Oil and Gas News Briefs
Compiled by Larry Persily
April 5, 2021

Gas flow into U.S. LNG export terminals sets new record

(Reuters; April 2) - U.S. exports of liquefied natural gas to China, Japan, and South Korea, the biggest importers of the fuel, have surged to record highs in recent months as the heavily industrialized region recovers from the COVID-19 pandemic, Eikon trade data shows. Such is the speed of growth of imports into Japan that the U.S. is running neck and neck this year with Qatar — a long-term key exporter to Japanese utilities — as a major supplier to the world's third-largest economy, data showed this week. That comes despite U.S. LNG being as much as 40% more expensive than Qatar gas.

And more U.S. gas is on the way. Flows to export terminals in the U.S. where gas is liquefied for shipment overseas totaled a record 11.8 billion cubic feet on March 31, according to one source. That's about 10% of total U.S. gas production--up from the daily average of 10.8 bcf recorded in March. LNG shipments from the U.S. to Japan, China, and South Korea totaled 3.2 million tonnes in February (more than 150 bcf of gas), almost two and a half times the highest monthly levels before the recent surge.

The export bonanza caps the completion of the first generation of U.S. export terminals. There are now six LNG terminals in operation with three more under construction. But the next round of projects being developed will face tougher competition from Qatar, which has announced plans for a 40% expansion of its export capacity and is enticing buyers with sweet deals to expand market share in a competitive environment.

Novatek lines up banks for more than half of LNG project financing

(The Barents Observer; Norway; April 1) - The pool of banks reportedly ready to provide loans for 51.6% of the $21 billion cost of Novatek's second liquefied natural gas plant above the Arctic Circle are the same ones that financed the company's first plant on the Yamal Peninsula. Russian banks VEB.RF, Sberbank, and Gazprombank will cover half, and a pool of foreign banks, consisting of China Development Bank, Export-Import Bank of China, Bank of Japan for International Cooperation, Italy-based Intesa Sanpaolo, and Austria-based Raiffeisen Bank International will cover the other half of the 51.6%.

The first of three liquefaction trains at the Arctic LNG-2 terminal is scheduled to start production in 2023, the second in 2024 and the third in 2026, reaching a total capacity of almost 20 million tonnes per year of LNG. The module-based liquefaction units are under construction at the Wison Offshore & Marine's Zhoushan yard in China.

Other huge pieces of the plant will be built at yards north of Murmansk where Novatek is building the two huge drydocks and other facilities to serve the company's Arctic development projects. Novatek, Russia's largest private natural gas company, holds 60% of Arctic LNG-2 while Total has 10%, China National Offshore Oil Corp. (CNOOC) holds 10%, China National Petroleum Corp. (CNPC) 10%, and the last 10% is held by a consortium of Mitsui and Japan Oil, Gas and Metals National Corp. (JOGMEC).

Platts forecast says Russia will dominate gas supply to Europe

(S&P Global Platts; March 31) - Russia is set to remain the dominant gas supplier to Europe up to 2040, according to the latest long-term European gas outlook from S&P Global Platts Analytics. Russia's market share in Europe is expected to remain above 30%, rising close to 40% by 2040 as European gas output and supplies from Norway dwindle. The share of LNG in Europe's energy mix is expected to increase to 2040 to partly offset the decline in local gas, but still lags Russian deliveries in the forecast.

The EU has made it a policy pledge to reduce dependence on Russian gas through support for new supplies — such as from Azerbaijan — and through new LNG import facilities. However, Russian gas remains competitive given its low-cost production and long-term reliability. Norwegian piped gas supply to Europe is seen gradually falling to around 3.5 tcf by 2025 from almost 3.9 tcf a year at present, and then more quickly, dropping to just 2.1 tcf by 2040 due to natural field decline, according to the report.

LNG supplies to Europe are expected to pick up by 2025 to around 3.2 tcf, peaking in 2030 at 4.6 tcf before sliding back in 2040. Russian gas output, meanwhile, is expected to grow significantly as Moscow increasingly targets exports to China and focuses on building out its LNG exports. Total Russian gas production is forecast to increase from almost 23 tcf a year in 2020 to 26.5 tcf by 2025 and further to 28.5 tcf a year by 2040, Platts said. Gazprom began gas exports to China through the Power of Siberia pipeline in 2019 and plans to ramp up to its full annual capacity of 1.3 tcf in the coming years.

OPEC+ decides to start adding back production in May

(The Associated Press; April 1) - The OPEC oil cartel and its allied countries said April 1 that they have decided to gradually add back some 2 million barrels per day of oil production from May to July, moving cautiously in pace with the recovery of the global economy from the COVID-19 pandemic. The group is gingerly adding back production that was slashed last year to support prices as demand sagged during the worst of the pandemic recession, which sapped demand for fuel.

The group, known as OPEC+, will add back 350,000 barrels per day in May, 350,000 in June, and 400,000 in July. Meanwhile Saudi Arabia will restore an additional 1 million barrels per day in cuts that it made on its own. OPEC members, led by Saudi Arabia, and nonmembers, led by Russia, have been meeting monthly to determine production levels as they face a recovery in demand whose pace has been uncertain. They face conflicting pressures. Raising production too quickly risks sending prices lower. But lower production levels deprive OPEC+ national budgets of money at a difficult time.

Oil prices traded higher on April 1 despite the decision to increase production, suggesting markets see more than adequate demand for the added oil. Crude traded 3.6% higher at $61.28 per barrel in trading on the New York Mercantile Exchange while Brent crude rose 3.1% per barrel to $64.66. Saudi Arabia's Energy Minister Abdulaziz bin Salman, who has urged careful approach with the recovery still uncertain, said "the cautiousness is still there" in the group's approach to restoring production.

Federal court says global warming a political, not legal problem

(Bloomberg; April 1) - New York City suffered another setback in its effort to make ExxonMobil, Shell, BP, and other energy companies help cover the public costs of dealing with climate change, as a federal appeals court ruled the global problem demands political rather than legal action. The ruling April 1 by the U.S. Court of Appeals in Manhattan is a warning sign for those trying to use the courts to hold the industry responsible for a problem that could cost taxpayers trillions of dollars.

The court said global warming “is a uniquely international concern” that requires the federal government to step in rather than judges. Only the Environmental Protection Agency has the authority to regulate domestic greenhouse gas emissions, the unanimous three-judge panel held. New York City “sidestepped” federal procedure with a state lawsuit against the companies, even though their activity of selling fuel products around the world is “admittedly legal,” U.S. Circuit Court Judge Richard Sullivan wrote.

“In so doing, the city effectively seeks to replace these carefully crafted frameworks — which are the product of the political process — with a patchwork of claims under state nuisance law,” Sullivan wrote. A lower court judge in 2018 tossed out the lawsuit on similar grounds, ruling that the federal Clean Air Act governs carbon dioxide emissions and blocks such lawsuits. “As we’ve said from the beginning, lawsuits like New York City’s do not belong in the courts and do nothing to advance meaningful efforts that address climate change,” Exxon spokesman Casey Norton said in an email.

Biden plan would boost asphalt business, plug abandoned wells

(Bloomberg; March 31) - President Joe Biden, who made clean energy a core tenet of his campaign, plans to set off one more oil-sector boom before shadows descend on fossil fuels. In his $2.25 trillion infrastructure proposal, Biden earmarked $115 billion for roads and bridges and $16 billion to put laid-off oil field laborers to work plugging abandoned wells. That's in addition to sweeping investments in electric vehicles and renewable power, sectors more in keeping with the administration's green tinge.

Since taking office two months ago, Biden's been more boon than bane for a fossil-fuel industry that was wary of the ascendance of a politician bent on accelerating the energy transition. Instead, the president's focus on things like expediting COVID-19 vaccinations and clamping down on reckless environmental practices have had the effect of boosting fuel demand and capping price-killing growth in domestic oil output.

In the infrastructure plan, the biggest benefit for oil explorers and refiners would come from a jump in demand for asphalt to repair highways and pave new ones. Because asphalt is derived from the heaviest and most-dense material in a barrel of crude, Canada's oil sands producers may be the biggest winners, given that they sell some of the globe's thickest petroleum. Plugging old wells and securing defunct coal mines — some of which have been abandoned for over a century in places like Pennsylvania — would mean paychecks for people thrown out of work during oil busts.

Europe needs a lot of gas this summer to refill storage

(Bloomberg; March 31) - A widening natural gas storage gap in Europe is capturing the attention of traders, who expect the world's biggest exporters to begin jostling to refill fuel depots depleted by the continent's harsh winter. Gas storage is critical for blunting spikes in demand and smoothing price volatility during harsh weather and disruptions to supply. Europe's cold winter left facilities almost 900 billion cubic feet below last year — equivalent to nearly a third of annual consumption in Germany, the region's number 1 user.

"The trend is clear," said Niek van Kouteren, a senior trader at Dutch energy company PZEM. Suppliers from Moscow to Houston "will have room to take advantage of the momentum," he said. Almost 60% more gas than last year will be needed to refill inventories after cooler March weather across Europe kept demand elevated. Filling the storage gap before the next heating season is expected to benefit pipeline gas exporters like Gazprom as well as liquefied natural gas suppliers.

Storage demand this summer will be about 2.3 trillion to 2.5 trillion cubic feet of gas, said Sergei Kapitonov, a gas analyst at Moscow's Skolkovo Energy Center. Should temperatures remain below normal through early April, the gap could increase. The pace and price of replenishing Europe's storage will partly hinge on Asia. The world's biggest LNG consumer demonstrated during a wild rally in January how its markets can divert fuel from Europe amid tightness. Asian LNG demand in summer typically increases with the use of the fuel for cooling, which is less prominent in Europe.

Major world oil trader plans to cut emissions 40% by 2025

(Reuters; March 30) - Energy trader Gunvor Group aims to cut its Scope 1 and 2 emissions by 40% in absolute terms by 2025, the company said March 30, and has set up a new subsidiary to invest in non-hydrocarbon projects. The Geneva-based firm, which is among the top five global oil traders, aims to cut the carbon dioxide emissions it produces directly, and those from the electricity it uses, against its 2019 total.

Its new unit will invest in biofuel, renewable power such as solar and biomass, and the commercialization of alternative fuels like hydrogen and ammonia. The company, called Nyera, or New Era in Swedish, will be allocated a minimum of 10% of Gunvor's net equity, amounting to at least $500 million with leverage over the next three years, it added. Gunvor hopes to invite partners to invest further, said CEO Torbjorn Tornqvist.

The energy sector has come under heavy pressure from investors and governments to move toward greener energy sources. Oil major BP plans to cut oil and gas output by 40% and boost investments in wind and solar, while Shell is betting on power trading and hydrogen and biofuels markets as it shifts away from oil. Gunvor and other trading firms are investing more in natural gas as a transitional fuel to a greener energy mix, as its emissions, while still high, are lower than coal and oil.

China's biggest SUV maker plans hydrogen-powered model this year

(Bloomberg; March 29) - Great Wall Motor Co., China's biggest maker of sport-utility vehicles, plans to roll out its first hydrogen-powered SUV this year. The company will also deploy its hydrogen-powered cars during the Winter Olympics in China next year, Zhang Tianyu, head of FTXT Energy Technology, a Great Wall subsidiary, said in a media briefing March 29 to outline the automaker's hydrogen strategy.

Great Wall has invested 2 billion yuan ($305 million) over the past five years to develop hydrogen power-related technologies that can be used for vehicles as well as marine and rail transport, Zhang said. Founder Wei Jianjun added that Great Wall will invest an additional 3 billion yuan over the next three years and plans to become a top-three seller of hydrogen-powered automobiles by 2025. "Development of the hydrogen-related industry will move forward as quickly as that for electric vehicles," Wei said.

China, the world's biggest car market, is promoting the development of hydrogen-powered cars, trucks, and buses, with the central government offering to reward cities that achieve adoption targets. In a 15-year plan for new-energy vehicles released in November, China's State Council said the country will focus on building a fuel-cell supply chain and developing hydrogen-powered trucks and buses.

Argentina tries new program to boost gas production

(S&P Global Platts; March 31) - Argentina's government expects a pricing incentives program will turn around a slide in natural gas output in the next few years, but until then LNG imports are poised to rise this year, including with a possible second floating receiving, storage, and regasification unit, Energy Secretary Dario Martinez said.

The secretariat launched the incentives program in December, creating a system of auctions for long-term gas supplies, with the goal of each year preselling 2.5 billion cubic feet per day — half of the 5 bcf a day of average consumption — to power plants and distributors, plus additional gas during colder months. The intent is to ensure that suppliers have more certainty in sales and pricing. In the first tender, contracts were awarded for supplying almost 2.4 bcf a day at an average $3.50 per million Btu.

The commitments come after gas output dwindled in February from the recent peak in 2019, largely because a decline in market prices to less than $2.50 in 2020 from $3.50 in 2019 made the business less profitable, according to government data. Martinez said he expects the incentives program to drive a production recovery to eventually phase out imports and push exports. Ezequiel Fernandez Lopez, head of research at Balanz Capital, a financial planner in Buenos Aires, said the preselling program has led to plans to step up investment in new wells, including in the country's biggest shale play.

Mozambique army says it is protecting Total’s gas project

(Reuters; April 2) - A natural gas project being developed by French energy major Total in northern Mozambique is beyond the reach of militants, a Mozambique army spokesman was quoted as saying in a radio report following a deadly insurgent attack nearby. Authorities have confirmed dozens of deaths in the assault by Islamic State-linked insurgents that began last week in the coastal town of Palma in a district near gas projects worth billions of dollars meant to transform Mozambique’s economy.

Military operations were still going on around Palma on March 31. “It is protected ... at no time was its integrity at stake,” Radio Mozambique quoted army spokesman Chongo Vidigal as saying about Total’s project on the Afungi Peninsula near Palma, where Islamic State-linked insurgents began the highly organized raid last week. Radio Mozambique added in its report published late on April 1 that the area around the Total liquefied natural gas development was being patrolled day and night to repel any threat.

Total said it had no immediate comment. Total said last week it was calling off a planned resumption of construction at its $20 billion development following the attack. Aid groups believe the attack displaced tens of thousands of people. Reuters has not been able to independently verify the accounts from Palma. Most means of communication were cut off after the attack began on March 24.

[Company will build Pennsylvania’s first ‘green hydrogen’ plant]

(WHYY Radio; Philadelphia; April 2) - A clean-fuel company plans to build Pennsylvania’s first “green hydrogen” plant in southern Lancaster County. Fuel-cell company Plug Power said the facility will be located along the Susquehanna River. Green hydrogen is seen as a possible solution for industries with hard-to-cut emissions, like shipping and aviation. It’s made by splitting water molecules using renewable electricity, so it doesn’t give off any carbon emissions. Scientists say emissions must be cut dramatically to avoid the worst effects of climate change.

Plug Power is partnering with Holtwood Dam operator Brookfield Renewable Partners. The plant will use power from the hydroelectric facility and water from the Susquehanna River to produce 15 tonnes of liquid hydrogen per day, which the company said is enough to power 1,500 heavy-duty trucks. The plant is expected to be online by the end of 2022. CEO Andy Marsh said he hopes to create a national green hydrogen network with a capacity of 500 tonnes of hydrogen per day by 2025.

The company owns a Tennessee plant that produces more than 6 tonnes of hydrogen per day, and recently announced plans for a new plant in New York, at 45 tonnes per day. Marsh said his biggest customers are Amazon and Walmart, which use the Plug Power’s fuel cells to run forklifts. Both companies have set emissions reduction goals for 2040 and Marsh said fuel-cell vehicles will be necessary to meet those targets.