Oil and Gas News Briefs
Compiled by Larry Persily
April 1, 2021

China generated 53% of world's coal power last year

(Reuters; March 28) - China generated 53% of the world's total coal-fired power in 2020, nine percentage points more than five years earlier, despite climate pledges and the building of hundreds of renewable energy plants, a global data study showed on March 29. Although China added a record 71.7 gigawatts of wind power and 48.2 GW of solar last year, it was the only G20 nation to see a significant jump in coal-fired generation, said Ember, the London-based energy and climate research group.

China has promised to reduce its dependence on coal and bring emissions of climate-warming greenhouse gas to a peak before 2030 and become carbon neutral by 2060. "China is like a big ship, and it takes time to turn in another direction," said Muyi Yang, senior analyst with Ember and one of the report's authors. China has been unable to find enough clean energy to meet rapid increases in demand, with renewables meeting only half of China's power consumption growth last year.

New coal-fired power installations in China reached 38.4 GW in 2020, more than three times the amount built by the rest of the world, according to a February research report. China also approved 46.1 GW of new coal-fired projects last year, more than the previous three years combined with new projects still getting the go-ahead until late in the year, the environment group Greenpeace said March 29. China slashed the share of coal in total energy consumption from about 70% a decade ago to 56.8% last year. But absolute generation volumes rose 19% over the 2016-2020 period, Ember calculated.

China's refinery building boom will make it No. 1 in the world

(Bloomberg; March 30) - The rise of China's mega-refineries was always going to make life tougher for their competitors across Asia. But the fallout from COVID-19 is hastening the hit and accelerating consolidation across the region. A frenzy of refinery building in China is set to make the country the world's largest crude processor this year, while a drive to decarbonize Asia's biggest economy means demand for fuels like diesel and gasoline will decline, potentially leading to more exports from the new refineries.

That's putting pressure on the traditionally more export-focused plants in South Korea, Singapore, and Taiwan that are trying to cope with depressed demand due to the pandemic and the longer-term transition away from fossil fuels. Refineries in places like

Australia and the Philippines that lack the size and sophistication to make them competitive are closing altogether.

“China is indeed set to dominate new refining additions and product exports are likely to increase,” and will compete aggressively with output from other Asian refiners, said Michal Meidan, director of the China Energy Program at the Oxford Institute for Energy Studies. Much will depend on how quickly Beijing liberalizes trade and prices including export quotas, she said. China’s refining capacity has nearly tripled since 2000, and the International Energy Agency forecasts it will pass the U.S. this year. Crude processing will reach 20 million barrels a day by 2025, from 17.5 million barrels at the end of 2020, according to China National Petroleum’s Economics & Technology Research Institute.

Qatar will not renew LNG joint venture with Exxon and Total

(Argus Media; March 30) - State-owned Qatar Petroleum will become the sole owner of the Qatargas 1 LNG project at the start of next year, after opting not to renew its joint-venture agreement with foreign partners. Since its establishment in 1984, Qatargas 1 has been a joint venture between QP with a majority 65% stake, Total and ExxonMobil with 10% each, and the Japanese duo of Marubeni and Mitsui with 7.5% each. It consists of three LNG trains with a total capacity of about 10 million tonnes per year.

The move to take full ownership comes as QP forges ahead with the expansion of its 77 million-tonnes-per-year gas liquefaction complex. The first phase will see liquefaction capacity rise to a world-leading 110 million tonnes a year with the addition of four trains. First gas from the North Field East project, which will feed the new trains, is expected fourth-quarter 2025. In February, QP awarded a $13 billion contract to a joint venture of Japan's Chiyoda and France's Technip for new facilities as part of the expansion.

Qatar plans to announce investment partners for its North Field expansion in six months. In the second phase, QP plans to increase Qatar's total liquefaction capacity to 126 million tonnes per year by developing the North Field South project.

Top OPEC official warns oil demand ‘surrounded by uncertainties’

(Bloomberg; March 31) - OPEC’s top official warned that global oil demand remains fragile as the cartel and its partners headed for talks on whether to prolong their vast production curbs. “We should not be out smelling the flowers just yet,” Secretary-General Mohammad Barkindo told a committee of ministers that lays the ground for their main meeting, scheduled for April 1.

The oil market is “surrounded by uncertainties, including the prevalence of COVID-19 variants, the uneven rollout of vaccines, further lockdowns, and third waves in several countries," Barkindo said. The Organization of Petroleum Exporting Countries and its allies are widely expected to maintain their output curbs for at least another month when they meet. Bolstering that view, the coalition's technical experts lowered their demand estimates on March 30, reporting that global demand growth would come in lower.

But there's still the potential for surprises at the gathering of the 23-nation group, which is jointly led by Saudi Arabia and Russia. The possibility of increasing production is among the options that may be considered, according to two delegates who asked to speak anonymously. Saudi Arabia could heed pressure from Russia and the United Arab Emirates, which appear more eager to restore production, according to Helima Croft, chief commodities strategist at RBC Capital Markets.

Saudis appear ready to extend production curbs to help boost prices

(Reuters; March 29) - Saudi Arabia is prepared to support extending oil cuts by OPEC and its allies into June and is also ready to prolong its own voluntary cuts to boost prices amid a new wave of coronavirus lockdowns, a source briefed on the matter said March 29. After steady oil-price gains earlier this year, OPEC and its allies, known as OPEC+, had hoped to ease their output cuts. But a fresh wave of lockdowns to prevent a new surge in the virus has pushed oil off this year's highs.

OPEC+ sources told Reuters this would most likely encourage the group to extend cuts into May when it meets April 1. The source briefed on the matter said that Saudi Arabia was keen to extend cuts beyond May and into June. "They don't see demand as yet strong enough and want to prevent prices from falling," the source said. Under existing curbs, OPEC, led by Saudi Arabia, and non-OPEC producers, led by Russia, have cut just over 7 million barrels per day, while Saudi Arabia has made an additional voluntary reduction of 1 million barrels per day.

Last year the group agreed to cut 9.7 million barrels per day, or about 10% of world output, but then eased back as demand recovered. At a meeting on March 4, OPEC+ surprised the market by deciding to hold output broadly steady, although Russia and Kazakhstan were allowed slight increases.

China stocking up on discounted Iranian crude

(Reuters; March 29) - China will receive another large influx of cheap Iranian oil in March passed off as crude from other origins, curbing the top importer's appetite for crudes from other suppliers, according to traders and analysts. Close to 1 million barrels per day of Iranian crude could arrive at China this month, nearly half the volume that the world's top exporter Saudi Arabia supplied to China in the first two months this year.

Refinitiv Oil Research estimates this month's Iranian oil arrivals at 27 million barrels, topping the previous record in January by about 10%. "The trend seems to be continuing, though buying appetite is waning because of high inventories at ports and abundant supplies," said Emma Li, a senior Refinitiv analyst.

Reuters reported last month that China has quietly accepted record amounts of Iranian oil in early 2021 despite U.S. sanctions designed to penalize buyers. Analysts say the buying was a key factor behind the March slide in global oil prices from $70 per barrel and limiting room for OPEC to increase production because of the additional Iranian oil in the market. Chinese buyers are attracted to low prices for the Iranian crude being offered at discounts of $4 to $6 a barrel to ICE Brent, traders said. "The ultimate rule for private Chinese buyers is cost and margin ... and they find the Iranian barrels offered at steep discounts hard to resist," said a Beijing-based trader.

Global oil trader expects OPEC will maintain oil prices around $65

(Bloomberg; March 30) - The head of oil trader Gunvor Group expects prices to remain stuck where they are as draws on excess stockpiles slow down amid rising coronavirus cases in Europe. "Oil prices are going to stay where they are — 65-ish — give or take a bit," Torbjorn Tornqvist, the chairman and chief executive officer of Gunvor said in an interview. "Given the development of the coronavirus, particularly in Europe, the demand growth has been much slower to come back. The U.S. actually looks pretty good, but stocks are not coming down as fast as we thought," he said.

Gunvor is one of the five largest independent oil traders, handling more than 2.5 million barrels of crude and petroleum products a day, giving Tornqvist and his teams keen insight into physical market demand and supply flows. He expects delegates from the Organization of the Petroleum Exporting Countries to keep production cuts in place for now, though it will become more difficult over time.

"There is a lot of spare capacity within OPEC. There is a lot of oil in the ground that can come in a relatively short time if the price is right. I don't expect a lot of upside here," he said. Taking a view on OPEC is straightforward, he said, either you believe the producer group is going to defend the price or you don't. Gunvor's CEO said he is the former.

Bloomberg analysis forecasts U.S. shale decline through 2022

(Bloomberg; March 30) - U.S. shale oil production is set to decline through at least 2022 as explorers resist the temptation to start drilling again despite a price rally, according to a BloombergNEF analysis. As most look to focus on paying down debt and returning capital to shareholders instead of pursuing growth, output in the five major U.S. oil shale plays may shrink an additional 485,000 barrels a day by the end of this year, finishing December at 7.1 million barrels a day, BNEF analyst Tai Liu said in a note to clients on March 30. Output may further erode to 6.95 million next year based on BNEF's models.

"It could be a while before U.S. oil companies feel comfortable growing production again," said Liu. "A number of producers said they will need to see a structural improvement in the outlook for global oil supply and demand before directing more capital to the drill bit." Oil prices are back at pre-pandemic levels, making drilling profitable again in the majority of shale plays. The OPEC+ alliance's pledge to restrain output has pushed crude up about 25% this year.

How the fragmented U.S. shale industry will respond to incentives to drill has become a crucial question for traders and industry-watchers. Staying the course of discipline would validate OPEC+'s wager that it can curb production and drive prices higher without unleashing an onslaught of additional supply from U.S. rivals. The producer group led by Saudi Arabia will meet later this week to discuss its output policy.

N.D. Legislature directs oil-wealth account to local investments

(Grand Forks Herald, North Dakota; March 29) - North Dakota lawmakers have sent a bill to the governor's desk setting targets for investing part of the state's oil-tax savings account in local companies and infrastructure. The Senate unanimously passed the bill March 29, a month after the House approved it. The bill sets an objective for the State Investment Board to designate up to 10% of collections flowing into the Legacy Fund for creating loans tailored to cities, counties and businesses. An additional 10% would be earmarked to invest in stocks and other equity in North Dakota-based companies.

The Legacy Fund, approved by voters in 2010 and funded with 30% of the state's oil and gas tax revenue, currently holds nearly $8.2 billion. As it stands now, only about 1% of the Legacy Fund is invested in a loan program for North Dakota businesses. Most of the rest of the money goes toward investments in companies based outside the state. Investing more of the fund locally has picked up steam in the past year.

Bill sponsor Rep. Mike Nathe said the plan would provide much-needed capital to communities for infrastructure, while promoting up-and-coming businesses in the state. Legacy Fund investment board member Jon Godfread said the legislation would help North Dakota realize "the multiplying factor of investing in yourself." The laws governing the Legacy Fund already allow for legislatively approved withdrawals for general state spending. North Dakota's producers pumped an average of 1.147 million barrels per day of oil in January, No.3 in the nation.

[Continuing attacks could delay LNG project in Mozambique]

(Agence France-Presse; March 30) - A deadly assault by Islamic State-linked militants in Mozambique could delay plans by Total to build a massive liquefied natural gas export project, analysts warn, although the project is still likely to go forward. Dozens of civilians were killed in the assault and capture of the key northern town of Palma by militants, and thousands fled the area. Total announced March 27 that it was suspending operations at its work site, located just a few miles from Palma.

Total and its partners plan to invest $20 billion in the project. Last month Total CEO Patrick Pouyanne insisted that the project, which it inherited from the U.S. energy firm Anadarko, was still on track to begin operations in 2024. He indicated having reached agreement with Mozambican President Filipe Nyusi on creating a 15-mile secure zone around the site before work would resume on the project. That objective will be much more complicated now that militants have taken control of Palma.

Joseph Hanlon, an expert on the region at Britain's Open University, said it is unlikely Total would return in the short term as the government has failed to provide security. "It will take perhaps two years for U.S., Portuguese, and other trainers to create a functioning army" capable of maintaining security, he said. Michel Cahen, an expert on Portuguese-speaking parts of Africa at France's National Scientific Research Centre, said: "I don't think Total will abandon" the project, “but it could put it on ice for the time needed — one year, two years" for security to be established in the region.”

[Wood Mac forecasts no U.S. LNG projects will go ahead this year]

(Natural Gas Intelligence; March 31) - No U.S. liquefied natural gas projects are expected to be sanctioned this year, marking the second year in a row developers may postpone decisions to move ahead with building new facilities, according to Wood Mackenzie. The consultants said during a webcast last week that final investment decisions are unlikely as sponsors struggle to secure long-term contracts.

“Generally, we’ve seen a slowdown in the pace of sales contract activity,” said Wood Mackenzie’s Alex Munton, principal analyst for North American LNG. “Pre-FID projects will continue to struggle to secure buyers, given the huge wave of LNG currently under construction globally. For that reason we see a limited window to project FIDs in the U.S. for the next couple of years.” Some projects may not survive, he said.

Sanctioning LNG projects ground to a halt last year as the COVID-19 pandemic caused already sluggish gas demand to weaken further. Several U.S. sponsors pushed project sanctions originally scheduled for 2020 into 2021. Munton acknowledged there was some risk to projections as the spike in spot prices during January could cause customers to reengage in discussions for long-term offtake contracts. Moreover, delays to projects outside the U.S. could give domestic projects an edge in negotiations.

Munton said U.S. projects could face more headwinds. He cited the potential for a shorter-than-expected oil recovery, a possible mid-decade LNG supply glut and more uncertainty around the energy transition. “Offtakers are having to decide on signing a 20-year contract which will extend well beyond 2040, when the future of gas and LNG demand could look very different under alternative energy transition scenarios,” he said.

[Private gas distributor in China seeks 10-year LNG supply deal]

(Reuters; March 31) - ENN LNG, a unit of private Chinese gas distributor ENN Group, has issued a tender seeking liquefied natural gas for 10 years starting in 2022, a trading source with direct knowledge of the matter said. In what would be the firm’s largest long-term tender, ENN LNG sought between 500,000 and 1 million tonnes of the fuel a year, with prices benchmarked to Brent oil on a China-delivered basis, the source said.

The tender comes at a time when long-term LNG contracts are being negotiated at record low prices amid an expected increase in supply from new projects. ENN is the first private Chinese firm to own and operate a major LNG receiving terminal, located in Zhoushan in eastern China’s Zhejiang province, just south of Shanghai. After connecting to the provincial gas grid last year, the terminal is able to handle 5 million tonnes of the fuel a year, up from an initial designed receiving capacity of 3 million.

[Opponents renew battle over oil line in Minnesota]

(NBC News; March 26) - Once the Mississippi River in Northern Minnesota is no longer frozen, Tania Aubid dreads the day that Canadian energy company Enbridge will be able to drill and lay down a new section of its Line 3 pipeline, a project about halfway finished that has sparked increasing environmental protests and unrest from Native Americans and other climate activists.

These wilds of Northern Minnesota have become the new front line in tensions between climate protesters, some Native populations and Big Energy. The changing seasons will likely bring more attention to this fight, as more people are expected to fill the growing number of protest camps that have sprouted up along the path of the pipeline and work is allowed to progress beneath the river.

Enbridge’s 60-year old pipeline will partially be taking a new route through North Dakota, Minnesota, and Wisconsin. When President Joe Biden moved to shut down the Keystone XL pipeline on his very first day in office, it gave new hope to activists who are desperate for him to renew a focus on Line 3. In addition to climate concerns, activists have pointed to the fact that the pipeline runs directly through Native land given in an 1855 treaty and through lands where tribes have been harvesting wild rice for decades.

Enbridge has said the replacement pipe is necessary to avoid a potential ecological catastrophe. Just such a disaster occurred two decades ago when the pipeline ruptured in Minnesota, leaking 40 barrels of crude. While there are still multiple lawsuits over the pipeline, Enbridge maintains it has gone through all the proper avenues.

New Mexico imposes stricter limits on gas flaring and venting

(Bloomberg; March 28) - New Mexico, home to the most prized portion of the Permian Basin shale formation, has become the latest state to impose stricter rules to combat the flaring and venting of natural gas. The three-member New Mexico Oil Conservation Commission voted unanimously on March 25 for rules that are set to go into effect as early as May. Oil companies, gas-processing plants, and pipeline operators will have until 2026 to get their gas emissions down to 2% of production.

The two counties that make up the New Mexico part of the Permian have seen flaring and venting soar as drillers move past legacy acreage in Texas to the newer — and gassier — Delaware sub-basin. "Alaska, Colorado, and now New Mexico have all banned the wasteful practice of routine flaring," said Daniel Grossman, Rocky Mountains director for the Environmental Defense Fund. "Other states like Texas are now on notice that leading practices include cracking down on unnecessary flaring."

The rules are being touted by as a compromise between regulators, industry and environmentalists to curb emissions of methane, a potent greenhouse gas that traps 83 times more heat in the atmosphere than carbon dioxide. The commission vote follows two years of debate. New Mexico operators vented and flared an estimated 36 billion cubic feet of gas in 2019, which if it had been sold on the market, would have generated $10 million in state revenue, New Mexico Oil Conservation Division figures show.

New Mexico set record for oil production in 2020

(Carlsbad Current-Argus; New Mexico; March 30) - Oil and gas production in New Mexico set another record for 2020 even as COVID-19 decimated fuel demand and the market struggled. Data from the state's Oil Conservation Division reported New Mexico finished 2020 with about 367.8 million barrels of oil produced, a 10.8% increase from 2019. Last year was the highest since the agency began tracking output in the 1970s. The prolific Permian Basin is a big producer in New Mexico.

Natural gas production in New Mexico also broke the record in 2020, with about 1.9 trillion cubic feet produced, surpassing the record of 1.6 trillion cubic feet set in 2001, records show. All that production could continue to mean dollars for New Mexico's public services and schools. In its annual report on revenue brought into the state by the oil and gas industry, the New Mexico Oil and Gas Association reported $2.8 billion was generated by oil and gas production in 2020, including $1.4 billion for education. The 2020 numbers were not a record, but were second only to 2019 revenues of $3.1 billion.

North Dakota drillers will test fermented product to boost oil flow

(The Associated Press; March 28) - A pilot project in North Dakota is testing whether sending a substance with the consistency of maple syrup down oil wells will help increase production. The process involves combining so-called biosurfactant with water and pumping the mixture into wells where it will reach cracks in the rock formed when the oil is extracted by fracking. The goal is to reduce the attraction between rock and oil in order to recover more crude.

It could benefit North Dakota farmers because crops such as canola oil and sugar beets facilitate the fermentation process used to create the biosurfactant. A $206,000 state grant approved by the North Dakota Industrial Commission is partially covering the costs, The Bismarck Tribune reported. “All the big players see this as a potentially low-cost, low-carbon footprint way of extracting more of the original oil in place in the Bakken,” said Jon Rogers, CEO of Texas-based Locus Bio-Energy Solutions.

Locus developed the biosurfactant and is partnering with Minot, North Dakota-based Creedence Energy Services for the test. Creedence provides chemical treatments to protect wells against corrosion and scale buildup. “We’re the doctors and pharmacists of the oil fields,” Creedence President Kevin Black said. The companies are planning to test the biosurfactant down a handful of horizontal wells in North Dakota, targeting those that are several years old with declining flow. They also will test it in older vertical wells.

Northern Russia suffers from leaking pipelines, oil wells

(Deutsche Welle; Germany; March 29) - On an August morning in 1994, Ekaterina Dyachkova took her usual walk down to the Pechora River in her village of Novikbozh in Russia's far north. As she approached, a strange smell stung her nose, and when she reached the water, she saw it was black. Boats and their oars were covered in oil. "Our fishermen were coming back with sticky black nets," said Dyachkova, a 62-year-old biology teacher and school director. "It smelled like a gas station."

The oil spill at nearby drilling sites in the Komi Republic town of Usinsk was one of the biggest ever on land. Research revealed that multiple breaches in old Soviet pipelines had been leaking for eight months with the fact being hidden from the public. When a six-inch-deep oil slick reached the river, however, the disaster was all too evident.

The full scale of the accident is still unknown, with estimates on the amount of oil that spilled ranging from 700,000 to 1.5 million barrels. More than 300 acres of fragile tundra were contaminated. Cattle developed tuberculosis, and researchers found oil inside fish, whose bone structure had been deformed. Areas were set on fire to burn the oil off the ground — the cheapest clean-up method, but the most damaging for ecosystems.

Spills and accidents are common in Russia. When a well near Novikbozh caught fire in 2017 and flames blazed for a month, winds carried thick smog and toxic particles across the tundra. Last autumn a spill contaminated a river where locals fish. Russia's oil pipeline system is one of the world's longest, and was largely developed in the Soviet era, stretching 32,933 miles. More than half of all oil lines are worn from age, which is causing most of the leaks, says Russia's Natural Resources and Environment Ministry.

Norway ready to issue first North Sea licenses for wind power

(Reuters; March 29) - Norway will press ahead with North Sea wind power this year, awarding its first licenses as it spurs the transition of its oil and gas industry and despite its already plentiful renewable energy supply. The government has earmarked two areas in the North Sea for up to 4.5 gigawatts of floating and bottom-fixed wind turbine capacity, just under half the installed capacity in Britain, Europe's offshore wind leader.

Norway does not actually need offshore wind farms for power — nearly all its electricity comes from renewables already — but instead sees the sector as a means of helping its vast oil and gas industry secure a new, low-carbon business model for the future. Oslo will present details of the tender this spring as part of a white paper on the energy sector, and first wind farms could be in operation by the end of the decade.

Norway, western Europe's largest oil and gas producer, is examining how it can adapt its petroleum industry. Norway's Equinor and several other European oil firms including Total, BP, and Shell have announced plans to scale up their renewable power portfolios, often focusing on offshore wind, as they seek to reduce their reliance on oil to satisfy stakeholders and meet climate targets. Norway's two licensing sites both include deep water sections more suited to floating turbines. Floating turbines are a less mature technology but widely seen as offering the greatest opportunity for Norwegian firms.

Sinopec focuses on gas short term, hydrogen longer term

(Reuters; March 28) - China's Sinopec, Asia's largest oil refiner, aims to be carbon neutral by 2050, with its near-term strategy focused on natural gas development and a long-term pivot to hydrogen, top executives said March 29. As China's largest hydrogen producer, Sinopec will focus on fossil fuel-based hydrogen production over the next five years and also start introducing “green” hydrogen produced with solar and wind power, Chairman Zhang Yuzhuo said in an earnings call.

Sinopec plans to build 100 hydrogen filling stations this year, part of the firm’s goal to set up 1,000 stations by 2025, including standalone hydrogen kiosks and those combined with traditional fuels. “Hydrogen will be a core in Sinopec’s energy transition. … We want to become China’s No. 1 hydrogen firm,” said Zhang. Sinopec will first focus on its existing fossil fuel-based production of hydrogen, which carries the lowest cost since it is a byproduct of its refining and petrochemical processing, said Zhang.

Another key area for spending will be natural gas, of which Sinopec is China’s second-largest producer. Demand is set for strong growth over the next decade under Beijing’s efforts to burn less coal. Sinopec expects to grow its gas production by an average of more than 10% a year over the next three years, company president Ma Yongsheng said. Sinopec expects its gas output to reach 1.2 trillion cubic feet this year, and 1.34 tcf and 1.48 tcf for 2022 and 2023 respectively, said Ma, against 1.066 tcf last year.

Australia project gets go-ahead, adds 20 years to LNG supply

(Australian Financial Review; March 30) - Santos has defied warnings from pressure groups of the faster demise of demand for natural gas amid the push toward net-zero emissions and given the go-ahead for the US$3.6 billion (A$4.7 billion) development of the Barossa gas field off Australia’s northern coast. The Barossa project, which will supply 20 more years of gas for the 3.7 million tonnes-a-year Darwin LNG project, represents the biggest new investment in Australia’s oil and gas sector since 2012.

CEO Kevin Gallagher said Santos has enough confidence in the market to develop Barossa. “We’ve sold the gas; to me you can’t get any more confidence than that,” he said. “That’s what we are reacting to, customer demand across Asia.” Gallagher said he expects the energy transition to speed up the switch from coal to gas in the region rather than accelerate a move away from gas. The Australasian Centre for Corporate Responsibility described Barossa as a “carbon bomb,” given the carbon dioxide content of the gas of 18% to 19%, which it said would simply be vented into the atmosphere.

The project go-ahead also kicks off the US$600 million investment to extend the life of the Darwin LNG plant by two decades. The plant is 15 years old, and the field that feeds the plant is in decline. RBC Capital Markets analyst Gordon Ramsay said the Barossa project is targeting a cash cost of production of about US$2 per million Btu, making it the lowest-cost source of new LNG supply in the Australia region at about US$5.50.

LNG import terminal will buy Australia more time to meet gas needs

(Reuters; March 28) - Plans by billionaire Andrew Forrest to have a liquefied natural gas import terminal ready by 2022 means Australia won't suffer a gas shortfall until 2026, two years later than previously forecast, the country's energy market operator said March 29. "This development comes at a critical time, as existing Victorian production is declining faster than previously projected," Nicola Falcon, group manager of the Australian Energy Market Operator (AEMO), said in a statement accompanying the agency's closely watched outlook. The country has been pushing for more production.

Producers' forecasts for maximum daily capacity from existing, committed, and anticipated southern gas fields in 2023 are nearly 20% lower now than they were a year ago, AEMO said. Gas fields in the Gippsland Basin, which largely supplies the southern states, are becoming exhausted, losing their flexibility to ramp up output during peak winter demand. LNG imports and gas storage will be needed to cover peak demand.

Forrest's privately owned Squadron Energy won state approval to build an LNG import terminal at Port Kembla in New South Wales, aiming to be ready by late 2022. Though Australia has become a world leader in LNG exports, its domestic customers are facing higher prices and fears of a gas supply shortfall.