to South Africa

(Bloomberg; Sept. 20) - Qatar is a leading candidate to supply liquefied natural gas to South Africa as power utility Eskom Holdings and Sasol collaborate to get the fuel from new sources before its main supply drops off in 2027. The Gulf state "is top of the food chain" to sell LNG to Eskom and chemical and fuel manufacturer Sasol due to its rich gas reserves, Electricity and Energy Minister Kgosientsho Ramokgopa said at a briefing in Johannesburg on Sept. 20.

Qatar — which plans to boost LNG shipments more than 80% by 2030 — has expressed interest to South African President Cyril Ramaphosa in working together, the minister said. The most industrialized nation on the continent is racing against the clock to source alternative gas supplies as it faces a drop-off when fields in Mozambique

operated by Sasol — which ships the fuel by pipeline to South African businesses that support hundreds of thousands of jobs — curb production in 2027.

Sasol and Eskom, the country's top emitters of greenhouse gases, signed a pact on Sept. 20 to work toward aggregating gas together. "Time is not on our side," Eskom CEO Dan Marokane said at the briefing. "We understand that — that's why we are here today." Sasol will be forced to halt supply except for its own operations in mid-2027 and is trying to stretch this to 2028, Sasol CEO Simon Baloyi said. "Work is aimed at creating space for us to bring LNG, because this gas cannot be expanded indefinitely."

Japan imported more LNG from Russia than U.S. in August

(Reuters; Sept. 18) - Japan's imports of liquefied natural gas from Russia jumped by 49% in August to 0.59 million tonnes and supplies from the U.S. were down by 41% to 0.38 million tonnes, year-on-year, preliminary customs data showed on Sept. 18. Overall, LNG imports by Japan, the world's second-biggest buyer after China, were up 1% in August, year-on-year, the data showed. The increase in Russian volumes in August was due to the timing of cargo arrival comparing to last year and was not driven by demand, an industry source told Reuters.

LNG imports from the Middle East, which includes Qatar and Oman, were up 11.4% to 0.78 million tonnes, the data showed, without providing a country breakdown for the region. In July, LNG supplies from Russia were down by 64% to just 0.09 million tonnes, year-on-year, according to the earlier released customs data, which, according to the same source, was due to maintenance at the Sakhalin-2 LNG plant in the Far East.

German state-owned gas company wants to expand supply base

(Bloomberg; Sept. 18) - German state-owned gas company SEFE is looking to expand its supply base before being privatized later this decade, according to CEO Egbert Laege. SEFE, or Securing Energy for Europe, was created after Russia invaded Ukraine in 2022 when Berlin nationalized the German operations of Gazprom. During the tumultuous period that followed — with Germany scrambling to replace the Russian gas that had met over half its needs — it was cut off from supply but was later able to reinstate a long-term contract to buy liquefied natural gas from Russia's Yamal LNG.

SEFE, which mainly provides gas to large customers and has a share of almost one-eighth of the western European market, has signed deals with various global LNG producers to keep gas flowing to Germany and avoid being overly reliant on one supplier. It is also talking to countries including Azerbaijan for pipeline gas, Laege said in an interview at the Gastech conference in Houston.

SEFE last year signed deals to buy gas from Norway's Equinor and LNG from Venture Global LNG's planned CP2 plant in Louisiana. Its current portfolio consists of 125 LNG cargoes a year, Laege said. "Maybe the number is, in the grand scale, not so amazing," he said. But more important is the speed with which the company is getting back on its feet, he said. Meanwhile, SEFE is preparing for privatization, which Berlin is seeking to complete by the end of 2028. "It's absolutely on track," Laege said. "We will probably go out with our equity story by the year 2026."