

Oil and Gas News Briefs

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Cheniere starts up LNG production at Texas plant expansion project

(Reuters; Dec. 30) - Cheniere Energy on Dec. 30 said it had produced the first liquefied natural gas from the expansion project at its plant in Corpus Christi, Texas, becoming the second U.S. export plant in 2024 to increase supplies of the superchilled gas for overseas buyers. The U.S. is the world's largest exporter of LNG, and the additional production from Cheniere's Stage 3 expansion and Venture Global's Plaquemines plant in Louisiana are expected to keep the U.S. as the top exporter of LNG in 2025.

Cheniere said its Corpus Christi expansion started production two and a half years after it gave its main contractor, Bechtel Energy, the go-ahead to start construction. The first liquefaction train at the plant, with a capacity to produce 1.5 million tonnes per year of LNG, is in the commissioning phase, with substantial completion expected by March 30, the company said. The full project consists of seven midscale liquefaction trains that when fully operating will produce over 10 million tonnes per year.

The expansion will add to the plant's existing production capacity of 15 million tonnes per year. Cheniere also operates the Sabine Pass, Louisiana, LNG plant with 30 million tonnes annual capacity, making the company the largest LNG producer in the country. Last week, rival Venture Global LNG's first tanker departed its Plaquemines export plant in Louisiana for Germany, carrying the first cargo produced at the facility.

U.S. LNG plants draw record volume of natural gas on Dec. 31

(Reuters; Dec. 31) - U.S. natural gas demand from LNG plants hit a record on Dec. 31, climbing to 15.2 billion cubic feet in a sign of a strong year ahead with the start-up of two new gas liquefaction plants, preliminary data from financial firm LSEG showed. U.S. gas demand for LNG plants is forecast to rise to 17.8 bcf per day next year with the full commissioning of Venture Global's Plaquemines plant in Louisiana and Cheniere Energy's Corpus Christi Stage 3 expansion in Texas.

Demand for natural gas by LNG export plants could spur higher production in the U.S. and increase prices at the country's main gas exchange in Louisiana, called Henry Hub, according to analysts. Gas prices were up 48 cents in midday trading on Dec. 31, at \$3.94 per million Btu (about 1,000 cubic feet), according to LSEG data.

The U.S. is the world's largest exporter of LNG and a major supplier to Europe and Asia. LNG exports and feed gas demand also tend to be higher in the cooler months in the

Northern Hemisphere as the colder weather improves the plants' efficiency. Dec. 31 was the third time in two weeks that U.S. LNG feed gas demand has crossed 15 bcf for day but the first time it has gotten to 15.2 bcf, according to LSEG data. That's equal to about 15% of total U.S. natural gas production.

Baker Hughes wins contract for new LNG project on Louisiana coast

(Upstream; Dec. 31) - The leading U.S. oil field services company Baker Hughes has been awarded a contract to provide gas liquefaction equipment for Woodside Energy's multibillion-dollar Louisiana LNG development on the Gulf Coast. Louisiana LNG was formerly known as Driftwood LNG before Woodside's recent acquisition of the liquefied natural gas project's previous owner Tellurian.

Baker Hughes said its work, awarded by the project's main contractor Bechtel, includes eight main refrigeration compressors driven by gas turbines and eight expander-compressors. The equipment will be used in the project's first phase which involves two liquefaction units with a total capacity of 11 million tonnes per year. Baker Hughes reiterated that Woodside is targeting to be ready for a final investment decision in the first quarter of 2025.

The total overall permitted capacity of Louisiana LNG is 27.6 million tonnes per year of LNG. The project is located in Calcasieu Parish, Louisiana. Woodside's \$900 million cash acquisition of Tellurian completed last October gave the Australian LNG production major an entry into the Atlantic LNG market.

U.S. natural gas prices rise amid cold weather, LNG export demand

(Reuters; Dec. 30) - U.S. natural gas futures soared more than 23% on Dec. 30 to mark their biggest daily percentage increase in two months, fueled by forecasts for more cold weather in January and an increased amount of gas flowing to liquefied natural gas export plants. On its first day as the front-month, gas futures for February delivery on the New York Mercantile Exchange surged 78.4 cents, or 23.2%, to \$4.17 per million Btu, its biggest daily percentage increase since the end of October.

Prices are trading at their highest level since January 2023 and are set for a 60% gain so far this year, the biggest annual gain since 2005. "Natural gas bulls continue to find strength in the weather outlooks for January, with deep cold draped across the eastern portion of the U.S.," said Gary Cunningham, director of market research at Tradition Energy, adding that deep cold for the first two weeks of the New Year includes a plunge below freezing for much of Texas and temperatures in the single digits for Chicago.

"We are also seeing strong demands from LNG export facilities continue, with global demands for the fuel expected to remain high as output cuts from some North Sea assets should keep European buyers actively seeking cargoes to maintain storage levels, which have already fallen to about 60% of full in some regions," Cunningham added. The amount of gas flowing to the eight big U.S. LNG export plants rose to an average of 14.8 billion cubic feet per day so far in December from 13.6 bcf in November.

Natural gas prices fall to historic lows in Permian Basin in 2024

(Argus viewpoint; Dec. 30) - Natural gas prices in the Permian Basin of Texas and New Mexico fell to historic lows in 2024, with increased pipeline capacity out of the region to help boost prices likely not picking up before 2026. Gas in the Permian is fundamentally tied to crude economics, with associated gas being a byproduct of oil-directed drilling. Strong associated gas output has frequently pushed spot-market gas prices at the Waha hub in West Texas into negative territory since 2019.

Prices held positive through 2021, helped in part by increased takeaway capacity before turning negative in four trading sessions in 2022 and seven sessions in 2023. Negative prices were a much more regular feature in 2024, with sellers needing to pay buyers to take Permian gas for about 47% of the trading sessions January to November. The Waha index fell to minus \$7.085 per million Btu on Aug. 29, a historic low. But prices averaged a positive \$2 from the middle of November into the first half of December, buoyed by seasonally stronger demand and the end of pipeline maintenance.

Oversupply led to output cuts in more gas-directed fields in the U.S. in 2024, but Permian gas production has been immune to the low-price environment. Low or negative prices at Waha may eventually spur output cuts in the oil-oriented Permian, but that would require U.S. benchmark West Texas Intermediate crude oil prices falling closer to breakeven. Permian producers need WTI to be at a minimum of \$62 per barrel to profitably drill a new well, while the breakeven price for an existing well was \$38, according to an April survey by consumer data platform Statista.

Global LNG exports grow at slower pace in 2024, awaiting new supply

(Bloomberg; Dec. 31) - Global liquefied natural gas exports grew in 2024 at the slowest pace since 2015, threatening to keep prices elevated until new supply comes online to meet rising demand. LNG shipments are set to rise 0.4% to roughly 414 million tonnes this year, according to data compiled by Kpler. Delays to U.S. projects and Western sanctions against Russia's newest LNG export facility curbed supply into the market.

The LNG market has been finely balanced since the 2022 invasion of Ukraine cut Russian pipeline gas to Europe, forcing the continent to depend more on the tanker-

delivered fuel. Still, the market is susceptible to price spikes in Europe and Asia. The market could find some relief in 2025 as new U.S. projects build up production and Canada's first export terminal goes into operation. Additional new supply will come from Qatar 2026-2030 as that nation expands its production capacity by over 60%.

The U.S. was the world's largest exporter, shipping a record 87 million tonnes in 2024, roughly on par with the previous year, Kpler data showed. China was the biggest LNG buyer for the second year in a row. The country received more than 78 million tonnes, up 8.5% year-over-year, according to the data. That's still slightly lower than 2021, when China imported about 80 million tonnes.

BP's offshore West Africa LNG project starts gas production

(Bloomberg; Jan. 1) - BP's Greater Tortue Ahmeyim project started producing gas from offshore fields in Senegal and Mauritania, and both countries expect deliveries soon in a boost to their economic growth. The \$4.8 billion project, developed by BP and Texas-based Kosmos Energy, is estimated to produce about 2.3 million tonnes of liquefied natural gas a year in its first phase. The gas will flow from wells in deep water — depths of up to 9,300 feet — to a floating storage vessel where it will be processed.

Flows to the floating project have commenced and LNG deliveries are now expected to begin "very soon," Senegal and Mauritania's energy ministries said in a joint statement on Dec. 31. Gas exports from the long-delayed project may provide another boost to Senegal after the West African nation began exporting oil last year. That helped lift the growth rate to a record 8.9% in the three months through September and the International Monetary Fund forecasts the economy will grow 9.3% this year.

The gas project provides an opportunity to fix public finances in a nation that's likely to see a budget shortfall of more than 11% of GDP in 2024. Senegal plans to reduce its budget deficit to 3% of GDP by 2027 by cutting government expenditure and boosting tax collections from 2025, Prime Minister Ousmane Sonko said last week. The project is expected to produce LNG for more than 20 years, according to BP's website.

Natural gas prices on the rise in Europe, adding to economic burden

(Bloomberg; Dec. 30) - European gas prices are up about 45% this year, adding to the burden on households and industry as they strive to recover from the worst cost-of-living crisis in decades. There's likely to be more to come with Russian pipeline gas flows due to cease on Jan. 1. Gas futures contracts for next year are already carrying a premium, a strong signal that prices are poised to remain higher for longer, which ultimately translates into bigger bills for consumers.

The region's gas reserves, a buffer for tighter times, are getting depleted at a faster-than-normal pace due to periods of cold and windless weather — the lack of wind reducing power supply from wind turbines. Almost three years since the war in Ukraine upended Europe's energy market, sending prices soaring, balances remain tight.

Europe has worked to diversify its sources of energy supply, buying more liquefied natural gas, increasing its reliance on Norway for pipeline gas and building out renewables. Still, LNG prices have continued to be extremely sensitive to any perceived production risk, particularly at a time when Asia has been boosting LNG purchases for powering air conditioners as extreme heat waves become more frequent and top-importer China has added storage capacity, intensifying competition for the fuel.

Cold weather, weak winds drive up European demand for natural gas

(Bloomberg; Dec. 30) - Europe is set for a colder-than-usual January, possibly with weaker wind levels, boosting demand for natural gas just as the continent confronts the end of a Ukraine-Russia pipeline transit agreement this week. A sharp drop in temperatures is expected at the start of January for most of the U.K., France, Germany, and the Nordic countries, and the cold snap will persist over the course of the month, according to forecaster Maxar Technologies.

A combination of cold weather and weak winds has already pushed Europe to use up more of its gas reserves than normal for this time of year, with storage levels falling below 75% of capacity. A fluctuation of atmospheric pressure known as the North Atlantic Oscillation may cause these conditions to persist into February — when it is all but certain that no Russian pipeline gas will be flowing through Ukraine.

“Relevant sub-seasonal pattern influences like the negative North Atlantic Oscillation in early January would point to the risk for lower-than-normal wind generation in central Europe, southern Scandinavia and the U.K.,” said Maxar meteorologist Matthew Dross. Wind levels plummeted across Europe in November, sending electricity prices soaring as wind farms stopped generating large amounts of the region's power.

Russian pipeline gas supplies to Europe end on New Year's Day

(Reuters; Dec. 31) - Russian gas supplies to Europe via Ukraine will end on New Year's Day, bringing down the curtain on Moscow's long period of dominance of supply in the European gas market. Russia's oldest gas export route to Europe — a pipeline dating back to Soviet days — was set to shut at the end of 2024, as a five-year transit deal between Russia and Ukraine expired without an agreement for any extension.

The European Union drastically reduced its dependency on Russian gas after the outbreak of the war in Ukraine in February 2022 by seeking alternative gas sources. The remaining buyers of Russian gas such as Slovakia and Austria have arranged for alternative supplies, and analysts foresee minimal market impact from the stoppage.

Stopping the gas flow will have a much bigger geopolitical significance. Moscow has lost its dominant share of gas supplies to countries in the European Union to rivals such as the U.S., Qatar and Norway since it invaded Ukraine, which prompted the European Union to cut its dependence on Russian gas. Once the world's biggest gas exporter, state-controlled Gazprom recorded a \$7 billion loss in 2023 alone, its first annual loss since 1999. For Europe, the loss of cheap Russian gas supplies contributed to a major economic slowdown, a spike in inflation and the worsening of a cost-of-living crisis.

Russia and the Soviet Union spent half a century building a major share of Europe's gas market, which at its peak was around 35%, but the war in Ukraine has all but destroyed that business for Gazprom. The pipeline flows through Ukraine to Slovakia, where it splits into branches going to the Czech Republic and Austria. Kyiv refused to negotiate a new transit deal. Ukraine is giving up some \$800 million a year in fees from Russia, while Gazprom will lose close to \$5 billion in gas sales to Europe via Ukraine.

Poll shows global crude benchmark hanging around \$70s in 2025

(Reuters; Dec. 31) - Oil prices are likely to be constrained near \$70 a barrel in 2025 as weak demand from China and rising global supplies are expected to cast a shadow on OPEC+-led efforts to shore up the market, a Reuters monthly poll showed on Dec. 31. The survey of 31 economists and analysts predicted that the global benchmark Brent crude would average \$74.33 per barrel in 2025, down from a forecast of \$74.53 in November, marking an eighth straight downward revision.

Brent has averaged around \$80 a barrel this year and is poised for a 3% yearly decline on weakening demand stemming from top importer China. U.S. crude is projected to average \$70.86 per barrel in 2025, compared with last month's expectation of \$70.69. "Rising production from non-OPEC countries is expected to keep the market well-supplied. While an economic recovery in China is anticipated, the shift to electric vehicles is likely to limit demand growth," said Sehul Bhatt, research director at CRISIL.

Most of poll respondents expect the oil market to be in a surplus next year, with analysts from JPMorgan predicting supply will outpace demand by 1.2 million barrels per day. OPEC+, which pumps about half the world's oil, in December pushed back the start of increased oil output by three months until April 2025 and extended the full unwinding of cuts by a year until the end of 2026. "The decision was driven by the expectation that non-OPEC+ supply growth will outpace demand growth in 2025. This leaves limited room for OPEC+ to raise production," said a senior analyst at analytics firm Kpler.

North Dakota reports potential 250 million barrels in undeveloped play

(Inforum; Fargo, ND; Dec. 31) - A “significant” amount of undeveloped oil resources remain deep in the northwestern portion of North Dakota’s Bakken field, state experts said. According to studies conducted by the North Dakota Department of Mineral Resources, a potential 250 million barrels of oil could be extracted from a layer as shallow as 50 feet lower than a reservoir already being drilled.

To produce such a volume would take around 600 new wells, and even more oil could be available if the area is studied further, state subsurface geologist Ted Starns said. “We’re trying to raise awareness to a potentially overlooked opportunity,” he said. The reservoir in question is called the “Middle Three Forks” — the middle layer of the Three Forks Formation and part of the greater Bakken. Both the Bakken and Three Forks formations are within the Williston Basin, which is a dip in the Earth’s surface that contains vast deposits of oil and gas.

The Three Forks Formation sits below the shallower Bakken formation and stretches across parts of four counties. There are 360 wells drawing from the Middle Three Forks that have produced over 92 million barrels of oil and 238 billion cubic feet of gas — amounting to just under 2% of the total oil production in the Bakken-Three Forks area to date, according to the state Department of Mineral Resources.