

Oil and Gas News Briefs

Compiled by Larry Persily

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OPEC+ resists calls to produce more oil

(Bloomberg; Nov. 1) - OPEC+ is headed for a clash with the U.S. as more of its members have rejected President Joe Biden's call for the group to raise oil output faster and help reduce gasoline prices. On Nov. 1, Kuwait said the cartel should stick with its plan to increase output gradually because oil markets were well-balanced. That followed similar statements by other members, including Iraq, Algeria, Angola and Nigeria.

The Organization of Petroleum Exporting Countries and its allies — led by Saudi Arabia and Russia — will meet on Nov. 4 with pressure from oil consumers mounting as prices climb toward \$85 a barrel. The U.S., India, Japan and other importers are waging a campaign to force the group to ease last year's pandemic-triggered supply curbs more quickly. While Biden declined to say how he would react if OPEC+ doesn't change tack, analysts have speculated the U.S. might sell more of its strategic petroleum reserves.

OPEC+'s plan of boosting daily production by 400,000 barrels each month "is working well and there is no need to deviate from it," Angola Oil Minister Diamantino Pedro Azevedo said Oct. 31. Many members, including Saudi Arabia, have argued they shouldn't pump crude any faster because the pandemic is still sapping demand. Some in OPEC are already struggling to reach their higher output quotas after last year's deep cuts, and say bringing back more production would make their task even more difficult.

BP says global oil demand headed back to pre-COVID level

(Bloomberg; Nov. 2) - As world leaders discuss the fight against climate change, global oil demand will soon bounce back above the key level of 100 million barrels a day last seen before the COVID-19 pandemic, according to BP. Fossil fuel consumption is recovering despite growing urgency in the global effort to curb emissions of greenhouse gases. The resurgence is pushing prices to multiyear highs and threatening the world's economic recovery due to significant constraints in energy supplies.

That's been a boon for BP and its peers, which have reported big jumps in profits, but has prompted calls from countries for OPEC+ to open the taps. "Somewhere next year we will be above pre-COVID levels," BP Chief Financial Officer Murray Auchincloss said on a conference call Nov. 2. The surge back to 100 million barrels has happened despite the fact that air travel has yet to fully recover from the pandemic. It underscores how demand for diesel and petrochemicals has driven oil consumption the past two years.

The last time consumption was this high, U.S. shale drillers were pumping flat out and OPEC and its allies were holding only a modest amount of production capacity in reserve. The situation is very different today. U.S. oil output is about 1.7 million barrels per day below pre-COVID levels as shale firms focus on boosting returns to investors instead of chasing production growth. OPEC+ is reviving the supplies it idled during the pandemic, but at a rate that is too slow for many major energy-consuming nations.

China making big plans for more nuclear power

(Bloomberg; Nov. 2) - Nuclear power once seemed like the world's best hope for a carbon-neutral future. After decades of cost-overruns, public protests and disasters elsewhere, China has emerged as the world's last great believer, with plans to generate an eye-popping amount of nuclear energy, quickly and at relatively low cost. China has over the course of the year revealed the extensive scope of its plans for nuclear, an ambition with new resonance given the global energy crisis.

China's planning at least 150 new reactors in the next 15 years, more than the rest of the world has built in the past 35 years. The effort could cost as much as US\$440 billion. As early as the middle of this decade, the country will surpass the U.S. as the world's largest generator of nuclear power. China's government has never been shy about its interest in nuclear, along with renewable sources of energy, as part of President Xi Jinping's goal to make China's economy carbon-neutral by mid-century.

Earlier this year, the government singled out atomic power as the only energy form with specific interim targets in its official five-year plan. Shortly after, the chairman of the state-backed China General Nuclear Power Corp. articulated the longer-term goal: 200 gigawatts by 2035, enough to power more than a dozen cities the size of Beijing. It would be the kind of wholesale energy transformation that Western democracies — with budget constraints, political will and public opinion to consider — can only dream of.

Sinopec signs up for LNG supply from Louisiana project

(Asia Financial; Nov. 4) - China's Sinopec has signed a contract with U.S. developer Venture Global LNG to buy 4 million tonnes of liquefied natural gas annually for 20 years, the state-run Xinhua news agency said Nov. 4. The LNG will be supplied from Venture Global's plant in Plaquemines, Louisiana, and the deal is the largest LNG long-term contract signed between China and the United States, the agency said. It did not specify the value of the deal or when supply would begin.

Venture Global received permission on Oct. 29 to start early site work. The Federal Energy Regulatory Commission approved its request to start clearing activities north of the levee at Plaquemines, about 20 miles south of New Orleans. Venture Global is still

waiting for FERC to approve the start of work installing piles and pile caps for a heavy-haul bridge for transport of modules from offloading facilities on the Mississippi River.

Venture Global said on its website that it expects financial close on the project before the end of the year, which analysts said could allow the plant to produce its first LNG in 2024. Plaquemines would produce up to 20 million tonnes per year of LNG. Analysts have said the plant would cost about \$8.9 billion. In October, Reuters reported that Chinese buyers had agreed to three large deals with Venture Global as Beijing seeks to secure long-term supplies amid soaring gas prices and domestic power shortages.

China buying more U.S. LNG than ever; 17% of U.S. output in August

(The Wall Street Journal; Nov. 2) - At the height of the trade war in 2019, China all but cut off imports of U.S. liquefied natural gas. Today, China is buying more U.S. gas than ever. The turnabout is one consequence of the global energy shortage that has sent prices soaring. And it is a result of China's effort to cut its carbon emissions by reducing how much coal it burns. The energy shortage, China's most severe in years, has forced the government to curtail operating hours at factories and cut power in some cities.

The shortage is due to factors including stronger-than-expected demand for its factory exports as the global economy rebounds from the pandemic, increased movement toward gas from coal to fight pollution, and a lack of rain in parts of the country that has limited its hydroelectricity supply. LNG prices have surged in response. Benchmark rates for spot deliveries into Asia hit \$56 per million Btu early in October, more than 10 times where they were at the same point a year earlier. Prices have since fallen, but a cold winter could cause them to jump again, industry analysts said.

China's gas needs are already large and growing steadily as it pledges to cut demand for coal and seeks to hit a peak of carbon emissions by 2030. Surging U.S. LNG exports to China today are in contrast to just a couple of years ago, after China imposed tariffs on U.S. gas during the trade war. In August, according to the latest data from the U.S. Energy Information Administration, U.S. LNG exports to China topped 51 billion cubic feet, more than three times as much as at the same point in 2020. That accounted for more than 17% of total U.S. LNG exports and was the highest monthly total on record.

Rising U.S. LNG exports push more traffic through Panama Canal

(Natural Gas Intelligence; Nov. 3) - The Panama Canal Authority said a record amount of tonnage passed through the waterway during fiscal year 2021, a milestone driven in large part by liquefied natural gas cargoes, which saw the largest increase. "LNG is not only growing the fastest, but it has had its best year in terms of tonnage through the canal," said Deputy Administrator Ilya Espino de Marotta.

Overall tonnage in fiscal 2021 was up 8.7% from 2020 and 10% from 2019. LNG carriers registered a 31.4% increase in tonnage through the canal, “representing the largest gain across all segments,” the authority said. The additional cargoes were driven by rising LNG exports from the U.S. Gulf Coast. The canal is the preferred route between the Atlantic and Pacific, offering the shortest passageway to Asia, where high LNG prices have attracted more cargoes from North America and other supply sources.

EPA rules would cut methane emissions from oil and gas operations

(Reuters; Nov. 2) - The U.S. has unveiled a plan to slash emissions of the greenhouse gas methane from oil and gas operations as part of its strategy to crack down on climate change, drawing cautious support from environmental groups and drillers. The Nov. 2 announcement coincided with the U.N. climate conference in Scotland, where the U.S., the world's second-largest greenhouse gas emitter, is seeking to reclaim leadership on the world stage by demonstrating real steps to curb emissions at home.

President Joe Biden has set a target to slash greenhouse gas emissions by more than 50% by 2030 but is struggling to pass climate legislation through a deeply divided Congress, making policies by federal agencies more crucial. Methane is the second-biggest cause of climate change after carbon dioxide. Its high heat-trapping potential and relatively short lifespan in the atmosphere means cutting its emissions can have an outsized impact on the trajectory of the world's climate.

At the center of the plan to tackle methane emissions is an EPA proposal that will for the first time require oil and gas operators to aggressively detect and repair methane leaks. Oil and gas operations account for a third of U.S. methane emissions. The proposal will require companies to monitor 300,000 of their biggest well sites every three months, ban the venting into the atmosphere of methane produced as a byproduct of crude, and require upgrades to equipment such as storage tanks and compressors.

The rules will most likely take effect in 2023 and will be aimed at slashing methane from oil and gas operations by 74% from 2005 levels by 2035, equivalent to the emissions created by all U.S. passenger cars and planes in 2019, according to the summary.

Europe needs Russian gas, even if it conflicts with green agenda

(Bloomberg; Nov. 1) - Just a few major pipelines stand between hundreds of millions of people in the European Union and total energy collapse. This stubbornly indispensable infrastructure holds a dark secret for what is supposed to be the first continent to reach the post-fossil fuel era. Engineers from Russia's state-run giant, Gazprom, are charged with maintaining the tenuous supply of gas, and their work, at times, involves releasing immense clouds of super-warming methane on the route from the tundra to Europe.

A June 4 incident started off as routine maintenance. As Gazprom later described it, engineers found a defect serious enough to shut down the line, which involved releasing gas. It's a standard practice in Russia and elsewhere that operators see as the simplest and cheapest way to prevent explosions. Gazprom didn't break any laws. But methane has far more planet-warming power than carbon dioxide. That plume had the potential to trap the same amount of heat as emissions from burning 350,000 barrels of oil.

On that same day the EU's climate czar appeared on video screens across the bloc. Frans Timmermans talked up the world's most ambitious green policies. "It's about learning to live within planetary boundaries," he said. "It's rethinking the way we live." It's his job to promote the European goal to become the first climate-neutral continent, a pathway requiring nothing less than the complete transformation of an economy.

But Russia's gas lines are beyond the reach of EU climate measures. The continent has for decades relied on the gas to power electricity grids, run factories and heat homes. That relationship across thousands of miles of pipe is responsible for one of the biggest ongoing fossil fuel transfers on Earth — with supersized planet warming emissions.

[Russia delivers emergency cargo of Arctic LNG to China](#)

(High North News; Nov. 3) - Faced with a shortage of natural gas, China has received an emergency cargo of liquefied natural gas from the Russian Arctic. The shipment arrived in Shenzhen on Oct. 29 from Novatek's Yamal LNG plant. As gas prices in Asia as well as in Europe reach record highs, China continues to face domestic energy shortages, especially for power generation and industrial use. The cargo was delivered via Russia's Northern Sea Route aboard a specialized ice-capable LNG carrier.

Facing the potential inability to guarantee gas supply to power plants, China's National Pipeline Network Group coordinated the emergency shipment of LNG from the Arctic. The delivery was moved up by an additional four days to ensure demand could be met. The more than 3 billion cubic feet of gas — after it is offloaded and regasified — will be sufficient to meet the electricity demand of 1.5 million residents for one month.

China and Russia have cooperated in Arctic energy development, especially gas at Novatek's Yamal LNG facility — the region's first LNG plant — for the past decade. China banks on the growing availability of the Northern Sea Route to serve as an import route for Russian gas over the next 30 to 50 years. Russia's next gas project, called Arctic LNG-2, will come online by 2023. Currently, Russia is the sixth-largest supplier of LNG to China but is likely to rise to a spot in the top three within a few years.

Equinor will restart talks with Tanzania for natural gas development

(Reuters; Nov. 3) - Norway's Equinor said on Nov. 3 it will restart talks with Tanzania's government next week on the possible revival of plans to develop major natural gas reserves found in the east African country's waters. Equinor during the past decade made nine discoveries off Tanzania and was considering a liquefied natural gas project, but in January wrote off the entire book value of \$982 million, citing poor economics.

The Norwegian company is the operator of Tanzania's Block 2, which it estimated to hold more than 20 trillion cubic feet of gas in place, while ExxonMobil also holds a stake. Shell, meanwhile, operates Block 1 and Block 4, which are estimated to hold some 16 trillion cubic feet of recoverable gas, according to the company's website.

Talks on the future of all three blocks will restart at the initiative of Tanzania's authorities, with a focus on fiscal, legal and regulatory frameworks, an Equinor spokesperson said in an emailed statement.

Japan's JERA says it has sufficient LNG stocks for winter

(Reuters; Nov. 1) - Japan's biggest power generator JERA holds a larger inventory of liquefied natural gas than last year and it has adequate stocks for the winter demand season, an official said Nov. 1. "We have been securing supply quite heavily, which put us at risk of holding excess fuel. But we are doing everything we can," said Takashi Noguchi, executive officer at JERA, one of the world's largest LNG buyers.

"At this stage, we think we are holding enough stock for this winter," he told reporters. His comments confirm Industry Ministry data that Japan's LNG inventories held by major utilities as of mid-October were at the highest level in five years as a wider energy crunch gripping many countries raised the prospect of a second winter of shortages. Electricity prices in Japan rose to their highest in nearly 10 months on Nov. 1, amid elevated global prices for LNG and coal — the main fuels to supply country's power.

To supplement the fuel shortage, JERA, which imports about 32 million tonnes of LNG a year, urgently bought 3 million tonnes of LNG on the spot market for delivery between November and early March, Noguchi said. JERA, a joint venture between Tokyo Electric Power and Chubu Electric Power, last week reported that its net profit fell 60% to 43.8 billion yen (\$383 million) in the April-September period due to higher fuel costs.

China's gas suppliers find ways to pass on higher LNG costs to users

(S&P Global Platts; Nov. 1) – China's gas companies are finding ways to pass on high LNG import costs to users amid soaring global prices and the country's tight regulated price environment, which is largely designed to keep a lid on inflation and keep gas

affordable for critical sectors like winter heating and residential use. At its third-quarter briefing Oct. 29, state-owned PetroChina's chief financial officer said it plans to pass through the higher cost of spot-market LNG to buyers to help minimize losses.

"For natural gas cargoes which have been sold, [we] will stick to the contract prices, while the spot cargoes will be sold based on market prices," Chai Shouping said, also noting that most of the company's gas supply was under term contracts both with domestic buyers and global suppliers. Shandong province has recently allowed city gas distributors to sell their spot LNG cargoes at market prices to non-residential users, according to a notice by the Shandong Development and Reform Commission Oct. 22.

The regulator's move is expected to provide more purchasing options for non-residential users as well as encourage city gas companies to meet additional demand for gas, especially during peak periods, market participants said. City gas companies can already sell spot LNG to non-residential users at cost plus a distribution fee, but only if volumes exceed the annual or seasonal supply contracts, the SDRC said. The sales prices of pipeline gas for city gas distributors are regulated by the government.

[China making progress in its push for more coal and lower prices](#)

(Reuters column; Nov. 1) - As the U.N. COP26 climate summit gets under way in Glasgow amid dire warnings over the planet's future, the immediate focus in Asia is getting more coal to burn at cheaper prices. China fired the big guns at its coal markets last week when it unleashed a raft of measures designed to lower prices and boost supply, making a more determined effort to deflate the price for coal.

Beijing's efforts have paid some dividends, with coal futures and spot prices tumbling last week, though they remain well above levels that authorities believe are comfortable for miners and utilities. China's state planner, the National Development and Reform Commission, has said that its investigations show "coal production costs are significantly lower than current spot coal prices" and there is room for further declines.

In other words, China, the world's biggest producer, consumer and importer of coal, still has some way to go to lower coal prices. If the authorities are determined to achieve this, it will likely take ongoing efforts to regulate spot-pricing providers. Meanwhile, coal supply, both domestic and imported, is moving higher. The NDRC said on Oct. 29 that inventories have risen to more than 100 million tonnes, up by almost 25 million tonnes from the end of September, as average daily supply exceeds consumption.

Santos will proceed with Australia carbon capture and storage project

(S&P Global Platts; Nov. 1) - Australian LNG exporter Santos has made its final investment decision on the Moomba carbon capture and storage project, with first injections targeted for 2024, the company said Nov. 1. "This carbon reduction project in the South Australian outback will be one of the biggest and lowest cost in the world and will safely and permanently store 1.7 million tonnes of carbon dioxide per year in the same reservoirs that held oil and gas in place for tens of millions of years," Santos managing director and CEO Kevin Gallagher said.

The project, which is a joint venture with Beach Energy, has a price tag of A\$165 million. "We forecast a full lifecycle cost of less than \$24 per tonne of CO₂, including cash costs in operation of \$6 to \$8 per tonne of CO₂," Gallagher said. The project is part of Santos' plan to cut its Scope 1 and 2 emissions to net-zero by 2040.

Santos is also working with the Timor-Leste government on the possibility of using the soon-to-be-depleted Bayu-Undan field for carbon capture and storage. Santos said it has the potential to store about 10 million tonnes per year of CO₂. The company is planning to merge with fellow Australian Securities Exchange-listed company Oil Search, which would create a top 20 oil and gas entity.

Marine shipping executive supports carbon tax

(Bloomberg; Nov. 3) - The head of a major shipping company wants a carbon tax for his industry by 2025, and he's confident his customers are willing to pay for it. Making shipping pay for its pollution is vital if the industry wants to decarbonize by 2050, said Christian Ingerslev, CEO of Maersk Tankers, which manages the world's largest fleet of vessels that haul oil products. Eliminating emissions before mid-century would give the sector a chance to align with the Paris Agreement's goal of limiting global warming.

A high carbon price could trigger a surge in the cost of marine fuel, the industry's single biggest expense, pushing the industry to find other fuels. A.P. Moller-Maersk previously pitched a fee of \$150 a ton for CO₂, which would increase the cost of a common marine fuel in Rotterdam by about 75%, using current figures. Commodities giant Trafigura suggested \$250 to \$300 a ton.

Ingerslev said he doesn't have a specific starting price in mind, but he wants it "high." Even so, the effect will be insignificant because shipping — which transports more than 80% of goods traded globally — is still cheap, he said. "Transportation is a negligible cost relative to the products we consume," Ingerslev said in an interview at the Global Maritime Forum's Annual Summit last week. The cost of transporting a ton of diesel or jet fuel by ship is less than 5% of the cargo's value. Customers are willing to pay as long as they're paying the same as everybody else, he said.