

# Oil and Gas News Briefs

## Compiled by Larry Persily

### December 15, 2022

#### **Europe's largest bank says no more new oil and gas investments**

(BBC News; Dec. 14) – Europe's largest bank, HSBC, has announced it will stop financing new oil and gas fields, as part of its efforts to drive down global greenhouse gas emissions. Environment groups said the move sends "a strong signal" to fossil fuel giants that investment is waning. The bank said it made the decision after receiving advice from international energy experts. It comes following previous criticism of HSBC for funding oil and gas projects despite its green pledges.

ShareAction, a charity that campaigns for reduced investment for fossil fuels, called on other banks to follow suit — saying the HSBC move sets a "a new minimum level of ambition" for the sector. In 2020, HSBC made a pledge to be "net zero" — which means not adding to greenhouse gases already in the atmosphere — and investing up to \$1 trillion (£806 billion) in clean energy. However, the bank came under criticism earlier this year when it was revealed it had invested an estimated \$8.7 billion (£6.4 billion) into new oil and gas ventures in 2021, according to ShareAction.

In the update to its energy policy, the bank said the decision had been made "follow(ing) consultation with leading scientific and international bodies" that had estimated that current oil and gas fields would meet any demand to 2050 under a "net-zero" scenario. HSBC follows Lloyds Bank — Britain's biggest domestic bank — which announced a similar decision in October. Tony Burdon, chief executive at climate finance campaign Make My Money Matter, said, "It's another nail in the coffin for fossil fuel expansion, and a massive signal to other U.K. banks that the game is up on new oil and gas."

#### **IEA forecasts oil prices could rally next year if Russian output slips**

(Bloomberg; Dec. 14) - Oil prices could rally next year as sanctions squeeze Russian supplies and demand beats earlier expectations, the International Energy Agency said. Russia's output — which defied the agency's previous predictions of collapse this year — is poised to plunge 14% by the end of the first quarter, the IEA said in a report Dec. 14. If that forecasts holds true, it could reverse the recent trend in oil futures, which have retreated to \$80 a barrel in London after their worst weekly slump in four months.

"While lower oil prices come as a welcome relief to consumers faced by surging inflation, the full impact of embargoes on Russian crude and product supplies remains to be seen," the IEA said. "As we move through the winter months and toward a tighter oil balance in the second quarter, another price rally cannot be ruled out."

It's a softer warning on prices than recent messages from the IEA, which a few weeks ago was highlighting the risk of a supply squeeze and urging OPEC+ to reverse its latest production cuts. The IEA acknowledged that Russian exports have continued to swell despite its repeated predictions that an international boycott would slash shipments. Moscow's oil exports climbed to a seven-month high of 8.1 million barrels a day in November. Russian output will finally begin to buckle this month as European Union sanctions force it to shut in about 400,000 barrels a day, the agency predicts.

## **OPEC doesn't expect latest sanctions to affect Russian oil production**

(Wall Street Journal; Dec. 13) - OPEC on Dec. 13 maintained its outlook for global oil supply and demand, suggesting it doesn't expect Western attempts to set a price cap for Russian oil to have much impact on global flows. The Organization of the Petroleum Exporting Countries left its forecasts for oil supply growth from non-OPEC countries largely unchanged at 1.9 million barrels a day in 2022 and 1.5 million barrels in 2023.

The Vienna-based oil producers group also held off from revising its oil demand growth forecasts for both this year and next. It expects demand to grow by 2.6 million barrels a day this year and 2.2 million barrels in 2023. OPEC's latest forecasts suggest the group sees little reason so far to expect Russian oil production to be badly hit by the latest Western sanctions. A European Union ban on Russian oil came into effect at the start of the month, as did a U.S.-led plan to cap the price of Russian oil sold internationally.

But while the measures had prompted fears that more Russian crude could be stranded in the country, the initial reaction from markets has been muted. Meanwhile, Russia has yet to carry out threats that it would respond by intentionally cutting production. In its monthly oil market report, OPEC actually revised higher its forecast for Russian crude output next year to 10.11 million barrels a day from an earlier estimate of 10.08 million, but noted that there was "high uncertainty" surrounding Russian production.

## **China's oil demand could return, squeezing market**

(Fortune; Dec. 12) - If the energy crunch was bad this year, China's recent loosening of COVID-19 protocols could spell a disastrous global squeeze in 2023. Since the Russian invasion of Ukraine in February, many countries have had to contend with rising energy bills, sparked by sudden cutoffs in Russian oil and gas shipments. Many countries have resorted to energy rationing and stockpiling reserves ahead of winter.

So far, they have largely been successful in their efforts. Europe, at high risk of an energy crisis due to its elevated reliance on Russian oil and gas prior to the war, was declared "off the hook" this winter by International Energy Agency chief Fatih Birol on Dec. 12 as the continent has benefited from a mild winter so far. But if Europe manages

to avoid a severe energy crisis this winter, it is also because of China's weak energy demand and sluggish economy this year due to the country's zero-COVID policy.

China's commitment to eradicating COVID has been a safety net, but as it eyes a wider reopening in 2023 that safety net could go away. China's energy demand is forecast to grow by the equivalent of 3.3 million barrels of oil a day next year, up from no growth in 2022, according to S&P Global's Dec. 12 energy outlook report. This would represent 47% of global energy demand growth next year. "China's COVID policy is the most important fundamental factor for global demand in commodities and energy in 2023," said Dan Klein, head of Energy Pathways at S&P Global Commodity Insights.

### **China's oil demand could resume growth after COVID wave passes**

(Reuters columnist; Dec. 13) - China's exit from a coronavirus suppression strategy relying on lockdowns will eventually boost oil consumption by more than 1 million barrels per day as domestic and international travel rebounds. But first the country will have to endure a massive exit wave of infections that disrupt economic activity and travel, depressing oil consumption in the short term.

Exit from lockdowns is likely to have a J-curve effect, lowering oil consumption and prices in the first quarter of 2023 but increasing both later in the year. Since the first quarter of 2020, strict lockdowns and quarantines have had a massive negative impact on passenger travel inside China as well as with destinations outside the country. The number of passengers carried on all modes of transport in the first 10 months of 2022 was down by 67% compared with the same period in 2019.

China's consumption is set to rise by 1 million barrels per day or more by the end of 2023 as travel restrictions unwind and manufacturing recovers. First, though, China is likely to suffer a massive exit wave of infections, curtailing travel and business activity as households minimize social contacts and possible virus exposures. But once the exit wave has passed, China's resumed growth will renew pressure on oil and other supply chains. Unless there is a global recession, China's reopening is likely to cause oil and other energy markets to tighten, renewing upward pressure on prices later in 2023.

### **India buying up Russian crude at even steeper discount**

(Reuters; Dec. 14) - Russia's flagship Urals crude has been sold at deeper discounts this month following a European ban on Russian oil imports, as dominant buyer India has bought barrels at well below a \$60 price cap agreed by the West, four market sources said. The European Union ban on imports of Russia's seaborne oil has driven Moscow to seek alternative markets, mainly in Asia, for about 1 million barrels per day.

Also on Dec. 5, the Group of Seven leading economies implemented a \$60 price cap on Russian seaborne oil to try to limit Moscow's ability to finance its war in Ukraine. The Western actions have left Russian producers in fierce competition with each other and with suppliers from Asia, Europe and the Middle East, meaning their best hope of finding buyers is to lower prices, two traders said.

Since Russia began its invasion of Ukraine in February, India has become the main outlet for seaborne cargoes of Urals crude. For some deals this month, the price for Urals in Indian ports, including insurance and delivery, has fallen to around minus \$12 to \$15 per barrel versus a monthly average of dated Brent. The discounts mean oil is in some cases being sold below overall production cost including local levies. India, the second-largest oil consumer in Asia, is better located to buy Urals than China because of a shorter transport route, and its refineries are well-suited to processing Russian oil.

### **New Mexico oil revenue could exceed state obligations by \$4.3 billion**

(Associated Press; Dec. 12) - The state of New Mexico is likely to inherit a new, multibillion-dollar financial windfall largely from surging oil production and high prices amid Russia's war on Ukraine, economists told a panel of state legislators on Dec. 12. Economists from four state agencies revised upward estimates of government income that are the basis for budget negotiations when the Legislature convenes in January.

They estimate state government income of nearly \$12 billion for the fiscal year running from July 2023 to June 2024. That revenue would exceed current annual general fund spending obligations by \$3.6 billion — or 43%. The forecast enhances the potential spending authority of newly reelected Democratic Gov. Michelle Lujan Grisham and members of the Democratic-led Legislature.

Democratic state Sen. George Munoz of Gallup said the state has a unique opportunity to make investments that expand economic opportunity and rein in dependence on petroleum production in the future. "No one in this state's history has ever had this opportunity," said Munoz, vice chairman of the legislature's lead budget-writing committee. "We can really set this state up to not be dependent on oil and gas."

If the income forecast comes to fruition, billions of dollars will automatically flow to a new investment fund designed to underwrite early childhood education. The balance could reach \$8 billion by 2024. Money is pouring in from a variety of taxes and fees. Much of it can be traced to oil and gas development in New Mexico's portion of the Permian Basin. New Mexico in 2021 became the No. 2 oil producer in the nation, behind Texas.

## **Permian Basin production growth slows down**

(Bloomberg; Dec. 12) - Analysts say the Permian Basin could reach a production plateau within five years. Producers in the basin's two main zones are pumping less oil per foot drilled in each new well. Output guidance from Chevron, ExxonMobil and Devon Energy has shown that U.S. shale growth is coming in at the low end of expectations. U.S. shale, led by the Permian, has provided 90% of global oil output growth in the past decade, according to research firm Enverus.

The basin made the U.S. the biggest oil producer ahead of Saudi Arabia. A shale slowdown means the world can no longer rely on the U.S. to be its swing oil supplier, capable of ramping up or down quickly to temper a volatile market. It also complicates the Biden administration's efforts to tame pump prices. "U.S. supply is already materially slowing down," said Francisco Blanch, head of commodities research at Bank of America. "It's giving OPEC a lot of comfort to come in and keep prices elevated because they don't fear U.S. shale like they did in the past."

U.S. shale's spectacular growth — adding more crude to global markets from 2012 to 2020 than the entire current production of Iraq and Iran combined — became a thorn in the eye of OPEC, which saw its market dominance threatened. But U.S. output tumbled at the start of the pandemic and is still about 1 million barrels per day below the record 13 million reached in early 2020. Skyrocketing costs for labor and equipment, as well as pressure to return more cash to shareholders, are partly to blame for drillers' restraint.

## **Keystone oil line shutdown cuts supply to Gulf Coast refiners**

(Wall Street Journal; Dec. 14) - A weeklong shutdown of the Keystone oil pipeline is squeezing U.S. Gulf Coast refiners, who now have to replace hundreds of thousands of barrels that are no longer flowing through the system. The 2,700-mile Keystone pipeline shut down Dec. 7 after a rupture in Kansas spilled an estimated 14,000 barrels of crude oil, said its operator TC Energy — the largest such reported leak in the line's history. The spill is now one of the largest in the U.S. in more than a decade, and the company hasn't disclosed what caused it or said when the pipeline would be fully operational.

TC Energy said Dec. 14 it notified customers and regulators it was restarting operations on sections of the pipeline unaffected by the leak. Those sections extend from Western Canada to an oil center in Illinois. A segment of the line reaching farther south remains shut. Keystone's shutdown is likely to accelerate a decline in already falling oil reserves at the main U.S. storage hub in Cushing, Oklahoma, and push U.S. oil prices higher.

The shutdown isn't immediately expected to affect prices at the pump because of lower demand for gasoline in the winter and the fact that fuel makers can find other sources of oil, though Keystone is a crucial conduit for Canadian oil to the U.S. About 622,000 barrels of crude flow through the system daily, the company told investors last month.

The pipeline system begins in Alberta and takes oil to Midwest and Gulf Coast refiners. It's one of nearly two dozen lines that pass through the oil storage center at Cushing.

### **Cleanup efforts start to recover oil from pipeline spill in Kansas**

(Associated Press; Dec. 13) - The company operating the pipeline that spilled 14,000 bathtubs' worth of oil into a Kansas creek during a test for potential problems is recovering a portion of the crude. The U.S. Environmental Protection Agency said Dec. 13 that Canada-based TC Energy has recovered 2,598 barrels of oil mixed with water from the 14,000-barrel spill on a creek running through pastureland in Washington County, 150 miles northwest of Kansas City. Each barrel is enough to fill a bathtub.

Last week's rupture forced the company to shut down the Keystone system; it hasn't said when it will come back online. The pipe moves Canadian crude into the U.S. Midwest and midcontinent. TC Energy said it is working around-the-clock to suck up spilled oil using trucks equipped with what essentially are large wet vacuums. No one was evacuated; officials said no drinking water was affected. The company has promised to fully comply with regulators and to work until it has fully remediated the site.

Concerns that spills could pollute waterways spurred opposition to plans by TC Energy to build another crude oil pipeline in the same system, the 1,200-mile Keystone XL, across Montana, South Dakota and Nebraska. President Joe Biden's cancellation of a permit for the project led the company to pull the plug last year. Last week's spill was the largest on the Keystone system since it began operating in 2010 and the largest onshore spill since a Tesoro pipeline rupture in North Dakota leaked 20,600 barrels in September 2013, according to U.S. Department of Transportation data.

### **Keystone oil line from Canada has history of spills**

(CBS News; Dec. 12) - A small Kansas county became a site of a significant pipeline failure last week as the Keystone pipeline leaked an estimated 14,000 barrels of crude oil into a creek — the largest spill in its history. The system stretches more than 2,600 miles from Canada to the U.S. midsection. The pipeline has had nearly two dozen accidents since it went into service in 2010, according to a report from the U.S. Government Accountability Office, a history similar to other oil pipelines.

There are dozens of "significant" oil pipeline incidents every year in the U.S., according to the Pipeline and Hazardous Materials Safety Administration, costing more than \$3 billion and leading to the deaths of six people since 2002. More than 719,000 barrels of crude oil have been lost in that time. It's not uncommon for smaller-scale oil pipeline breaches to occur in the U.S. But what makes the Keystone line different, the GAO said, is that its incidents have only gotten worse.



While most of the 22 accidents on the pipeline over the past 12 years resulted in fewer than 50 barrels of oil being released each time, four incidents stand out. In two separate instances in two different states, 400 barrels, or more than 16,000 gallons, of oil spilled out of the pipeline in North Dakota in 2011 and in South Dakota in 2016. In the past five years, the line has had two larger accidents, aside from the most recent one, that pushed its performance below nationwide averages. Before last week, there were two – one in 2017 and the other in 2019 – that were big enough to affect people or the environment, according to the hazardous materials administration's standards.

### **China's gas demand will rebound in 2023, but at weakened pace**

(S&P Global; Dec. 14) - China's natural gas demand in 2023 is expected to rebound from 2022 levels on the back of a gradual opening up of the economy, but high global energy prices and macroeconomic concerns will continue to pressure gas consumption levels. "We expect Chinese gas demand in 2023 to rebound from the low base in 2022, surpassing the 2021 levels, but it will not be a 'V-shaped' rebound," Jenny Yang, senior director, gas, power and climate solutions, S&P Global Commodity Insights, said.

"On one hand, a key assumption is that while China has started to relax COVID-related measures, a full exit from COVID controls will still take time and won't likely happen until the second quarter of 2023," she said. "On the other hand, the economy will still be under the pressure of the real estate market downturn and weak exports." In addition, renewable power generation will continue to surge, and government policies to rely on domestic coal production will remain in place, weakening gas demand growth.

As a consequence, China's gas demand is expected to grow by about 6% year on year in 2023, according to S&P Global Commodity Insights. "Chinese gas demand is still expected to grow but at a much slower rate than historic levels ... in part due to new contracts that are expected to support LNG import growth," said Szechwei Yeo, an S&P LNG analyst. About nine new LNG contracts are set to start up in 2023, more than offsetting two short-term contracts expiring at the end of 2022, according to sources.

"At the same time, (Russia's) Power of Siberia pipeline imports will continue to ramp up. As a result, China's LNG imports will rise from 2022 lows but only marginally," he said.

### **China's move away from COVID-zero could drive up LNG demand**

(Bloomberg; Dec. 14) - China's pivot away from COVID-zero is poised to boost natural gas demand in the world's biggest importer, potentially curbing LNG supply to Europe and other Asian nations. China National Offshore Oil Corp. is now looking to secure more shipments of the fuel for next year. The return to the market of one of the nation's

largest LNG buyers follows a period of subdued demand, due to virus curbs suppressing economic activity, and may herald a rebound in imports.

Beijing's move to reopen its economy and live with COVID-19 has seen most internal restrictions being dismantled over the past few weeks. Provided that's not rolled back as cases surge, China's LNG demand will increase the challenge for Europe to buy LNG next year as it prepares for the winter of 2023/24 with little or no natural gas from Russia. Chinese gas imports are likely to be 7% higher in 2023 than this year, according to Wang Zhen, president of CNOOC's Energy Economics Institute.

The forecast belies still-weak industrial demand in China. Many factories will send workers home earlier-than-usual for the Lunar New Year holidays, while local production and Russian pipeline gas flows are rising. However, there are already signs China will need to increase LNG purchases to prepare for next year. Inventories at northern ports are depleting faster than normal amid cold weather and have dropped to the mid-to-low level, according to ENN Energy's research group.

### **China winning more orders to build LNG tankers**

(Reuters; Dec. 12) - China is making fast inroads in the market for newbuild liquefied natural gas tankers as domestic and foreign shipowners turn to its shipbuilders for the specialty vessels because long dominant yards in South Korea are fully booked. Three Chinese shipyards — only one of them having experience building large LNG tankers — won nearly 30% of this year's record orders for 163 new gas carriers, claiming ground in a sector where South Korea usually captures most of the business.

LNG tanker order books for Chinese yards tripled as China's gas traders and fleet operators sought to secure more shipping capacity after freight rates soared to records following the upending of global energy supply flows by Russia's invasion of Ukraine. With South Korean shipbuilders swamped by orders to service Qatar's massive LNG production expansion, Chinese yards attracted more foreign bookings.

"As more Chinese gas traders engage local shipyards, they will be forced to climb the learning curve and eventually grow the whole industry," said Li Yao, founder of Beijing-based consultancy SIA Energy. Chinese shipyards this year won 45 LNG tanker orders, about five times their 2021 order values, according to shipping data provider Clarksons Research. By late November, Chinese yards had grown their LNG order books to 66. LNG tankers are among the most difficult vessels to build, taking up to 30 months.



## **Papua New Guinea says LNG project will use electric power**

(Australian Financial Review; Dec. 11) - Santos and its international partners in the \$US10 billion Papua LNG project in Papua New Guinea are set to use new technology for processing gas, ensuring lower emissions and better efficiency, PNG Petroleum Minister Kerenga Kua said. The venture partners, he said, which are led by French energy giant TotalEnergies and include ExxonMobil, have agreed to use four electrically powered liquefaction trains to process gas at the 6 million-tonne-a-year project, although they have yet to make a formal announcement on the plan.

The petroleum minister said the new liquefaction units will require less energy to process gas, make more gas available for LNG production, and cut processing and production costs. The so-called “eLNG” trains compare with the two conventional, larger trains used at the producing PNG LNG plant site near Port Moresby.

A final investment decision by the venture to construct Papua New Guinea’s second LNG export project is anticipated around the end of 2023, with production start-up targeted by early 2028. The move to lower emissions on the PNG LNG project will add to mounting pressure on Woodside Energy, Santos, Shell, BP, Mitsubishi, Mitsui, JERA and other proponents of new Australia LNG projects such as Scarborough, Browse and Barossa to take more ambitious steps to reduce their emissions.

## **Novatek sticks with plan for Arctic LNG-2 start-up in December 2023**

(Natural Gas World; Dec. 13) - The Arctic LNG-2 terminal in Russia is still on track to produce its first gas in December next year as planned, despite headwinds from Western sanctions and other fallout from Moscow’s invasion of Ukraine, an executive at project operator Novatek said on Dec. 12. Arctic LNG-2 is planned for three trains, with a combined liquefaction capacity of close to 20 million tonnes per year. But there have been concerns that the project could run into difficulty given Western sanctions and the withdrawal of various international partners, financiers, contractors and suppliers.

Work on Arctic LNG-2’s first liquefaction train was already well advanced when Moscow attacked Ukraine. “The goal is to launch ... in December 2023,” the deputy general director for capital construction at Novatek’s Arctic LNG-2 subsidiary, Timofey Sazonov, told reporters, according to the TASS news agency. The second and third stages would come in 2024 and 2026. “We are not reconsidering (deadlines),” he said. The \$20 billion project is nearby Novatek’s first Arctic LNG project, Yamal, which started up in 2017.

Novatek CEO Leonid Mikhelson said in October that Arctic LNG-2 had reached 70% completion. “Of course, sanctions have affected us. ... But we have also managed to obtain the main equipment for all the three trains of the Arctic LNG-2 project, and we have found technological solutions to prevent the delay,” he said at that time.

## **Japanese government supporting new U.S. LNG contracts**

(Natural Gas Intelligence; Dec. 13) - Japan is eyeing stronger North American energy partnerships and equity investments, particularly on the Pacific Coast, as part of its strategy to strengthen energy security, according to an economic ministry official. Japan's Takeshi Soda, who serves as Oil and Natural Gas Division director in the Ministry of Economy, Trade and Industry, said the government is launching "aggressive diplomacy for natural resources" and supporting more long-term contracts for U.S. LNG.

"We are also supporting Japanese companies in acquiring shares in upstream and brownfield expansion projects," Soda said Dec. 12 at a Western States and Tribal Nations forum in Colorado. While Japan only received about 9% of its LNG supply from Russia in 2021, the potential of those volumes disappearing could have "very severe impacts" to Japan's energy security, Soda said.

Combined with increased competition for spot LNG volumes for Europe and record prices, Soda said Japan is facing a growing energy crisis without further partnerships on gas supply. But the environment for new long-term contracts has been discouraging, he said, despite renewed government support for buyers to sign new deals. Japanese firms have been hesitant to sign long-term offtake contracts for fear of oversupply into 2030, Soda said. Potential investments in LNG projects on the North American West Coast are particularly attractive for Japan as a quicker source of LNG deliveries to the country.

## **FERC sets out requirements before Texas LNG plant can reopen**

(Reuters; Dec. 12) - The U.S. energy regulator on Dec. 12 called on the operator of the idled Freeport LNG export terminal to respond to a lengthy list of requirements, raising new hurdles to its efforts to resume operations after a June fire. Freeport LNG shut its 15 million-tonne-per-year Quintana, Texas, plant on June 8 after an explosion and fire that energy consultants blamed on inadequate operating and testing procedures, human error and fatigue.

The Federal Energy Regulatory Commission sent a detailed list seeking additional information or documents for 64 items following a Nov. 30 visit to the facility by FERC staff, the U.S. Coast Guard and Pipeline Hazardous Materials Safety Administration. It said any restart authorization "will only be granted following the review of filed responses ... and documentation that acceptable measures have been put into place to safely return the facilities to operation," the Dec. 12 letter said.

A Freeport LNG spokesperson said there was "nothing new to report" on its plans to restart commercial operations by the end of December. The company has previously missed three of its targeted restarts. The closely held company is the second-largest U.S. exporter of LNG. In November, it said it expects to process about 2 billion cubic

feet per day of gas in January, reaching full production in March. The drop in Freeport exports has helped keep more gas for domestic customers, holding down prices.

### **Western sanctions slow down Russian gas, petrochemical projects**

(Reuters; Dec. 13) - Russian gas and petrochemical projects, led by energy giant Gazprom and privately held Sibur, are facing delays over decreased foreign involvement, a December report by the nation's central bank showed. Numerous foreign companies from major economic sectors, from retail to the oil and gas industry, left Russia after Moscow invaded Ukraine in February.

"The timing for the implementation of some projects has shifted ... (such as) the construction of a gas chemical complex in the Amur region due to the postponement of imported equipment supply," central bank said. It said the timing for a complex to processing ethane-containing gas in the Leningrad region also changed "due to exit from the project of a European contractor."

The Amur Gas Chemical Complex, with investments of up to \$11 billion, had been set to start producing 2.3 million tonnes of polyethylene and 400,000 tonnes of polypropylene per year beginning in 2024-2025. A Sibur official told Russian media in September the company now saw start-up in 2025-2026 following sanctions. A Gazprom-led project on the Baltic Sea is designed to produce 13 million tonnes of liquefied natural gas, 3.6 million tonnes of ethane and up to 1.8 million tonnes of liquefied petroleum gas. The first stage of the complex is set to come on stream in 2024, while the second is set for 2025.

### **Producers criticize Australia's plan to control natural gas prices**

(Reuters; Dec. 14) - Australia's plan to control domestic natural gas prices — which producers say will deter development of new supply — is expected to boost the prospects for proposed LNG import terminals but potentially defeat the government's aim to cut energy bills, producers said. Parliament is set to pass legislation on Dec. 15 to cap gas prices at about A\$12.50 (US\$8.25) per million Btu for a year and then require a "reasonable price" for domestic sales after the cap expires.

Industry players say the plan, which surprised producers, will hurt investment in new supply as the "reasonable" price for domestic gas sales based on cost of production plus an agreed return on capital would fail to reflect exploration and development risks, which in turn would open a window of opportunity for LNG imports. If the price cap results in less new local supply, "then additional gas will be required," said Kym Winter-Dewhirst, managing director of Venice Energy, referring to his company's planned A\$250 million (\$170 million) LNG import terminal off Adelaide in South Australia.

Australia, despite being among the world's top liquefied natural gas exporters, faces gas shortfalls from 2026 in its most populous states, New South Wales and Victoria, as supply is drying up in the offshore fields that have long supplied them. Those states are far from the country's remaining key gas producing regions, and new fields are not being developed fast enough to fill the gap amid community opposition and resistance from lenders. The government's market intervention has just added a new hurdle.