Oil and Gas News Briefs
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Wall Street questions whether cheap oil will ever come back

(Bloomberg; Oct. 23) - Could the era of cheap oil supply be gone for good? That's the conclusion of some of the biggest commodities desks on Wall Street, where banks have been lifting their long-term price forecasts, often by $10 or more. While the U.S. shale boom brought about a "lower-for-longer" mantra, the market is now fixated on climate change and the dwindling appetite to invest in fossil fuels. Instead of growing supply, companies are under pressure to limit their spending, causing an underinvestment in new production that — the argument goes — will keep oil prices higher for longer.

The notion of a supply gap is nothing new. Since prices crashed in 2014, analysts have talked up the potential for demand to outstrip production as a result of underinvestment. But the rout in energy prices from COVID-19, combined with pressing environmental concerns, offer reasons to think this time is different. The number of oil and gas drilling rigs globally may have recovered from the lows of last year, but they are still down more than 30% on the start of 2020. Current figures are about as low as they were in 2016, according to Baker Hughes, despite crude prices being near a seven-year high.

Among the banks seeing higher prices for longer, Goldman sees $85 for 2023. Morgan Stanley bumped up its long-term price by $10 to $70 this week, while BNP Paribas sees crude at almost $80 in 2023. It implies that the commodity has become structurally more expensive. But not everyone supports the idea that prices can stay elevated. Citigroup said this month that crude above $60 looks unsustainable long term. A prolonged price above $50 could add 7 million barrels a day of new supply, bank analysts wrote.

Federal regulators extend look at oil and gas mergers

(Reuters; Oct. 21) - U.S. antitrust regulators have extended the approval process for at least five oil and gas mergers and acquisitions in the past three months, as the administration scrutinizes deals in a bid to tackle soaring energy prices, according to regulatory filings and corporate lawyers. The slowdown comes amid growing pressure on policymakers to respond to consumer angst over rising gasoline prices.

The move is also emblematic of a push by the Federal Trade Commission to protect consumers, workers, the environment and society at large. Under Chair Lina Khan, the regulator has taken a tough stance on deals ranging from technology to health care. Such scrutiny is rare in oil and gas, where deals typically sail past regulators, said more than a dozen industry sources, including lawyers and bankers advising on energy deals.

This is because these companies sell their output to a global market, and regional consolidation has no impact on energy prices dictated by supply and demand worldwide. The FTC is subjecting more deals to so-called second requests, seeking additional information and documents, the deal advisers said and the filings show. Second requests can delay regulatory clearance of deals by several months.

"I am aware of two mergers in the last couple of months where FTC staff did not see a need to issue a second request but were overruled by their management," said Darren Tucker, chair of the antitrust practice at law firm Vinson & Elkins. The regulator has not challenged a major oil and gas merger since BP's $27 billion acquisition of Atlantic Richfield in 2000. It sued to block the merger and only agreed to drop its objections after BP offered to divest oil production acreage in Alaska.

Saudis lobby against global call to reduce oil and gas investment

(The Wall Street Journal; Oct. 22) - Saudi Arabia is pushing fellow oil producers to present a united front at climate talks that start this month and oppose rising calls for a reduction in fossil-fuel investment, say people familiar with the strategy, arguing that such a restrictive move could further push up energy prices. The kingdom, along with key oil-producing allies, is arguing publicly and privately that calls for less investment in new oil and gas development at a U.N. climate summit that kicks off Oct. 31 in Scotland could lead to higher prices and widen the gap between rich and poor countries.

Oil-producing countries have emerged as a formidable group that is resisting what they describe as an unrealistic push by rich nations to limit fossil fuel investment as a way of lowering greenhouse gas emissions. The International Energy Agency, a group that monitors energy issues and whose members include much of the developed world, said in May that governments and companies should immediately halt investment in new oil and gas development if the world wants to achieve net-zero carbon emissions by 2050.

Prince Abdulaziz bin Salman, the Saudi energy minister, and Saudi Arabia's envoy to the Glasgow summit, Khalid Abuleif, have asked like-minded oil producers, including Nigeria, Kuwait and Oman, to push back against the IEA's investment recommendation, according to people familiar with the matter. Prince Abdulaziz is pushing the argument that such a rigid zero-investment target for new oil and gas development would reduce supply before global demand drops significantly, risking an oil-price superspike.

Saudi energy minister says pandemic could still weaken oil demand

(Bloomberg; Oct. 23) - Saudi Arabia said oil producers shouldn't take the rise in prices for granted because the coronavirus pandemic could still hit demand. "We are not yet out of the woods," Prince Abdulaziz bin Salman said to Bloomberg Television in Riyadh on Oct. 23. “We need to be careful. The crisis is contained but is not necessarily over.” As oil has soared to $85 a barrel, OPEC and its allies have been under pressure from major consumers to speed up supply increases following last year’s deep cuts to output.

The calls from importers such as the U.S., Japan and India have become louder in recent weeks as shortages of natural gas and coal push up prices in those markets to record levels. OPEC+ is raising daily production by 400,000 barrels each month, and has resisted pressure to do more. The oil market’s tightness has been exacerbated by some members failing to reach their output quotas. The cartel meets on Nov. 4 to decide whether to stick with its strategy.

Despite current market tightness, there could be a “huge uplift” in global oil inventories in 2022, the Saudi energy minister said. Global travel is still subdued, he said. “We don’t take things for granted, we still have COVID,” Prince Abdulaziz said. “We still have jet fuel limited in terms of growth. If you do more now, you’re accelerating the problem.” His predictions on supply and demand for next year are similar to those of many energy traders and Wall Street banks. JPMorgan Chase forecasts the daily supply balance in global markets will shift from a deficit to a surplus of 1 million barrels a day by March.

Crude stockpiles fall to low levels at Oklahoma hub

(Bloomberg; Oct. 22) - Stockpiles at the biggest U.S. crude depot are approaching critically low levels. The last time that happened, crude cost more than $100 a barrel. The storage tanks in Cushing, Oklahoma, require a minimum level of oil to maintain normal operations, which traders believe is around 20 million barrels. Unusual for this time of year, stockpiles declined more than 4 million barrels the past two weeks to 31 million and are expected to keep sliding due to the world's demand for U.S. light crude.

It’s a stunning reversal from last year when the pandemic prompted a glut of oil so big that traders resorted to storing it in tankers at sea. The drawdown, driven by a rapid demand recovery, has been exacerbated by an energy crisis that has sent European and Asian buyers looking for cheaper oil. Over the coming weeks, stockpiles are likely to fall further to the operational low, traders at some of the biggest oil merchants said.

Demand for Cushing oil surged because it was the cheapest in the world and stockpiles declined very quickly, according to a senior trader at one of the biggest U.S. crude exporters. Demand for U.S. barrels is higher than ever, the person added, noting that South Korea will have bought the most U.S. crude in its history in November. The global energy crisis has made the light, sweet, crude from Cushing more attractive on the global market because it has less sulfur than some other types of oil.

[Kuwait says it will invest to boost oil production]

(S&P Global Platts; Oct. 22) - Kuwait will be able to unlock some 500,000 barrels per day of potential output capacity in the next two years, the head of its state oil company said Oct. 22, seeking to allay concerns over the firm's own admission that its ability to pump crude had declined for the third straight year. In its latest annual report, released earlier in the month, Kuwait Oil Co. said its maximum sustainable production capacity had fallen to 2.579 million barrels per day as of March 31, down 572,000 from 2018.

However, that "doesn't provide a complete picture of the Kuwaiti oil sector's performance in general, nor KOC's performance," parent company Kuwait Petroleum Corp. CEO Hashem Hashem said in a statement. He said a drilling program of 500 wells annually and construction of two gathering centers, as well as water injection facilities and other infrastructure, are currently underway to achieve a capacity boost of 500,000 barrels per day in the next two years.

That will eventually enable the country to reach a potential output rate of 3.2 million barrels per day in 2025, Hashem said. Kuwait pumped 2.47 million in September, its most since it hit a record high of 3.15 million in April 2020. In September, Kuwait announced plans to invest $6.1 billion on exploration over the next five years. Analysts have cast doubt on the production targets, noting that the country's oil sector has been hampered by political instability, which has seen a succession of short-tenured oil ministers and much turnover of leadership positions at KPC and its subsidiaries.

[Russia worries that high natural gas prices will hurt demand]

(Bloomberg; Oct. 20) - Russia is becoming increasingly concerned that surging natural gas prices risk demand-destruction in its biggest export market. “Such a situation, at the end of the day, is leading to lower consumption, and this will affect our producers, including Gazprom,” President Vladimir Putin said at a government meeting Oct. 20 that was broadcast by Rossiya 24 TV. “This is why we are not interested in endless growth of energy prices, including gas.”

Benchmark gas prices in Europe, the main market for Russian exports of the fuel, have broken record after record in recent weeks, as capped pipeline supplies to the region and intense competition with Asia for liquefied natural gas cargoes have caused a supply shortage. The crunch is driving up costs for businesses, households and even the price of food. Several European industries have seen large energy users curb operations that are too expensive to run, including chemicals and fertilizer plants.

So far, Russia hasn’t sent any significant additional gas to the region’s spot market to ease the crunch, citing the priority for filling up domestic storage ahead of winter. Gazprom’s exports to Europe have been lower year-on-year since late August, with some officials on the continent blaming Russia for contributing to the crisis by intentionally withholding additional volumes. Russia is completing its campaign to refill domestic gas inventories ahead of winter, with 97% of the planned volumes reinjected, Energy Minister Nikolay Shulginov told Putin at the government meeting.

LNG buyers look at new term contracts with price floors and caps

(Reuters; Oct. 22) - Surging liquefied natural gas prices are pushing buyers to look at securing long-term contracts, possibly with an option for a floor price and also a ceiling price to hedge against extreme volatility, the CEO of India's top gas importer said on Oct. 22. "Such a volatility was never seen in the history of LNG markets. We have seen the lowest and the highest prices in the last one year," A.K. Singh, chief executive of Petronet LNG, told the India Energy Forum by CERAWeek, an industry event.

Asia spot LNG prices dropped to a record low of below $2 per million Btu in May 2020, when coronavirus-induced lockdowns depressed gas demand. Earlier this month, they rocketed to a record high above $56. Prices have pulled back to around $30 since, but remain up nearly 500% from last year. "Every dark cloud has a silver lining and this (high price) situation is pushing people to have more long-term contracts than normally and that could be the best thing for the gas economy across the world," Singh added.

Lower spot prices had hurt investment in gas production, leading to supply constraints when demand rebounded as the global economy recovered after the pandemic. Low prices also encouraged buyers to take advantage of spot prices. Global spot and short-term LNG contracts now account for over 40% of overall volumes, doubling in the past decade, partly a result of Asian buyers hesitating to sign long-term deals amid energy uncertainties, according to the head of Asia gas and LNG research at Wood Mackenzie.

India interested in buying oil under long-term contracts, like LNG

(S&P Global Platts; Oct. 20) - India is open to the idea of a term deal with OPEC+ to ensure price stability in crude supplies, Oil Secretary Tarun Kapoor said Oct 20 at the India Energy Forum by CERAWeek. A term deal could ease volatile price swings detrimental to the economic growth of Asia third-largest economy. Such a contractual crude supply deal could take a cue from India's existing long-term liquefied natural gas supply deals with countries like Qatar, Kapoor said.

"Much like gas contracts that are of up to 25 years duration and priced at some benchmark, oil too should have long-term contracts with pricing benchmarked at some alternate fuels such as coal or even gas," Kapoor said at the forum. India, the world's third-biggest importer and consumer of crude, meets about 85% of its demand via overseas purchases with Iraq, Saudi Arabia and the United States being the top three suppliers. India also imports 55% of its natural gas demand via imports.

Kapoor said OPEC+ needs to raise crude output to meet the needs of its customers like India. Currently, India strikes one-time deals to buy crude from oil suppliers at the prevailing market price. He said a term deal would ensure only stability in volume and not the price, which would be linked to the global market at the time of delivery. India has communicated to crude producers, including OPEC, that high oil prices are counterproductive for oil producers and hasten the transition to alternate fuels.

Japan’s JERA prefers short-term LNG deals, for now

(S&P Global Platts; Oct. 22) - Japan's JERA, the world's biggest LNG buyer, prefers short-term supplies, for now, versus new large long-term fixed contracts that Chinese end-users have recently been signing with U.S. suppliers, an executive told S&P Global Platts in an interview on Oct. 22. Citing the same factors that spurred the blitz in commercial activity — price and demand volatility — Sunao Nakamura, a senior managing executive officer and chief of optimization at JERA, said the company was in no rush to dramatically change its procurement strategy.

With U.S. supplies accounting for roughly 10% of Japan's total LNG imports, JERA has considered expanding its relationship with Gulf Coast exporters, Nakamura said. At the same time, he said, market swings require JERA to be cautious, even as it recognizes the benefits of cheaper input costs for feed gas and destination flexibility of contracts.

"Fixed price would be a risk for us, and we need to be cautious to introduce that type of pricing," Nakamura said. "It's more difficult to predict our future demand … it is our tendency to shift to a short-term rather than having a longer term contract. I'm now observing that the LNG spot market is growing. We have to have a better capability to utilize the marketplace, rather than sticking to a large long-term contract."

Production problems hinder flow at two U.S. LNG export terminals

(Bloomberg; Oct. 22) - Production issues at two of the largest U.S. liquefied natural gas export terminals threaten to reduce shipments just as an energy crisis hits Europe and Asia, where buyers are desperately trying to rebuild depleted inventories ahead of winter. Freeport LNG is experiencing a wax buildup in its pipelines due to impurities in the gas it receives, said sources who asked not to be identified. As a result, LNG shipments from the Texas terminal will be reduced through November, the sources said.

About 60 miles south of Houston, the plant is fed by company-owned pipelines that run from a pair of company-owned facilities near the City of Oyster Creek, state records show. Gas flows to the terminal were down 9.5% from the previous day, estimates from BloombergNEF show. Despite the slowdowns, the facility is still loading and exporting.

Meanwhile, liquefaction Train 3 at Cheniere Energy's Sabine Pass LNG export terminal is down due to mechanical issues but the situation is not as serious as Freeport, people with direct knowledge said. Gas flows to the plant are down about 21% from the previous week, BloombergNEF figures show. The issues at the two LNG export terminals — which together account for more than half of U.S. production — come at a time when European and Asian buyers are seeking to build inventories ahead of winter and are paying nearly six times the prices of natural gas in the U.S.

Louisiana LNG project asks permission to start commissioning

(Reuters; Oct. 22) - U.S. liquefied natural gas company Venture Global LNG asked federal regulators on Oct. 22 for permission to start commissioning liquefaction systems at the company's Calcasieu Pass LNG export plant in Louisiana. In a filing with the Federal Energy Regulatory Commission, Venture Global said it has fulfilled the environmental conditions needed to start commissioning and requested FERC give permission to proceed no later than Oct. 29.

Venture Global filed for permission to build the project in September 2015 and received FERC approval to start construction in February 2019. The plant is expected to start producing LNG in test mode later this year before entering commercial service in early 2022. Venture Global is installing 18 modular liquefaction trains at Calcasieu to produce about 10 million tonnes per year of LNG, equivalent to about 1.5 billion cubic feet per day of natural gas. Analysts estimate the plant cost about $4.5 billion.

In addition to Calcasieu, Venture Global has about 60 million tonnes per year of export capacity at various stages of development in Louisiana, including the 20-million-tonne Plaquemines terminal, which could start construction later this year, the 20-million-tonne Delta and 20-million-tonne CP2 project, both of which are under consideration. Several firms have entered long-term deals to buy LNG from Calcasieu, including units of Shell, BP, Edison, Galp Energia, Repsol and Polish Oil and Gas Co.

FERC predicts average U.S. natural gas price this winter at $5.63

(Natural Gas Intelligence; Oct. 21) - Despite projecting higher-than-average temperatures across much of the United States this winter that would typically dampen gas-fired power demand, FERC on Oct. 21 predicted rising natural gas prices for the period. A newly released Federal Energy Regulatory Commission report, "2021-2022 Winter Energy Market and Reliability Assessment," anticipates an average Henry Hub futures price of $5.63 per million Btu for November through February 2022. The price forecast represents a 103% increase from the winter 2020-2021 settled futures price.

Among various hubs, FERC said it expects the highest winter 2021-2022 futures prices at the Algonquin Citygate hub near Boston to reach $18.18 — a sharp increase from $4.20 last winter. The commission report cited limited New England pipeline capacity and stiffening global competition for liquefied natural gas cargoes as key factors driving its Algonquin price projection.

The FERC outlook predicted U.S. gas production to average 94 billion cubic feet per day this winter — a 3.2 bcf per day increase from the same period in 2020-2021. In terms of average winter demand, the report assumed a 2.5% year-on-year increase to 111 bcf per day, with much of that demand increase going out as liquefied natural gas exports. The U.S. continues to import substantial volumes of gas from Canada.

High natural gas prices add substantially to refinery costs

(Houston Chronicle; Oct. 21) - Surging natural gas prices are threatening to eat up the profit some oil refiners are making on their fuels, forcing them to cut processing rates and even altering normal crude-buying patterns. Natural gas — specifically methane — is central to making the hydrogen that oil refineries rely on for diesel-producing units called hydrocrackers and hydrotreaters, which help to eliminate sulfur.

The natural gas price surge has added up to $6 per barrel to the cost of processing more sulfurous crude grades — as much as a tenfold increase compared with two years ago — according to the International Energy Agency. It is yet another example of how the energy crisis is sprawling across markets and industries.

“If you’re a European refinery you’re making hydrogen by steam reforming of methane, and the price of methane is unbelievable,” said Callum Macpherson, head of commodities at Investec. The hike might, in theory, make some refinery operations unprofitable, said the IEA, an adviser to oil-consuming nations. The extent of the problem is far from clear because an unknown proportion of refineries will have secured their gas through long-term contracts, meaning they aren’t exposed to spot prices.

BP signs small deal to supply gas to Chinese buyer

(Reuters; Oct. 20) - BP has signed a sales and purchase agreement with a unit of China's Shenzhen Gas Group to supply natural gas for 10 years starting in 2023, BP said in a statement Oct. 20. Under the agreement, BP will provide up to 14.4 billion cubic feet of gas per year from the liquefied natural gas receiving terminal of Guangdong Dapeng LNG in Shenzhen, where BP holds regasification capacity.

BP said the fuel will be indexed to international LNG prices. The announcement did not specify the source(s) of the gas that will be delivered to the LNG import terminal. At 14.4

bcf a year, the gas would be the equivalent of about five standard-size LNG carriers. BP has a similar deal with Guangdong-based Foran Energy Group to supply pipeline gas from the same terminal.

China pushes to boost coal output, challenging climate goals

(Bloomberg; Oct. 21) - Drones buzz above traffic-clogged roads in Ordos, Inner Mongolia, as white-capped police officers attempt to manage lines of hundreds of trucks waiting to load with coal. Many have been there for days. The jams disrupting the Chinese city, one of the most critical coal hubs anywhere, show the enormous task facing the world’s top energy consumer as it races to ease a power crisis that’s stifling key industries and that some economists warn risks crimping global growth.

For more than a month, energy shortages have rippled through China’s centers for steel, aluminum and cement, while prices of coal — which the country relies on for almost two-thirds of its electricity — have made huge gains. As the approaching winter threatens to ratchet up demand, authorities are taking extraordinary steps to intervene.

These include reversing recent moves toward cleaner energy and better safety standards by reviving old and dirty coal mines; scrapping rules intended to keep power prices in check for industrial consumers; and considering increasing imports of foreign fuel at a time when trade relations with countries like Australia and the U.S. remain frayed. Yet even these measures look unlikely to be drastic enough.

“China could see its worst winter power shortage since 2010,” said Citigroup analyst Tracy Liao. “This would increase stagflation risks and growth pressure on the Chinese and the global economy over the coming winter, push energy prices higher and propel large-scale curtailments in commodity downstream sectors.” Interviews with officials, coal traders and mine engineers underscore the scale of the challenge. China must fix its energy supply crunch, curb wild price gains, and keep its climate goals on track.

Saudi Arabia targets net-zero emissions by 2060

(Reuters; Oct. 23) - Saudi Arabia's crown prince said on Oct. 23 that the world's top oil exporter aims to reach zero-net emissions by 2060 and more than double its annual target to reduce carbon emissions. Crown Prince Mohammed bin Salman and his energy minister said Saudi Arabia would tackle climate change while ensuring oil market stability, stressing the continued importance of hydrocarbons.

They were speaking at the Saudi Green Initiative, which comes ahead of the U.N. climate change conference in Glasgow at the end of the month, where several nations hope to agree on deeper emissions cuts to tackle global warming. China and India, the top emitters of greenhouse gases after the United States, have resisted committing to a 2050 timeline to achieve net-zero, a target that U.S. President Joe Biden's administration has adopted.

"The Kingdom of Saudi Arabia aims to reach zero-net emissions by 2060 under its circular carbon economy program ... while maintaining the kingdom's leading role in strengthening security and stability of global oil markets," Prince Mohammed said in recorded remarks. He said the kingdom would join a global initiative on slashing emissions of methane by 30% from 2020 levels by 2030, which both the United States and the EU have been pressing.

Mitsubishi plans to invest $17 billion in decarbonization efforts

(Reuters; Oct. 18) - Japan's Mitsubishi will invest 2 trillion yen ($17.54 billion) by 2030 in alternative energies such as renewables and hydrogen to drive its decarbonization efforts and cut emissions, it said on Oct. 18. Mitsubishi, a trading house and mineral resources company with energy and metals assets worldwide, aims to halve its greenhouse gas emissions from 2020 levels by 2030 and to achieve net-zero emissions by 2050, it said in a statement.

The move comes as oil and coal producers and consumers worldwide accelerate a move away from fossil fuels by investing in cleaner energy and developing technology to eliminate climate-warming gases. About half of Mitsubishi's funds will be spent on expanding its renewable-energy assets, mainly wind power, while the rest will go to hydrogen and ammonia, liquefied natural gas and metals used in electrification and batteries. The company said it will keep investing in LNG, as it believes it will play an important role as a transitional energy, but plans to use carbon capture and storage and other technology to cut carbon dioxide emissions in the LNG supply chain.

Israel may build new pipeline to send more gas to Egypt

(Reuters; Oct. 21) - Israel is considering the construction of a new onshore pipeline to Egypt in order to quickly boost natural gas exports to its neighbor in the wake of the recent tightening of global supplies, the Israeli energy ministry said. The pipeline, which would connect the Israeli and Egyptian gas grids through the north of the Sinai Peninsula, is estimated to cost around $200 million and could be operational within 24 months, industry sources who are close to the discussions told Reuters.

A new onshore line, coupled with plans to construct a second subsea pipeline to Egypt within a few years, will further cement Israel's position as an energy hub in the eastern Mediterranean, which has upended diplomatic relations with countries in recent years. Israel became a supplier of gas to energy-thirsty Egypt in January 2020 after starting production from its Tamar and Leviathan offshore fields. Around 175 billion cubic feet per year of gas is being supplied via a subsea pipeline connecting Israel and Egypt.

The new pipeline would allow up to doubling of gas supplies into Egypt, the sources said. The additional gas would supply Egypt's power grid and also go toward boosting liquefied natural gas exports from Egypt to Europe and Asia.

East Timor supports storing CO^2 in depleted offshore gas field

(Reuters; Oct. 21) - East Timor wants to press ahead with plans for a carbon capture and storage project in a depleted oil and gas field off its coast as it races to fill a multibillion-dollar revenue hole starting in late 2023 when the field dries up. The Bayu Undan field southwest of the impoverished Pacific island nation has been the country's biggest source of revenue since it started producing oil and gas in 2006, providing more than $23 billion in revenue.

The field, now operated by Australia's Santos, is expected to stop producing in 2023. Santos has proposed to use the Bayu Undan reservoir for capturing and storing carbon dioxide from a new field it is developing off northwestern Australia, the $3.6 billion Barossa project, where the gas has a very high carbon dioxide content. East Timor sees the Bayu Undan carbon capture and storage project — the first in the country — as essential to other oil and gas projects that it wants international companies to develop.

Developing oil and gas fields with linked carbon capture storage offers the potential to make them carbon neutral, amid global goals to slash carbon emissions. The Bayu Undan CCS project is expected to cost "above $1 billion," said Florentino Soares Ferreira, president of East Timor's National Petroleum and Minerals Authority. Santos declined to comment. Barossa is due to start producing gas in 2025, and Santos has said it expects the Bayu Undan CCS project to be ready when the field starts up.

Canadian propane prices triple over past three months

(Financial Post; Canada; Oct. 21) - While all eyes have been on natural gas, Canadian propane prices have been skyrocketing too, thanks in large part to a huge export market for the heating fuel. Propane, usually produced as a byproduct or derivative of natural gas, has jumped in the past three months, with prices in Edmonton up 296% to US$1.40 per gallon, according to ATB Capital Markets.

That rise is sharp enough to dramatically reduce the discount that Canadian propane prices usually face compared with pricing hubs like Mont Belvieu in Texas, where propane reached US$1.48 per gallon earlier this week. Across North America, price of the fuel has risen faster than natural gas. Propane prices have recently hit a 7.5-year high and are on course for their strongest rally since 2009, according to Bloomberg.

IHS Markit recently warned the U.S. propane market could face “Armageddon” this winter, as some U.S. markets are expected to run short. Propane inventories in the U.S. were 21% below the five-year average for storage in the middle of September, which Scotiabank noted was “concerning heading into winter.” Part of the problem is that North American propane exports to Europe and Asia boomed the past 10 years, amid weak prices at home. In the past 10 years, North American exports of propane have risen from 100,000 barrels per day to over 1 million.

Canadian oil producers skeptical of Trudeau’s 2025 emissions pledge

(Reuters; Oct. 21) - Canada’s oil producers face new pressure from Prime Minister Justin Trudeau to reduce emissions in just three years, a sudden acceleration of their plans that at least one major company said looks unrealistic. Suncor Energy, the second-largest Canadian crude producer, says it remains focused on cutting emissions by 2030, not 2025 as the Canadian government will require.

“Honestly, 2025 is going to be tough,” Martha Hall Findlay, Suncor’s chief sustainability officer, told Reuters. “That’s not a number we’ve used, it’s a number the feds have used.” Trudeau's advanced timetable for cuts to the oil sector's total emissions by 2025, announced last month, comes as the sector has focused on longer-term targets and on reducing emissions on a per-barrel basis.

“That is light speed for an oil sands company,” Kevin Birn, chief analyst of Canadian oil markets at consultancy IHS Markit, said of Trudeau’s demand. “They’re a very hard ship to turn because they have so much emissions.” The 2025 pledge came as a surprise. “We had obviously been having conversations with the feds long before the budget came out last spring, long before the (election) campaign,” Hall Findlay said. “None of those discussions have mentioned 2025. At Suncor, we’re laser-focused on 2030.”