Oil and Gas News Briefs
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China’s imports of Russian oil up 55% from a year ago

(Reuters; June 20) - China's oil imports from Russia soared 55% from a year earlier to a record level in May, displacing Saudi Arabia as the top supplier, as refiners cashed in on discounted crude amid sanctions on Moscow over its invasion of Ukraine. China’s imports of Russian oil, including supplies via the East Siberia Pacific Ocean pipeline and seaborne shipments from Russia's European and Far Eastern ports, totaled nearly 8.42 million tonnes, according to data from the General Administration of Customs. That's equivalent to roughly 1.98 million barrels per day and up 25% from April.

The data, which shows that Russia took back the top ranking of suppliers to the world's biggest crude oil importer after a gap of 19 months, indicates that Moscow is able to find buyers for its oil despite Western sanctions, though it has had to slash prices. And while China's overall oil demand has been dampened by COVID-19 curbs and a slowing economy, leading importers, including refining giant Sinopec and trader Zhenhua Oil, have stepped up buying cheaper Russian oil on top of sanctioned supplies from Iran and Venezuela, allowing them to scale back supplies from West Africa and Brazil.

Saudi Arabia trailed as China’s second-largest supplier, with May volumes up 9% on year at 7.82 million tonnes, or 1.84 million barrels per day. This was down from April's 2.17 million barrels per day. Customs data released on June 21 also showed China imported 260,000 tonnes of Iranian crude oil last month, its third shipment of Iran oil since last December, confirming an earlier Reuters report. Despite U.S. sanctions on Iran, China has kept taking Iranian oil, usually passed off as supplies from other countries. The Iranian cargoes are roughly equivalent to 7% of China's total oil imports.

India reportedly tells companies to stock up on cheap Russian crude

(The Wall Street Journal; June 21) - The Indian government has asked state oil companies to buy up huge volumes of cheap crude from Russia, according to industry executives, strengthening commercial ties with the country even as the West tightens sanctions on Moscow. India’s emergence as a major buyer has the potential to take the sting out of the sanctions. Other nations, including China and Turkey, have also stepped up their buys of Russian oil, though the country’s exports remain below prewar levels.

Indian oil executives say they have been strongly encouraged in recent weeks by government officials to find ways to continue purchases and take advantage of the price discount on Russian oil. State-owned Indian Oil Corp. is negotiating more contracts with

Russian energy giant Rosneft, according to one executive. “We don’t interfere or guide companies in their commercial deals. Our job is to formulate policies, and not to tell companies what to buy and what not to,” an Indian government official said.

Demand from India will play a key role in making up for the cutbacks from Europe, which has vowed to slash its imports of Russian oil by the end of the year. India has increased imports of Russian oil by more than 25-fold since the start of the war, buying an average of 1 million barrels a day in June, compared with 30,000 barrels per day in February, according to Kpler data. India’s decision is a commercial one: The price of Russian crude tumbled after the Ukraine invasion, with a popular grade known as Urals falling as low as $37 below the Brent benchmark.

[Increasing number of Russian oil cargoes disappear from tracking]

(Bloomberg; June 22) - Russian oil cargoes are increasingly disappearing from view in the Atlantic Ocean as sanctions against the nation’s exports ratchet up. In the past 10 days, at least three tankers have vanished from vessel-tracking systems as they approached the Azores, a tiny group of islands about 950 miles west of mainland Portugal. They probably transferred their cargoes onto other vessels.

Such transfers didn’t happen there before Russia invaded Ukraine, let alone out of view of satellite monitoring. It’s not clear why the ships have gone dark. It could be that some buyers want to conclude their purchases as privately as possible. The European Union instituted a ban on Russian oil buying that fully enters into force only in December. Some Russian cargoes are also starting to disappear from view while en route to Asia.

Ship-to-ship transfers are commonplace in the oil market and Russian cargoes have for years been switched off the coast of Denmark and more recently in the Mediterranean and even off the Azores. What’s less regular is for them to disappear from view. That’s a tactic often used for sanctioned flows from Iran and Venezuela. Vessels will move next to each other and — normally — the smaller tanker will discharge its load into a bigger one. That larger ship will take the oil on a long-distance trade route, often to Asia.

[China buying more gas from Russia and a lot less from U.S.]

(The Wall Street Journal; June 23) - This time last year, China was racing to buy as much U.S. liquefied natural gas as it could get. After Russia invaded Ukraine, those purchases all but dried up, and China is now buying more from Russia. The U.S.-China energy trade had until recently been one area of deepening ties in an otherwise fractious relationship. The invasion of Ukraine has halted that for now.

After Russia attacked, Europe pledged to cut Russian gas imports in response. U.S. LNG was one of the few alternatives available to European countries as they scrambled to fill the gap, causing prices to surge to record highs. At the same time, a slowing economy damped China's energy demands, one reason it needed less U.S. LNG. Another reason was the cheaper gas it could get from Russia, with Chinese buyers scooping up Russian LNG at discounts to market prices in the weeks after the invasion.

Between February and April, China's imports of U.S. LNG fell by 95% from the same time a year earlier, Chinese customs data showed, while its Russian LNG imports grew by 50%. Data for May indicated a moderate rebound in China's demand for U.S. gas, but it was still far below last year. Down the line, competition from both Russian pipeline gas and LNG poses complications for billions of dollars of planned LNG projects on the U.S. Gulf Coast, investments that assume China will be a huge buyer for years to come.

China won't completely stop buying U.S. LNG. Most of its U.S. purchases have until now come from the spot market. Going forward, more will come from fixed contracts that are just starting to kick in, and some Chinese firms have continued negotiating deals with U.S. producers. As the Oxford Institute for Energy Studies put it in a research note earlier this year, "For China, happiness is multiple supply sources."

Qatar adds Exxon to international list of partners in LNG expansion

(Reuters; June 21) - QatarEnergy on June 21 signed a deal with ExxonMobil for the North Field East expansion, the world's largest liquefied natural gas project, following similar agreements with TotalEnergies, Eni and ConocoPhillips. Qatar is partnering with international companies in the first and largest phase of the nearly $30 billion project that will boost its position as a top exporter. Exxon and QatarEnergy will form a joint venture, giving Exxon a 6.25% stake in the project, CEO Saad al-Kaabi said.

That would make Exxon's share of the overall project equal to TotalEnergies, while Eni and ConocoPhillips will have around 3.12% each. Oil majors have been bidding for a stake in four liquefaction trains that will comprise the North Field East project. In all, the plan includes six LNG trains that will ramp up Qatar's liquefaction capacity from 77 million tonnes per year to 126 million tonnes by 2027. The fifth and sixth trains are part of a second phase, North Field South.

Exxon's deep ties with Qatar go back to Mobil Oil, which helped develop the Middle East nation's giant North Field gas reservoir three decades ago. In 1998, Exxon acquired Mobil and expanded the relationship through shares in additional processing units, LNG tankers and receiving terminals. One of the terminals, Golden Pass in Texas, originally was built to import Qatari LNG to the U.S. The shale gas boom ended that plan and the venture is building an LNG export terminal at the site.

Exxon looks at accelerating start-up of Texas LNG export terminal

(S&P Global; June 21) - ExxonMobil is in talks with the U.S. government to accelerate the Golden Pass LNG export project, CEO Darren Woods said June 21. The project is on time but ExxonMobil is trying to get approval for start-up earlier than planned, Woods said in Doha at a press conference to announce ExxonMobil's partnership in Qatar's North Field East LNG expansion.

The $10 billion Golden Pass project is scheduled to start up in 2024, adding natural gas liquefaction and export capacities to the existing import terminal in Sabine Pass, Texas. The project's estimated send-out capacity will be around 18 million tonnes per year. Golden Pass is a partnership between QatarEnergy and ExxonMobil.

Germany will burn more coal for electricity as it tries to preserve gas

(CNBC; June 20) - Germany has said the deteriorating gas market situation means Europe’s largest economy must limit the use of natural gas for electricity production and burn more coal for a “transitional period.” Economy Minister Robert Habeck on June 19 warned that the situation is going to be “really tight in winter” without precautionary measures to prevent a gas supply shortage.

As a result, Germany will seek to compensate for a cut in Russian gas supplies by increasing the burning of coal — the most carbon-intensive fossil fuel in terms of emissions and therefore the most important target for replacement in the transition toward renewable alternatives. “That’s bitter, but it’s almost necessary in this situation to reduce gas consumption. We must and we will do everything we can to store as much gas as possible in summer and autumn,” the Green Party’s Habeck said in a statement.

“The gas storage tanks must be full in winter. That has top priority,” he added. That comes shortly after a warning from Russia’s state-backed energy giant Gazprom exacerbated fears of a full supply disruption to the European Union. Gazprom said last week that it had further limited supplies via the Nord Stream 1 pipeline that runs from Russia to Germany under the Baltic Sea. Gazprom cited a technical problem for the supply cut. Habeck has rejected that claim, saying the move was politically motivated.

Europe turns to coal and emergency measures to conserve gas

(Reuters; June 20) - Europe's biggest Russian natural gas buyers are racing to find alternative fuel supplies and even looking at burning more coal to cope with reduced gas flows from Russia that threaten an energy crisis this winter if gas storage sites are not refilled. Italy's Eni said it had been informed by Russia's Gazprom that it would receive only part of its request for gas supplies, pushing the country closer to declaring a state of alert that will spark gas-saving measures.

Germany, which has also faced lower Russian gas flows, announced on June 19 its latest plan to increase gas storage levels and said it could restart coal-fired power plants that it had aimed to phase out. "That is painful, but it is a sheer necessity in this situation to reduce gas consumption," said Economy Minister Robert Habeck, a member of the Green party that has pushed for a faster exit from coal. He said bringing back coal-fired power plants could add up to 10 gigawatts of capacity in case gas supply hit critical levels. A law related to the move goes to the upper house of parliament July 8.

Austria's government agreed with utility Verbund on June 19 to convert a reserve, gas-fired power plant to produce electricity with coal should restricted gas supplies from Russia result in an energy emergency. The energy crisis adds to the headache for European policy makers already fretting about surging inflation in household energy bills and food prices. The chief executive of Germany's largest power producer RWE, Markus Krebber, said power prices could take three to five years to fall back to lower levels, crimping household spending and weighing on the economic outlook.

Los Angeles city council votes to ban natural gas in new buildings

(Natural Gas Intelligence; June 17) - The Los Angeles City Council has approved a motion to ban natural gas hookups for new buildings to address the city's greenhouse gas emissions. All of the council members voted to approve the motion in late May. By late November, the Department of Building and Safety, the city attorney and the Climate Emergency Mobilization Office should have completed a strategy to implement the ban for new residential and commercial buildings. The ban would take effect Jan. 1.

Los Angeles would join more than 50 California cities banning natural gas from new buildings. The city's buildings account for 43% of greenhouse gas emissions, more than any other sector in Los Angeles, according to the city council. It said electrifying new buildings would be a "critical first step" to prepare Los Angeles for a carbon-neutral future. In July 2019, Berkeley became the first city to announce it would ban gas in new buildings. Several cities surrounding the Bay Area followed suit, including San Francisco, Oakland, Los Gatos, Sunnyvale and others.

San Diego and Santa Barbara announced similar measures. Santa Barbara's ordinance to ban gas in new buildings came into effect at the beginning of the year. Seattle also banned gas in new buildings in February 2021, while Multnomah County, Oregon, approved a ban on fossil fuel use in county buildings in April 2021. Meanwhile, many states have adopted legislation to prevent local governments from enacting such bans: Arizona, Arkansas, Florida, Iowa, Mississippi, New Hampshire, North Carolina, Ohio, Oklahoma, Tennessee, Texas, Utah, Virginia, West Virginia and Wyoming.

U.S. refineries have been closing just as nation needs more

(Washington Post; June 20) - As the energy crunch drives record profits at U.S. oil refineries, the owners of what had been the largest such facility in the Northeast have no regrets about tearing down the place. Hilco Redevelopment Partners has been hauling out 950 miles of pipe from the former Philadelphia Energy Solutions refinery, abandoning the property's 150-year history of processing crude oil into fuel. The firm is spending hundreds of millions of dollars to convert the 1,300-acre site along a river into a green, high-tech campus for e-commerce and life sciences companies.

Hilco bought the property in a bankruptcy auction in 2020, a year after a massive explosion at the refinery rattled the city. Oil refineries across the U.S. are being retired and converted to other uses as owners balk at costly upgrades and the country's pivot away from fossil fuels leaves their future uncertain. The downsizing comes despite painful gasoline prices and as demand globally ramps up amid sanctions on gasoline and diesel produced in Russia, the third-biggest refiner in the world.

Five refineries have shut down in the U.S. in just the past two years, cutting the nation's refining capacity by about 5% and eliminating more than 1 million barrels of fuel per day from the market, leaving the remaining facilities straining to meet demand. Though now profitable, refineries endured heavy losses after demand plunged during the pandemic. Unpredictable shifts in oil markets had created a challenging business climate before that. Owners fear today's profits are short-lived and rising public and corporate concern about climate change would make many refineries obsolete in the not-too-distant future.

Building and upgrading a refinery is a messy, expensive undertaking that can drag on longer than a decade, strain the finances of even the biggest fossil fuel giants and run the risk of getting abandoned before that investment is returned. "I don't think you are ever going to see a refinery built again in this country," Chevron CEO Michael Wirth said in an interview this month. "It's been 50 years since we built a new one."

Louisiana LNG developer lands 20-year deal with German buyer

(The Wall Street Journal; June 21) - Venture Global LNG has struck the first binding deals by a U.S. gas exporter to supply a German company, as the European nation turns to America to help replace supplies from Russia. On June 21, Venture Global said it agreed to sell 1.5 million tonnes of liquefied natural gas a year in two 20-year deals with German energy company EnBW Energie Baden-Württemberg, starting in 2026. Half of the amount will come from the Plaquemines LNG facility under construction in Louisiana, while half will come from another proposed Venture Global plant in the state.

Germany is fast-tracking the development of LNG import terminals on its northern coast as it seeks to reduce its dependence on Russian energy. Germany's recent support for LNG comes after years in which U.S. companies vying to sell gas into Europe struggled to generate much interest. As Europe races to wean itself off Russian energy, American gas producers are struggling to meet the immediate demand and prices are rising.

LNG “opens up the possibility of new sources to secure Germany’s gas supply in the current energy transition phase and builds a bridge to a green-energy supply,” said Georg Stamatelopoulos, chief operating officer for generation and trading at EnBW. Last month, Sempra Infrastructure entered a nonbinding agreement to sell LNG to German electricity generation company RWE from a proposed site in South Texas.

Cheniere signs up Chevron as long-term LNG customer

(Reuters; June 22) - Cheniere Energy said June 22 it would sell 2 million tonnes per year of liquefied natural gas to Chevron, through 2042. Cheniere said the deliveries would begin in 2026 and reach the full capacity in 2027. "These long-term sale and purchase agreements … further support investment in additional LNG capacity beyond our Corpus Christi Stage III Project," said Anatol Feygin, Cheniere's executive vice president and chief commercial officer. Earlier in the day, Cheniere said it would go ahead with expansion of its Corpus Christi LNG export plant in Texas.

Cheniere said on June 22 its board of directors decided to expand the Corpus Christi LNG export plant by up to an additional 10 million tonnes annual capacity, and told Bechtel Energy to continue with construction. The plant’s current capacity is 15 million tonnes. The $8 billion expansion at Corpus Christi is the second U.S. LNG project to reach a final investment decision this year as demand for gas soars, with several countries seeking to wean themselves off Russian gas after Moscow invaded Ukraine.

In May, Venture Global LNG reached FID to build its Plaquemines LNG export plant in Louisiana. Both plants — Corpus Christi Stage 3 and Plaquemines — were already under early construction when the companies made FIDs. Plaquemines is planned for 13 million tonnes annual capacity. Cheniere is the biggest U.S. exporter of LNG, with the capacity to produce about 45 million tonnes per year at Corpus Christi and its larger plant at Sabine Pass, Louisiana.

High LNG prices push Thailand to scale back imports

(Bloomberg; June 22) - Thailand is curbing its imports of liquefied natural gas due to surging prices, potentially putting the country at risk of fuel shortages. State-run importers cut purchases of LNG from the spot market because of skyrocketing prices and limited availability, according to traders. And while they plan to boost purchases of cheaper alternatives, like diesel and fuel oil, the energy deficit left by cutting LNG may be too large to be filled by other sources, said the traders.

“We won’t let a fuel shortage happen,” Thai deputy government spokeswoman Rachada Dhnadirek said. Some of Thailand’s poorer Asian neighbors — including Pakistan and Sri Lanka — are in the midst of their own severe energy crises due to surging oil and gas costs. North Asian spot prices for LNG have jumped around 50% this month, taking them to more than triple what they were a year ago, as Russia’s move to curb exports to Europe boosted global competition for the fuel.

Thailand isn’t in a crisis yet, but the prevalence of gas in its power mix does raise the threat of rationing or blackouts. Almost two-thirds of the nation’s electricity was generated from natural gas in the first four months of the year, government data show. The risk is also exacerbated by rising demand due to Thai industry and tourism recovering after the virus. Imported LNG accounted for a fifth of the gas used for power generation in 2020, according to figures from state-run energy company PTT.

Croatia will expand capacity of LNG import operation

(S&P Global; June 21) - Croatia plans to expand the capacity of its floating LNG import terminal at the island of Krk to almost 220 billion cubic feet of natural gas per year, Prime Minister Andrej Plenkovic said June 20, in order for Croatia to play a more regional gas-supply role. The floating storage and regasification unit began operation in January 2021 and is the first LNG import facility to serve the Balkan region directly.

Plenkovic said it should be a priority of the initiative to improve energy interconnections, particularly in the wake of Russia's invasion of Ukraine. "In the altered circumstances, energy infrastructure is now clearly defined as critical infrastructure," Plenkovic said. "To be better linked, better connected, to provide energy supply security to each other, should be the priority of the initiative.” He said the capacity expansion would go “far beyond the needs of our industry and households, so as to play a regional role.”

Since it started operation in January 2021, the terminal has received a total of 32 cargoes, representing about 100 bcf of gas, mostly from the U.S., according to data from S&P Global Commodity Insights. It struggled to secure LNG cargoes for most of 2021 — with only 13 cargoes supplied in the first three quarters of the year — as higher Asian LNG prices drew cargoes away from Europe. However, higher European prices saw LNG supply into Europe pick up significantly toward the end of 2021.

Saudis face decision on next move as OPEC+ pact nears its end

(Bloomberg; June 17) - The oil-production pact that OPEC+ launched at the outset of the pandemic is nearing an end, and where the group goes from here is a politically fraught question. By August, the last of the huge oil-output cutbacks the group made in

2020 will have been rolled back and delegates from the 23-nation coalition say they are grappling with what comes next.

As President Joe Biden prepares to visit Saudi Arabia — OPEC's de facto leader — U.S. officials are laying the groundwork for the kingdom and its neighbor, the United Arab Emirates, to move beyond their August production levels and announce further increases to help cool oil prices that are above $110 a barrel, according to people familiar with the matter. The Persian Gulf exporters, seeking guarantees on regional security before they agree to pump at levels rarely seen before, are still weighing their options, the people said, asking not to be named because the information isn't public.

Saudi Arabia has been walking a fine line between heeding the requests from its longtime but somewhat estranged U.S. ally, and the joint architect of the alliance that rescued oil prices from their worst slump ever — Russia. "OPEC has a long history of being pragmatic amid turbulent geopolitics," said Bjarne Schieldrop, chief commodities analyst at Stockholm-based financial services firm SEB. The Saudis are considering whether to grant the U.S. request but, with the kingdom enjoying its greatest political leverage in years, it's unclear whether an agreement will be reached, the sources said.