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Trade fight with China could undermine U.S. LNG projects

(Reuters; Feb. 4) - President Donald Trump's emerging trade war with Beijing poses a threat to billions of dollars in planned U.S. LNG export projects, many of which rely on China as a key buyer, according to analysts, industry sources and company filings. The threat reflects the double-edged nature of Trump's protectionist policies, which are intended to boost U.S. business and force action to stop drug trafficking and illegal immigration but could also undermine his hopes of vastly expanding U.S. energy output.

"The tariffs may impact long-term contracting and offtake agreements ... and make it more difficult for new U.S. LNG projects to progress toward final investment decisions," analysts at energy consulting firm EBW Analytics wrote Feb. 4, referring to Beijing's decision to impose retaliatory levies on U.S. energy imports. Trump has announced a 10% tariff on Chinese imports, triggering retaliation from Beijing which slapped a 15% tariff on U.S. LNG and coal and a 10% tariff on U.S. oil.

The U.S. is the world's largest exporter of LNG and China has been a major buyer of the gas, importing about 5% of total U.S. LNG exports last year, according to LSEG data. Chinese state-owned companies have signed LNG supply deals for over 20 million tonnes per year from existing and future U.S. export terminals, according to Reuters calculations. There are eight LNG export terminals operating in the U.S., three under construction and almost 20 more at various stages of development.

Charlie Riedl, executive director of the Center for LNG, a trade group representing many U.S. LNG exporters and developers, said China’s decision to impose tariffs injects uncertainty into the industry and weakens America’s competitive position in energy markets. LNG developers use long-term contracts to help secure financing. They are a key element in moving projects from development to a final investment decision.

China’s import tariffs on U.S. energy further divide the world

(Reuters columnist; Feb. 4) - The trade in crude oil, liquefied natural gas and coal between the U.S. and China is effectively dead after Beijing responded to President Donald Trump's tariffs with measures of its own. China, the world's biggest importer of the three energy commodities, on Feb. 4 slapped import duties of 15% on U.S. LNG and coal, and 10% on crude oil and farm equipment. Beijing's move came after Trump imposed an additional 10% tariff on all imports of Chinese goods into the U.S.

China's reaction raises the risk of further moves by the U.S. and ratchets up the trade tension between the world's two largest economies. The risk is that a series of tit-for-tat measures causes global economic growth to slow and inflation to rise as countries have to reorder supply chains and deal with increased disruptions to industries such as manufacturing and construction. However, the immediate impact of China's measures on imports of U.S. crude, LNG and coal is likely to be limited.

China imported 5.99 million barrels of crude from the U.S. in January, according to commodity analysts Kpler. This is equivalent to about 193,000 barrels per day, which is less than 2% of China's total imports. China's LNG imports from the U.S. have also been modest in recent months, with January coming in at 190,000 tonnes, down from 220,000 tonnes in December — about three LNG cargoes per month China's total LNG imports have been averaging around 6.5 million tonnes a month recently, meaning the U.S. is supplying in a range between 4% and 12% of the total.

Given that both China and the U.S. can probably adapt without too much inconvenience to Beijing's tariffs on energy imports, the question is whether it matters. The answer is that it amplifies tensions and accelerates the trend of increasingly splitting the world into two trading blocs, one that does business with Trump's America and its allies, and one that prefers to deal with China and what has been described as the global south.

China’s tariffs on U.S. LNG will force changes in trade flows

(Bloomberg; Feb. 4) - China’s decision to slap retaliatory tariffs on liquefied natural gas imported from the U.S. will trigger a scramble to decouple the world’s biggest buyer and seller of the fuel. Beijing announced 15% levies on American gas just moments after President Donald Trump imposed a tariff on goods from Beijing. China imported about 6% of its LNG from the U.S. last year. The move will likely push Chinese buyers holding long-term contracts with U.S. projects to resell their shipments to importers elsewhere.

The country’s LNG importers have already been offloading a large chunk of their U.S. volumes to other markets, like Europe, where prices are more attractive. Already, Chinese LNG buyers are inquiring with counterparts in Asia and Europe about swapping additional U.S. shipments for cargoes from elsewhere, according to traders who asked not to be identified because they’re not authorized to speak to media.

The disruption to trade flows “may push prices higher everywhere on the margin,” said Saul Kavonic, an energy analyst at MST Marquee. Chinese firms are unlikely to sign new long-term contracts with proposed U.S. projects as long as trade tensions remain high. This is bad news for those American exporters that need to lock in buyers before securing necessary financing to begin construction. Beijing has targeted American LNG before, adding tariffs on U.S. imports in 2018 during Trump’s first presidency.

Traders could profit from reselling U.S. LNG to avoid Chinese tariffs

(Bloomberg; Feb. 4) - Trading houses and some of the world's biggest energy companies stand to gain from the retaliatory tariffs China is imposing on liquefied natural gas from the U.S. Beijing's 15% levy open the opportunity for traders and oil supermajors to resell U.S. cargoes on behalf of Chinese buyers in exchange for gas from other regions, pocketing a fee for the service.

Within hours of the tariffs being announced on Feb. 4, Chinese LNG buyers were inquiring with counterparts in Asia and Europe about swapping U.S. shipments for cargoes from elsewhere, according to traders who asked not to be identified because they're not authorized to speak to media. Trading houses including Vitol and Trafigura, along with Shell, TotalEnergies and other oil giants, are positioned to help facilitate those deals, thanks to their access to supplies of LNG around the globe.

Beijing's tariffs threaten to make it more difficult for U.S. LNG to compete against Qatar and others in the Mideast when it comes to lining up long-term deals to sell to China, according to senior officials in the LNG industry. Any pending discussions between U.S. companies and Chinese buyers are effectively on ice, they said. China, which bought about 5% of U.S. LNG exports last year, imposed the duties after President Donald Trump imposed tariffs on goods from Beijing. China's levies will take effect Feb. 10.

Oversupply pushes LNG carrier charter rates to record low territory

(Reuters; Feb. 5) - Shipping costs for liquefied natural gas cargoes have tumbled to five-year lows as newly built carriers added to the global fleet outpace shipping demand and shorter average journey times have increased vessel availability. Atlantic freight rates assessed for vessels with two-stroke engines capable of carrying 174,000 cubic meters of LNG, the most common type in the market, were at $4,250 per day on Feb. 4, according to pricing agency Spark Commodities. Prices on Jan. 31 had plunged to $3,500 a day, the lowest ever in Spark's data which goes back five years.

The Atlantic rates are down 82% since the start of the year and have dropped over 90% from the same time last year. Rates for the same class of ship on Pacific routes have nearly halved so far this year, dropping to $11,000 a day on Feb. 4, Spark's data showed. That is the lowest ever for its dataset and is down nearly 80% from last year. Market sources earlier forecast that LNG shipping rates could extend losses into 2025, as new tankers are added at a faster rate than LNG production is rising.

"The global LNG fleet grew further in 2024, but global LNG loadings have only inched higher, leading to this oversupply of vessels as the market waits for a large increase in LNG export capacity over the next 18 months," said Deng Xiaoyi, deputy head of global LNG freight pricing at Argus.

First LNG Canada export cargoes expected mid-year

(Vancouver Sun; Feb. 3) – British Columbia's long-promised liquefied natural gas export industry is poised to start shipping overseas this year. After a decade in planning and construction, LNG Canada will send its first shipments from Kitimat to Asia, marking Canada's entry into the global market. At the recent annual B.C. Natural Resources Forum in Prince George, Premier David Eby signaled his support for the nascent sector, calling LNG Canada "one of the biggest economic projects in Canadian history."

Most of B.C.'s natural gas is extracted using hydraulic fracturing, or fracking, and liquefying it for ocean transport is energy intensive. Various infrastructure, including the publicly funded North Coast electrical transmission line, is being readied to serve the LNG industry. The first phase of the Shell-led C$40 billion LNG Canada project, an export facility on the shores of the Douglas Channel in Kitimat, has been touted as the largest private investment in Canadian history.

It will power its first phase of operations — about 14 million tonnes of LNG a year — by burning gas. A second phase, possibly powered by hydroelectricity, would double production. Teresa Waddington, a vice president with LNG Canada, said the facility is more than 95% complete and "commissioning and startup activities are well underway," with the first cargoes expected mid-2025. The gas will go mainly to Japan and South Korea. The LNG Canada partners are Shell, Malaysia's state-owned Petronas, Japanese tech giant Mitsubishi, Korea Gas and PetroChina.

U.K. looking at whether it can cancel financing for Mozambique LNG

(Financial Times; London; Feb. 3) - The U.K. is taking legal advice over whether it can withdraw $1.15 billion of taxpayers' money from TotalEnergies for a controversial $20 billion liquefied natural gas project, according to two people with knowledge of the situation. U.K. Export Finance (UKEF), a government agency, committed in June 2020 to provide direct loans and guarantees to banks and British companies involved in the development in Mozambique, one of Africa's largest energy investments.

But less than a year after the deal was struck, the project was halted after a series of terrorist attacks in the Cabo Delgado province where Total was planning to build a huge plant to liquefy gas from Mozambique's offshore fields for shipment overseas. The company is now trying to restart the project, despite continuing violence in the region and political instability stemming from disputed elections in Mozambique in October.

The current U.K. government, whose policies include moving Britain away from fossil fuels and toward green energy, is taking advice on whether the 2020 commitment is still binding. Since the original decision, the U.K. has pledged to stop new export finance to oil and gas projects. A net-zero alliance among export credit agencies, such as UKEF, was one of the key announcements of climate negotiations at COP26 in Glasgow in

2023. Friends of the Earth warned the U.K. last October that supporting the Mozambique project would now be “unlawful” and contravene its pledge.

Mitsui says it could consider Alaska LNG project

(Reuters; Feb. 4) - Japanese trading house Mitsui could consider studying a project to liquefy natural gas in Alaska but no decisions have been made, Chief Financial Officer Tetsuya Shigeta said on Feb. 4. Japan is considering offering support for the proposed $44 billion pipeline and LNG project in Alaska as it seeks to court President Donald Trump and forestall potential trade friction, sources told Reuters last week.

Shigeta said he hoped a meeting expected this week between Prime Minister Shigeru Ishiba and Trump would help enhance Japan's presence in the U.S., reaffirming its role as the latter's largest source of investment. Asked about the reported LNG development in Alaska, Shigeta said it was a natural candidate for consideration, presenting a valuable opportunity because of its proximity to Japan and other Asian countries. "But we have nothing we can talk about now, including our policy," he added.

Japan could need more LNG if renewables come up short

(Reuters; Feb. 5) - Japan's demand for liquefied natural gas may grow by more than 10% to 74 million metric tons by 2040 under a government scenario where the renewable energy rollout goes slower than expected, a senior industry ministry official said. Japan's domestic LNG demand continued to fall last year, dropping by 0.4% to 66 million tonnes due to a weaker economy, a growing share of renewable energy and nuclear power plant restarts.

Yuya Hasegawa, a division director at Japan's Ministry of Economy, Trade and Industry, told a conference in Tokyo that there is an expectation that power demand will expand due to the growth of data centers in the country. "If we do not have a huge expansion of renewable energy, or if we cannot reduce the cost of hydrogen, ammonia, CCUS (carbon capture, utilization and storage), our gas demand will increase," he said.

According to Hasegawa, under an alternative energy strategy scenario being prepared by METI, Japan's LNG demand will rise to 74 million tonnes in 2040, or by almost 10%, if renewable energy expansion is not there as other METI scenarios assume.

TotalEnergies looks to expand investment in U.S. LNG stakes

(Reuters; Feb. 5) - TotalEnergies will expand its investment in U.S. liquefied natural gas over the next decade as the French company seeks to cement its position as a major exporter of U.S. LNG, its CEO said Feb. 5. In an interview with Reuters, TotalEnergies CEO Patrick Pouyanne said he believes President Donald Trump's administration will implement pragmatic policies that will support U.S. energy production even as the world faces a new era of tariffs and trade wars.

Since becoming CEO in 2014, Pouyanne has shifted Total's focus away from Russia to low-cost oil and gas production in the Mideast, Brazil and the U.S., while also growing its electricity and renewables portfolio. Total made $18.3 billion last year as a strong LNG trading division offset weak oil refining profits. While rivals including Chevron, ExxonMobil and BP invested heavily over the past decade in more shale oil and gas production, the French firm has largely opted to invest in LNG projects that have given it access to more than 10 million tonnes of U.S. LNG annually to supply global customers.

Pouyanne said TotalEnergies could invest in expansion projects at its Cameron (Louisiana) and Rio Grande LNG (Texas) facilities on the Gulf of Mexico — the company holds minority stakes in both projects. The U.S. is expected to nearly double its LNG export capacity by the end of the decade. Pouyanne said the U.S. has abundant gas supplies due to its vast shale reserves, but that the country needs to invest in pipeline infrastructure to deliver the gas to demand centers along the coasts.

Quebec reconsiders its 2021 rejection of LNG export project

(CBC News; Canada; Feb. 5) - The threat of U.S. tariffs and lingering economic volatility has prompted the Quebec government to reconsider a pipeline project bringing natural gas from Western Canada to a proposed liquefied natural gas plant in the province for export overseas. Quebec in 2021 nixed the C$9 billion private project, known as LNG-Québec, for environmental reasons. But now, with economic uncertainty surrounding the province's relationship with the U.S., its largest trading partner, Quebec's environment minister said the government is interested in taking another look at it.

"We're not opposed to energy products that respect the environmental criteria," Benoit Charette, the environment minister, told reporters at the National Assembly on Feb. 5. Charette cautioned that the project would have to respond to the previous concerns raised by Quebec's public consultation bureau, the BAPE, which played a role in the project's refusal. The provincial government had initially supported the project; it had hoped the investment would diversify the economy in the Saguenay area, north of Quebec City, a region largely dependent on the aluminum and forestry industries.

But the government later axed it after concluding that the project's environmental risks outweighed the gains and that Quebecers didn't want a pipeline. The BAPE had concluded that the increased LNG tanker traffic along the Saguenay River would pose a risk to vulnerable beluga whale populations and would lead to a spike in greenhouse gas emissions. "If it's the same project with the same specs, the decision will be the same," Charette said. “Projects are studied based on their merits."

Germany extends support for gas-fired power plants to 2030

(Bloomberg; Jan. 31) - Germany’s parliament has extended a support plan for some gas-fueled power plants by four years to 2030, in a law hurried through just before the general election Feb. 23. The Economy Ministry estimates the subsidies will run for 12 years, meaning the final applicants in 2030 will be allowed to operate stations beyond 2035 — the target date for carbon-free power production in Germany. The plan applies to heat and power plants that burn gas; environmental groups oppose the plan.

It’s yet another sign that Germany doesn’t have a clear plan for how to phase out coal and lignite and cut emissions. The nation has ambitious targets but lacks a roadmap to reach them. The government was part of six European Union countries pledging to decarbonize their power systems by 2035, and it wants to reach climate neutrality in 2045, five years earlier than the EU. Germany is also banning imports of liquefied natural gas after Dec. 31, 2043, in favor of green gases such as hydrogen.

The gas plants, which produce heat and electricity, are crucial to keeping the power grid in balance when wind and solar aren’t generating. A plan to force new gas plants to switch to hydrogen in the mid-2030s was scrapped by the government last month, removing the off-ramp for fossil fuels. The extension was proposed by the conservative opposition and, along with other energy and climate bills, found a majority in parliament on Jan. 31 in a rare cross-party deal agreed in the midst of a fierce election campaign.

U.S. natural gas production near record high; prices are up

(S&P Global; Feb. 3) - U.S. natural gas output stands near an all-time high as a period of strong demand and improved prices enable a production resurgence, but some producers are already communicating their intent to keep overall growth limited in 2025 until seeing a sustained call from the market for more supply. Since the latest freeze-off event last month, during which production dropped below 100 billion cubic feet per day for a handful of days, output has recovered and averaged 106 bcf per day over the latest weekend, S&P Global Commodity Insights' dry gas model estimated as of Feb. 3.

Strong seasonal gas demand and rising demand for feed gas for LNG exports have tightened gas market fundamentals in recent weeks, supporting additional supply and generally improving the year-ahead outlook for U.S. producers. The Platts-assessed

2025 Henry Hub forward strip was last marked Jan. 31 at $3.52 per million Btu, relative to 2024's average cash settlement of $2.24, Commodity Insights data showed.

Beyond the winter, however, public producers both in Appalachia and in the Haynesville Shale have recently expressed that they will be careful not to chase production growth too early. "We need to wait and see kind of where the industry production levels are coming out of winter," as well as where U.S. gas storage levels end up at the end of the heating season, Alan Shepard, CFO of Appalachian producer CNX Resources, told analysts during the company's quarterly earnings call Jan. 31.

FERC scraps draft policy on assessing downstream emissions

(JD Supra; Jan. 31) - Under the direction of Chairman Mark Christie, President Donald Trump's appointee to lead the agency, the Federal Energy Regulatory Commission has issued an order revoking its draft policy statement that would have assessed the upstream and downstream greenhouse gas emissions and associated climate change impacts of natural gas infrastructure projects.

By revoking its interim policy statement, FERC has signaled that it will not assess certain disclosures of GHG emissions of infrastructure projects such as pipelines and liquefied natural gas plants. FERC will continue to perform environmental reviews on each natural gas pipeline certificate application under its jurisdiction but will operate on a “case-by-case” basis oriented on the characteristics of each project.

The decision follows several years of federal court decisions that have often remanded orders back to FERC due to insufficient consideration of climate change impacts, which served as a driving factor in the agency contemplating updates to its policy. Now operating under a new chairman, FERC is aligning with the energy policy agenda of the second Trump administration. FERC policy statements are not formal regulations or statutes, but rather are guidance materials that typically outline how the agency may contemplate an application and what information it needs in evaluating applications.

Trade fight prompts Canada to rethink new oil pipelines to the coasts

(Bloomberg; Feb. 5) - Almost every day since the expanded Trans Mountain Canadian pipeline was completed in May, a tanker laden with oil sands crude shipped through the line has passed under Vancouver’s Lions Gate Bridge en route to refineries around the Pacific. Those tankers, bound for China, Japan and other markets, mark a significant shift for Canada, which has long been stuck exporting its vast oil flows solely to the U.S.

With President Donald Trump’s tariff threats highlighting the risk of that dependence, the success of the C$34 billion Trans Mountain expansion is stoking Canada’s desire to further decouple from its unpredictable neighbor — and play a larger role in global oil markets. Trans Mountain “is a good start,” said Adam Waterous, a former investment banker and the founder and chairman of oil producer Strathcona Resources. “Now we have to build on it. The very fortunate thing is that we’re not starting from scratch.”

Canada’s oil industry has long pushed for more pipelines to its own coasts and to the U.S., only to see them thwarted by opposition from environmental groups, the courts and Indigenous communities as well as Canada’s federal and provincial governments. But those pipeline efforts are gaining renewed interest as Canada reels from Trump’s trade fight. Two mothballed projects in particular are being discussed as ripe for revival: Energy East, to carry western Canadian crude east to refineries in Ontario and Quebec; and Northern Gateway, to haul Alberta oil west to a northern British Columbia port.

U.S. drillers, Saudis push back against Trump’s call to lower prices

(Wall Street Journal; Feb. 3) - President Donald Trump wants to boost oil drilling, but the U.S. shale industry and Saudi Arabia are pushing back. Trump for months has encouraged the shale industry to “drill, baby drill,” but another U.S. oil boom isn’t in the cards soon, no matter how many regulations he rolls back, according to oil executives. After many producers overdrilled themselves into bankruptcy during the shale boom’s heyday, the industry is focused on keeping costs down and returning cash to investors.

The president’s advisers concede that U.S. frackers won’t pump much more, according to sources. The advisers say his best lever to bring down prices might be to persuade OPEC and Saudi Arabia to add more barrels to the market. But Saudi Arabia has told former U.S. officials it is unwilling to augment global oil supplies, say people familiar with the matter. Some of those former officials have shared the message with Trump’s team.

The president believes a fresh tidal wave of oil would solve many of his problems of inflation and high interest rates. It could also strengthen his hand in confrontations with petrostates Russia and Iran. His fixation on oil prices is vexing to some in the industry. Currently around $73 a barrel, prices are relatively low compared to 2022, when they averaged over $94 and the U.S. average gasoline price hit a record over $5 a gallon.

Keith Kellogg, Trump’s special envoy to Ukraine and Russia, has said global producers should try slashing prices to $45 to push Russia into ending its war on Ukraine. But such prices could be disastrous for U.S. drillers and Saudi Arabia. The last time prices sank below $45, during the pandemic, it led to a painful market-share war between Saudi Arabia and Russia and pushed dozens of shale drillers into bankruptcy. There is a clash coming between Trump and the Saudis over oil prices, a former U.S. official said.

OPEC+ sticks with plan, declines Trump's call to boost production

(Bloomberg; Feb. 3) - OPEC+ didn't make any changes to its existing oil-production plans at a review meeting on Feb. 3, even as President Donald Trump called on the group to lower crude prices. A panel of key members led by Saudi Arabia and Russia maintained plans to keep a lid on crude supplies for the rest of this quarter and then gradually restore output in monthly stages from April, according to a statement.

The coalition has been withholding barrels for more than two years to prevent a supply surplus and has already delayed its production revival three times in a bid to shore up prices. "Despite some doubts, market fundamentals remain strong, as indicators of economic growth recovery are showing in several regions," OPEC-member Algeria's Energy Ministry said in a statement. "We expect a greater recovery in demand for oil starting in April after a seasonal slowdown during the first three months of the year."

Trump's request for more oil "were partially touched upon, one way or another," Russia's Deputy Prime Minister Alexander Novak said on a state-run TV channel. The meeting focused on OPEC+ members' compliance with output cuts and compensation for past overproduction, delegates said. The meeting indicates that the Organization of Petroleum Exporting Countries and its allies are in no hurry to placate Trump.

Nigeria building 5 small LNG plants to serve domestic needs

(Reuters; Jan. 31) - State-owned Nigerian National Petroleum Co. (NNPC) has begun construction of five mini-liquefied natural gas plants as part of government efforts to drive economic growth and boost gas usage, a company spokesperson said Jan. 30. Nigeria, Africa's top energy producer, holds the continent's largest gas reserves of more than 200 trillion cubic feet and seeks to develop the commodity to boost supplies to industries, power plants and for exports, and to end routine flaring of gas by 2030.

Spokesperson Olufemi Soneye said the plants, with a planned combined capacity of almost 100 million cubic feet per day of gas, aim to expand domestic access to the fuel, support off-grid industries and curb carbon emissions. "This is particularly important for regions that currently lack access to gas pipeline infrastructure," NNPC chief Mele Kyari said in the statement, adding the LNG facilities will help transport gas efficiently, such as by tanker truck, over long distances to households, industries and businesses.