Oil and Gas News Briefs
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January 17, 2022

High LNG spot prices, uncertainty drive buyers back to term contracts

(Bloomberg; Jan. 13) - Worries that the current shortage of liquefied natural gas will persist through the middle of the decade are triggering a rush to sign long-term deals, pushing up the price of contracts for the fuel. While contracts had been getting cheaper over the past few years due to rising supply from Qatar and end-users favoring the more affordable spot market, the anxiety spurred by the current supply crunch has reversed the trend. There's a lack of uncontracted gas available through 2025, which is boosting oil-indexed supply agreements, according to consultancy Wood Mackenzie.

"2021 saw the return of contracting activity to its highest levels over the last five years," Valery Chow, Wood Mackenzie's head of Asia-Pacific gas and LNG research, said in a report released Jan. 13. "Asia accounted for 85% of global contracts signed, with China leading the pack." China's Beijing Gas recently signed a deal to buy LNG from a portfolio player at 12.7% to 12.9% of the price of a barrel of Brent crude (a little more than $10 per million Btu of LNG at $80 Brent). By comparison, Qatar was signing supply deals with customers in Asia's largest economy in the low-10% range early last year.

LNG spot rates in Asia and Europe surged to highs in 2021 as supply struggled to keep pace with the demand rebound from the lows of the pandemic. Importers stuck without contracted LNG supply linked to the price of oil — a practice dating back to the 1970s — were forced to pay painful rates to secure spot cargoes of the electricity feedstock and heating fuel. Oil prices have been much less volatile than spot LNG markets over the past year, driving customer preference for oil-indexed deals. Contracts linked to the U.S. Henry Hub gas index have also gained in popularity, due to lower prices in the U.S.

China's role as No. 1 LNG importer has shaken up markets

(Bloomberg; Jan. 16) - Around the world, analysts and traders are grappling with the biggest shakeup in the 60-year history of liquefied natural gas: The emergence of two new superpowers, the U.S. and China, which are bringing more uncertainty and price fluctuations to a once-staid commodity market. China became the biggest importer of LNG in December, overtaking Japan for the first time since it pioneered the industry in the 1970s. The U.S. is set to become the world's top exporter of the fossil fuel on an annual basis this year, beating out older, cornerstone suppliers Qatar and Australia.

Neither of the two superpowers are as predictable as their predecessors, and data from China is particularly hard to come by. As a result, LNG prices have seen wild swings as it’s become a traded commodity, similar to crude oil. To keep up, trading desks have proliferated globally, with Japanese LNG giants setting up their own, while banks like Macquarie Group and Citigroup are hiring traders to cash in on the market volatility.

Gas markets are trading up and down on single days in ranges they barely covered over decades. The changes have given China enormous weight because it can more easily influence spot rates or long-term pricing. In Moscow, Ronald Smith, a senior analyst at broker BCS Global Markets, which provides research to investors in LNG derivatives, said clients sometimes spend hours hunting for minutiae out of China, like the number of trucks shifting from diesel to natural gas. But such data, which can help predict China’s gas demand, can be hard to come by.

Mild winter may save Europe from an even worse gas crisis

(The Associated Press; Jan. 13) - Europe’s natural gas crisis isn't letting up. Reserves are low. Prices are high. Utility customers are facing expensive bills. Major Russian supplier Gazprom isn't selling gas like it used to. It all raises the question: How exactly is Europe, which imports most of its energy, going to make it through the winter without a gas disaster, especially if the season turns out to be colder or longer than usual?

A big problem for the European Union, home to 447 million people, is low storage levels. Europe started 2021 with gas storage only 56% full, compared with 73% a year earlier. The reasons include cold weather last winter, lack of Russian deliveries on the spot market and robust competition from Asia for liquefied natural gas imports. Which means Europe is paying high prices to attract more supply. Analysts at Rystad Energy used ship-tracking data last month to watch 11 tankers bringing LNG to Asia make U-turns in the middle of the ocean to take advantage of lucrative sales in Europe.

A mild winter is key. Weather in Europe and Asia has so far been relatively mild, more LNG gas is on the way, and high prices have forced industries to use less by cutting back on production. Meanwhile, Norway, among Europe's suppliers, has stepped up with more pipeline gas. “It means we can get through this winter with Russian flows being as low as they are," said James Huckstepp, manager for Europe, Middle East and Africa gas analytics at S&P Global Platts. “I wouldn’t say crisis averted yet, because there is still risk of low temperatures, and there is very little storage buffer.”

[Eni’s offshore LNG production unit arrives in Mozambique]

(African Business; Jan. 14) - A floating plant for liquefying natural gas arrived in Mozambican waters on Jan. 3 after a seven-week maritime voyage from South Korea. Constructed by Samsung Heavy Industries, it is the first offshore project to come online in Mozambique’s embattled gas industry. It is also the first floating LNG facility to be deployed in the deep waters of the African continent, and only the third in the world.

Anchored above 16 trillion cubic feet of gas in the Coral field in Area 4 of the Rovuma Basin, the 1,417-foot-long floating liquefaction factory has the capacity to produce 3.4 million tonnes per year of LNG from subsea wells. Area 4 of the Rovuma Basin is operated by Italian oil and gas giant Eni, which in 2016 signed a 20-year agreement to sell 100% of the project’s output to BP. First production is planned for later this year.

Mozambique’s fledgling oil and gas industry has the potential to produce more than 30 million tonnes of LNG a year. But the country’s ambitions to join the ranks of the world’s largest LNG exporters have been thwarted by a growing Islamist insurgency in the gas-rich Cabo Delgado province that began in 2017, which has delayed two onshore LNG export terminals with more than 10 times the output potential of Eni’s offshore LNG operation. Eni’s development costs have been reported at more than $2.5 billion.

[Prices for future crude deliveries running hot as traders are upbeat]

(Bloomberg; Jan. 13) - The world’s physical oil market is running hot. Prices for cargoes reaching refineries in Asia in two or three months have been rallying strongly this year. The time between when those shipments are purchased and when they’ll reach the world’s top importing region means the traders are having to take a view on how the current Omicron outbreak will play out, especially in China. Their upbeat outlook is underpinned by the fact that two further demand headwinds — the Winter Olympics in Beijing and the Chinese New Year — will be out of the way when the barrels arrive.

“The physical crude market is way over the forward or futures contracts. It implies genuine prompt tightness,” said Tamas Varga, an analyst at PVM Oil Associates. Demand globally has proved stronger than expected as the latest coronavirus variant inflicts a softer hit to the economy than anticipated, Fatih Birol, the executive director of International Energy Agency said Jan. 12, mainly due to “milder Omicron expectations.”

The market strength is apparent in cargoes loaded from regions including Russia’s Far East, the North Sea, West Africa, the Baltic Sea and U.S. shale producers. Russia’s Sokol crude, supplied from Sakhalin Island in the Far East for March loading, fetched a premium of about $5.60 a barrel above its benchmark, traders said Jan. 12. That’s a gain of $1.50 in the space of a month. Still, there’s plenty of risk that the outlook is too optimistic. The virus is still casting a pall of uncertainty. China has locked down some cities as the world’s largest importer is trying to contain a resurgence of COVID variants.

Oil trader exec says crude prices could climb still higher

(Bloomberg; Jan. 16) - The world's biggest independent oil trader said crude prices — already up more than 10% this year — could rise further because of tight supplies. "These prices are justified," Mike Muller, head of Asia for Vitol Group, said Jan. 16. Oil posted a fourth-straight gain last week, its longest streak since fall, amid signs that demand will hold up despite the spread of the Omicron variant. At the same time, spare capacity is dwindling as some of the world's largest producers struggle to boost output.

And while natural gas prices have climbed enough to cause some industrial users — particularly in Pakistan and Europe — to cut back on consumption, Muller said the oil market hadn't reached that point. What's happening with gas "serves to remind us that people will abstain from buying expensive energy at some point," he said on a webinar hosted by Dubai-based consultancy Gulf Intelligence. "The question is at what point that affects the oil market."

Muller said China's zero-tolerance policy toward COVID-19 would probably ensure there's no Omicron outbreak there big enough to significantly diminish the use of oil products. "We're nowhere near seeing a major demand hit in China," said Muller, who's based in Singapore. "The data is still not troublesome."

Norway's oil and gas export revenues boomed in late 2021

(The Barents Observer; Norway; Jan. 13) - There was an atmosphere of celebration when the Norwegian Petroleum Directorate this week made its annual presentation of production results on Jan. 13. Never before has Norway had this much revenue from its oil and gas industry. Demand and prices have skyrocketed and production was at a high level. "The export value from petroleum has never been higher, and especially natural gas contributes to the growth," Petroleum Director Ingrid Sølvberg said.

In the last months of 2021, the value of Norway's oil and gas exports totaled more than 100 billion kroner (US$11.5 billion) per month — almost three times more than in the same period in 2020. Norway has now extracted about 50% of all petroleum resources on its shelf, or about 50 billion barrels of oil equivalents. And the country is hungry for more. A big number of new fields are to come into production over the next years and the country's oil and gas extraction will remain on a high level until at least 2030.

In 2021, an additional 510 million barrels of oil equivalent was discovered, the highest volume in several years. In 2022, up to 40 new wells are to be drilled, something that might additionally boost reserves, reported the Directorate, which wants to see drilling in the remotest and least-developed parts of the shelf, including in the Barents Sea. The catastrophic consequences of continued oil production were not on the agenda for the annual presentation. The word "climate" was not mentioned even once.

[U.S. producers expand well completions in Permian Basin]

(Reuters; Jan. 13) - As oil prices have surged past $80 a barrel, U.S oil and gas producers are paving the way for faster production by expanding new well completions in the Permian Basin of West Texas and New Mexico, the country's top shale oil field, according to research data. The number of pressure-pumping units at work in the Permian rose 5% in December over the previous month, analysts at Tudor, Pickering, Holt and Co. said. Pressure pumping is one of the last steps to complete a well.

The Permian will account for vast majority of this year's projected boost in U.S. output of up to 900,000 barrels per day. The basin's output fell last year to about 11.18 million barrel per day on storm-related cutbacks and as demand collapsed during the pandemic, according to government data. Rising shale flows come as the Organization of the Petroleum Exporting Countries and allies have struggled in recent months to meet targets for higher production. Unrest in Kazakhstan and Libya have raised supply concerns, sending U.S. oil prices to more than $81 per barrel, from $53 a year ago.

Pressure-pumping units, also called frac spreads, use water, sand and chemicals to break up shale rock and release trapped oil and gas. Oil companies have slashed a backlog of drilled-but-uncompleted wells and the rise in frac spreads indicates faster activity. Phones at oil-field pumper ProPetro Holding Corp. last month were "ringing off the hook" from producers, Sankey Research oil analyst Paul Sankey said in a note.

[IEA says Canadian oil sands 'has to transform itself']

(The Canadian Press; Jan. 13) - The executive director of the International Energy Agency says Canada's oil and gas can be part of the transition to a clean-energy future if the industry can cut its carbon footprint. A new IEA report on Canada's energy industries praises the country for pushing toward net-zero emissions by 2050 but warns the challenge facing Canada as an oil and gas-producing country is immense. "Canada has to transform itself," IEA executive director Fatih Birol said Jan. 13.

To achieve climate change goals by mid-century, he said half of global energy consumption has to be zero-emission electricity and most of the rest will have to come from low-carbon fuels like hydrogen and biofuels. "The consumption of oil and gas has to diminish, demand has to decline," Birol said. "There is no way out. But I wanted to make clear that a declining demand doesn't mean tomorrow they will be zero."

The IEA said achieving net zero by 2050 — where no greenhouse gas emissions are added to the atmosphere — means oil consumption will have to fall to about 25 million barrels a day from 100 million currently. Natural gas consumption will have to be cut in half. "We will still need oil and gas for years to come and … somebody has to produce the oil, somebody has to produce that oil," Birol said. "I prefer that that oil is produced by a country that produces them in a clean way." Canada, he said, could be that country.

But the report warns that Alberta’s oil sands in particular need to pay more attention to emissions from production, which on average are higher than most other sources of oil.

Canadian companies step up production at Alberta’s oil sands

(The Wall Street Journal; Jan. 13) - Major oil companies, under pressure from investors and environmentalists, are fleeing Canada’s oil sands, the fourth-largest oil reserve in the world and by some measures one of the most environmentally unfriendly. Investment in existing projects has stalled, and banks are refusing to fund new ones. Nevertheless, oil production there is expected to continue for at least two more decades. Canadian companies have stepped in to keep working the existing mines and wells. Last year, the oil sands were on track to deliver more oil than ever.

Governments and financial institutions are pushing to wean the world from fossil fuels to address climate change. But demand for energy remains robust. So long as existing oil fields — no matter their carbon footprint — remain profitable, they are likely to remain in production long after big-name multinational companies walk away. There are roughly 170 billion barrels of thick, tar-like bitumen under boreal forests in the Canadian province of Alberta, the largest amount outside of Saudi Arabia, Venezuela and Iran.

Canadian companies extracted more crude from those fields in last year’s third-quarter than the same period a year earlier. “We will continue to see growth,” said Alex Pourbaix, CEO of Calgary-based Cenovus, which doubled its dividend last year. Cenovus increased third-quarter oil sands production by almost 50,000 barrels a day. Pourbaix said the worldwide push for renewable energy wouldn’t reduce oil’s importance as a cheap energy source anytime soon. “There’s no technology at all of scale that can replace what oil can do,” he said. “That’s just reality.”

Exxon looks to sell Canadian shale assets, will focus on oil sands

(Bloomberg; Jan. 12) – ExxonMobil is looking to sell its Canadian shale assets to focus on Alberta’s oil sands. Exxon and its majority-owned Imperial Oil unit will start marketing the assets of XTO Energy Canada, which produces 9,000 barrels a day of crude and 140 million cubic feet a day of gas in the Montney and Duvernay shale formations of Alberta and northeastern British Columbia, Imperial said in a statement Jan. 12.

Exxon has prioritized key projects in Guyana, the U.S. Permian Basin as well as oil-refining and chemical build-outs since a strategic reboot in 2020, when the company posted its first annual loss in four decades. Imperial is a major producer in Alberta’s oil sands. Exxon and Imperial each own 50% of XTO. A decision on the sale hasn’t been made and XTO will continue normal operations throughout the process, Imperial said.

North Dakota oil and gas production heads back up

(S&P Global Platts; Jan. 14) - North Dakota's oil production jumped almost 49,000 barrels per day, or 4%, in November to roughly 1.16 million, and natural gas output rose 73 million cubic feet per day, or 2.4%, to 3.072 billion cubic feet per day, as drilling activity continued to increase, the state's Oil and Gas Division said Jan. 14.

"This is really the month we've been waiting for all year," Lynn Helms, the state's oil and gas division director, said during a monthly press webinar on state production and oil and gas activity. "The last time we saw this type of production increase was when we were first coming out of the pandemic, and we started from much lower numbers. It's been over a year since we had a production increase" that exceeded 4%.

The increases occurred after months of stagnation. "What we're observing there is significant work in what we call Tier 2 and 3 areas outside the core areas as people are beginning to drill 3-mile laterals and different strategies to start developing that lesser developed area," Helms said. The number of producing wells in the state hit an all-time high in November at 17,238, up 74 from the previous month. That stemmed from the number of drilled but uncompleted wells being brought to production, Helms said.

Drillers expand in South Texas as they look beyond Permian

(Bloomberg; Jan. 14) - The Eagle Ford Shale in South Texas, long dormant compared to its larger cousin the Permian Basin in the western part of the state, saw its biggest one-week jump in drilling activity in more than two years as explorers look for growth beyond the world's biggest shale patch. The number of rigs drilling for crude in the Eagle Ford rose by 5 to 43 this week, according to Baker Hughes data released Jan. 14. It's the biggest weekly expansion for explorers in the region since December 2019.

Even gas-rich basins got in on the crude-drilling growth, adding the most oil rigs in at least half a decade with two more going to work in Louisiana's Haynesville and one starting up in the Marcellus. The shale industry is suffering from record costs in some of the biggest U.S. fields amid supply chain snarls, causing explorers to look beyond the Permian Basin of West Texas and New Mexico for growth.

Earthquakes reach record numbers in Permian Basin

(Houston Chronicle; Jan. 14) - Oil companies operating in West Texas — a thousand miles from the nation's most active fault lines — are becoming more concerned about earthquakes, which reached a record number last year and are growing ever stronger. The Permian Basin, the 86,000-square-mile oil-rich land stretching into Nex Mexico, has no major geographic faults like those that slice the West Coast. But the nation's most prolific oil field and the cities and towns within it were shaken by almost 2,000 earthquakes last year, a record number for the area.

Earthquakes measuring stronger than 2 on the Richter scale — enough to crack walls and foundations — have become an almost daily nuisance. The number of temblors has risen 74% from 2020 and is eight times more than in 2017, according to data from the University of Texas at Austin's TexNet Seismic Monitoring. The rising number of quakes is putting pressure on shale oil companies, which face the prospect of more restrictions on saltwater waste that could force them to move larger amounts of it to more distant disposal wells or recycling facilities — or to even halt operations in some areas.

Seismologists attribute the increasing frequency and intensity of quakes to the oil industry's practice of injecting saltwater — a byproduct of oil production — into deep disposal wells. A decade of the injections into wells 10,000 feet deep has built intense pressure and caused movement along faults. As a result, producers could face delays and potentially higher costs to dispose of the water by trucking it out or building pipes to move it from the seismic areas. Industry experts say the value of properties under disposal limits could be diminished if producers decide to avoid earthquake-prone fields.

China's oil imports dropped 5.4% in 2021

(Reuters; Jan. 14) - China's oil imports slid 5.4% in 2021, dropping for the first time since 2001, as Beijing clamped down on the refining sector to curb excess domestic fuel production and while refiners drew down massive inventories. China has been the global oil-demand driver the past decade, accounting for 44% of worldwide growth in oil imports since 2015, when Beijing started issuing import quotas to independent refiners.

Reuters last year reported slowing imports into the world's No. 2 refiner as Beijing scrutinized tax evasion and irregular quota trading among independent refineries and also cut fuel export quotas to restrain crude processing. The drop for 2021 compares with an average annual import growth rate of nearly 10% since 2015, according to China customs data. In 2020, companies went on a massive stock-building drive amid the lowest oil prices in decades and a rapid recovery in fuel demand from the early impact of the COVID-19 pandemic.

But in 2021, refiners and traders drew down inventories amid higher prices and slower growth in fuel demand. Monthly imports recorded year-on-year declines for eight straight months between April and November as Beijing probed the irregular trading of import quotas that has resulted in reductions in permits for the independent refiners.

Exxon moves to sell Ohio Appalachian Basin gas assets

(Reuters; Jan. 11) - ExxonMobil on Jan. 11 launched the sale of shale gas properties stretching across 27,000 acres in the Appalachian Basin of Ohio, the company confirmed, part of an ongoing divestiture of U.S. assets. The top U.S. oil producer is marketing 61 wells that last year produced about 81 million cubic feet per day equivalent of natural gas, according to a marketing document viewed by Reuters. The sale includes stakes in another 274 wells operated by other companies.

A sale could value the assets at around $200 million, based on current natural gas prices and existing production from the wells, a person familiar with the matter said. "ExxonMobil is providing information to third parties that may have an interest in the assets, but no agreement has been reached and no buyer has been identified," said spokeswoman Sarah Nordin. Meanwhile, operations are continuing, she added.

Exxon in 2020 took about a $20 billion write-down on properties, primarily purchased with subsidiary XTO Energy a decade earlier. It removed gas assets in Appalachia, the Rocky Mountains, Oklahoma, Texas and elsewhere from its development plan after the write-down. The Ohio properties produced about 250 million cubic feet per day of gas in 2017 and are among assets that Exxon has put on the market as it focuses its development dollars in Guyana, offshore Brazil and Texas' Permian Basin shale field.

Germany’s climate minister calls goals a ‘gigantic’ task

(The Associated Press; Jan. 11) - Germany’s new climate minister said Jan. 11 that the country faces a “gigantic” task if it wants to achieve its goals of reducing greenhouse gas emissions while ensuring sufficient energy for its energy-hungry industry. Robert Habeck, a member of the Greens party, told reporters that Germany is on track to halve its emissions by 2030 compared to 1990 — far off the government’s target of a 65% cut.

Pandemic-related effects that allowed Germany to achieve its interim goal of a 40% reduction by 2020 fell away last year, resulting in a renewed rise in emissions for 2021. One reason for the rising emissions is the decision to switch off all nuclear power plants by the end of this year, increasing reliance on coal-fired plants. The government plans to phase out coal “ideally” by 2030, filling the gap with less polluting gas until enough renewable energy is available to meet the demands of Europe’s biggest economy.

Renewable energies such as solar and wind power currently provide about 43% of Germany’s electricity, but that share needs to almost double to 80% by 2030, Habeck said. He noted that electricity consumption over that period is projected to increase significantly as people switch to electric cars, and move from heating homes with oil to electricity-powered heat pumps. “You can see the task is big, gigantic,” Habeck said.

German developer delays LNG import terminal decision

(Bloomberg; Jan. 12) - A proposed liquefied natural gas import terminal in Germany is facing delays as wild price swings spook potential clients already contending with uncertainty about the future of fossil fuel projects in Europe. Hanseatic Energy Hub, the developer of the facility near Hamburg, decided to postpone a crucial step toward a final investment decision, said Danielle Stoves, commercial and regulatory director at the company. The firm had planned to offer capacity to potential customers this month, but that has now been delayed until at least the summer.

The challenges faced by Hanseatic are a setback for Germany, which has been trying to reduce its reliance on Russian pipeline gas. All of the country's three proposed LNG terminals have faced headwinds, with the future of gas infrastructure projects yet to be decided by the new government in Berlin. "It is not a good time to be asking people to take decisions now," Stoves said Jan. 12. "The energy price fluctuations also increase uncertainties and it is hard to say when things will settle down."

Europe is grappling with an energy crunch, with natural gas prices more than tripling last year as Russia curbs supplies. The surge came after prices plunged in 2020 as the pandemic curbed energy demand. The extreme swings make it harder for customers that need a clear view on prices to make decisions, Stoves said. Hanseatic said a final investment decision set for the first quarter of 2023 may also be shifted. The company's plan is to build an onshore storage and regasification unit with 425 billion cubic feet a year of natural gas capacity. Startup of terminal operations was scheduled for 2026.

Europe needs nuclear power to meet emissions reduction targets

(Bloomberg; Jan. 9) - A "colossal" investment in nuclear energy will be needed over the next 30 years to meet the European Union's emissions reduction targets and growing demand for electricity, the bloc's internal market chief Thierry Breton said. Existing nuclear plants need 50 billion euros ($56.8 billion) of investment through to 2030, while the next generation will require 500 billion euros ($568 billion) between now and 2050, Breton said in an interview with France's weekly Journal Du Dimanche.

The French commissioner's comments come after the EU unveiled plans to allow certain natural gas and nuclear energy projects to be classified as sustainable investments. The proposed classification system is coming under fire from Green lawmakers and climate groups. Breton said nuclear energy combined with investment in renewable sources will be crucial for meeting the EU's objective of net-zero emissions by 2050. Including nuclear on the list is essential for attracting capital, he said. "To reach carbon neutrality, it will really be necessary to change up a gear in the production of carbon-free electricity in Europe," Breton said.

U.K. government faces deadline to avert steep jump in electricity bills

(Bloomberg; Jan. 8) - U.K. households face a $24 billion spike in their electricity bills in April, and the government is running out of time to do something about the biggest reason why: ballooning wholesale costs. Finding a way to help energy companies lessen that jolt, or at least spread it over several years, would be the most effective option, according to industry executives. But the government needs to act before the country's energy regulator sets the level for some household bills on Feb. 7.

U.K. Business Secretary Kwasi Kwarteng met company bosses this week — with many attending in person, in a departure from the purely virtual meetings of recent months. One potential solution would be for the government to help arrange a multibillion-pound fund the companies could tap to slow bill increases, but no deal was reached. "They're certainly running out of time," said Guy Newey, strategy and performance director at researcher Energy Systems Catapult and a former political adviser. "They need to be able to tell consumers, 'We know bills are going up, and we've got your back.'"

Other options considered at the meeting included eliminating green levies, cutting taxes on bills and extending financial help. Yet their impact would be minimal, and some already look less likely to happen. Reducing wholesale costs would be the most effective, but the government so far isn't feeling the urgency. The energy bill for a typical household is set to jump 50% in April to more than double the level set in 2017. An increase of that magnitude means the nation's poorest may end up spending one of every eight pounds on energy consumption, according to Electricite de France.

Brazil set record for LNG imports in 2021 as drought cut hydro power

(S&P Global Platts; Jan. 13) - Brazilian state-led oil company Petrobras more than tripled its LNG imports in 2021 to a record high in a bid to counter the country's worst drought in 20 years as typically cheaper hydropower was in short supply, according to the company. Petrobras imported a record 812 million cubic feet per day of gas as LNG on average, up from 262 million in 2020, the company said Jan. 12. That topped the previous record of 700 million cubic feet per day set in 2014.

The surge in LNG imports was expected after lackluster rainfall in 2020-21 caused reservoirs in Brazil's hydroelectric dam system to fall to record lows. Brazil generates about 70% of its electricity from the dams. The drought, which raised the specter of energy rationing and blackouts for the first time since 2001, forced Brazil to turn to more-expensive electricity generated by fuel oil and gas-fired power plants.

Petrobras imported about 100 LNG cargos in 2021, up from 44 in 2020, to meet demand. The increase in imports is likely to continue across Brazil in the next two to three years, according to government officials. Brazil is in the process of adopting a more-liberal regulatory regime under a law signed by President Jair Bolsonaro in 2021, with the aim to increase gas supplies, expand consumption and reduce prices. That will likely include new LNG import terminals in the near future.

Maryland power plants propose switching from coal to oil

(Baltimore Sun; Jan. 12) - Two Anne Arundel County, Maryland, power plants have announced plans to transition from burning coal to mostly burning oil in the years ahead. They received preliminary approval from the Maryland Public Service Commission on Jan. 12. Environmental advocates say the plans to abandon coal-burning are commendable, but that they’re concerned by the plants’ proposed switch to burning oil, also a highly polluting fossil fuel.

Many coal plants have opted to swap from coal to natural gas, a cleaner option than oil. But lately, soaring natural gas prices have some power companies eyeing oil, according to reports from the International Energy Agency. The Maryland commission considered whether the plants’ operator would need to get a new certificate of public convenience and necessity to switch to oil. The company argued it wouldn’t need a new certificate because the changes would be decreasing air emissions, not increasing them.

In a unanimous ruling, the commission agreed. The company will still need to seek a permit from the Maryland Department of the Environment to move forward, but environmentalists fear the commission’s decision is a missed opportunity for a more thorough review of the plan.

China reportedly will release crude from stockpiles early February

(Reuters; Jan. 14) - China will release crude oil from its national strategic stockpiles around the Lunar New Year holidays that start on Feb. 1 as part of a plan coordinated with the United States and other major oil-consuming nations to reduce global crude prices, sources told Reuters. The sources, who have knowledge of talks between the world's top two crude consumers, said China agreed in late 2021 to release an unspecified amount of oil depending on price levels.

"China agreed to release a relatively bigger amount if oil is above $85 a barrel, and a smaller volume if oil stays near the $75 level," said one source. The release of reserves by China is the result of a series of discussions, reported by Reuters in November, that the Biden administration held with other major oil consumers after tight supplies drove global prices to multi-year highs. The U.S. discussed the possibility of a coordinated release of crude stocks with close allies including China, Japan, South Korea and India.

In November, China’s National Food and Strategic Reserves Administration said it was "working on" a release of crude reserves, but declined to comment on the U.S. request for the coordinated release among buyers. Oil prices rebounded above $80 a barrel this week, buoyed by supply disruptions in Libya and Kazakhstan, a fall in U.S. crude inventories to their lowest since 2018, and an improvement in the outlook for fuel demand in Europe as governments there ease COVID-19 restrictions.