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World short LNG until new projects come online starting in 2024

(Natural Gas World analysis; May 9) - A liquified natural gas crisis is brewing for European countries dealing with energy insecurity in the wake of Russia's invasion of Ukraine, as demand will outstrip supply by the end of this year, Rystad Energy research shows. Although soaring demand has spurred the greatest rush of new LNG projects worldwide in over a decade, construction timelines mean relief is unlikely until 2024.

Global LNG demand is expected to hit 436 million tonnes in 2022, outpacing available supply of 410 million tonnes. The European Union has set an ambitious target to reduce dependence on Russian gas by 66% within this year — which will clash with its goal of filling gas storage to 80% of capacity by Nov. 1. By shunning Russian gas, Europe has destabilized the global LNG market that began the year in a precarious balance.

The move away from Russian gas will create a boom for LNG producers elsewhere of a scale and duration not seen in over a decade. "There simply is not enough LNG around to meet demand. In the short term this will make for a hard winter in Europe. The stage is set for a sustained supply deficit, high prices, extreme volatility, bullish markets and heightened LNG geopolitics," said Kaushal Ramesh, Rystad Energy senior gas analyst.

Two new U.S. Gulf Coast LNG export projects are scheduled to come online in 2024-2025, and more than LNG 20 projects worldwide with a combined capacity of more than 180 million tonnes per year have reported some development progress recently. To be certain of supply in 2030, the market will need more than 150 million tonnes of new production, which means more than 80% of the project pipeline must be realized.

Japan considers public financing to help U.S. LNG expansion projects

(S&P Global Platts; May 10) - Japan is considering providing public financing to help expand U.S. LNG production capacity, Minister of Economy, Trade and Industry Koichi Haguida said May 10, as the country moves to phase out its dependency on Russian energy. "Speaking of LNG, the U.S. has expansion plans at existing projects, which could boost production in a relatively short period of time, and Japanese companies are showing interest [in those projects]," Hagiuda said at a press conference.

"Japan intends to contribute to starting up these U.S. projects with public financial support and proceed to cooperate with the U.S. in order to stabilize global LNG supply," he said. State-owned Japan Oil, Gas and Metals National Corp. provides equity capital

for Japanese companies' oil and gas exploration and production work to mitigate their financial risks, as well as issues guarantees to support financing of upstream projects.

Among U.S. LNG expansion plans, Sempra expects a proposed fourth liquefaction train at its Cameron LNG terminal in Louisiana to be "fully contracted or substantially so" by the end of June, but has pushed back its target for commercially sanctioning the project until later in 2023, the company said May 5. Sempra entered into a heads of agreement in April for the expansion with its partners France's TotalEnergies, Japan's Mitsui and a company jointly owned by Japan's Mitsubishi and Nippon Yusen Kabushiki Kaisha.

Germany plans legislation to speed up LNG terminal approvals

(Reuters; May 10) - Germany is set to become a liquefied natural gas powerhouse within a year as it fast-tracks new import terminals to slash its dependence on Russian fuel. The government will this week announce legislation to cut the approval process for such facilities to one-tenth of the usual timeframe. It plans four floating terminals, allowing it to replace at least 70% of Russian gas imports and marking a significant u-turn in energy policy after years of resisting costlier U.S. LNG.

“We have a good chance of doing what is actually impossible in Germany — building an LNG terminal within about 10 months and connecting it to the German gas supply,” Economy Minister Robert Habeck said in the port town of Wilhelmshaven. “This is not only German self-interest, but we are creating an infrastructure that represents security for Europe.” European Union gas importers are racing to secure alternative shipments as they break ties with Vladimir Putin’s regime amid the war in Ukraine.

For Germany, which got more than half its supply from Russia last year, deliveries into the four planned terminals would cover about a third of its annual consumption — while boosting the EU’s total import capacity by a fifth. Germany has long snubbed U.S. LNG, miring past efforts to build terminals amid a lengthy bureaucracy. Its buyers have favored cheaper pipeline gas, while the government has been concerned that bringing in U.S. cargoes — the product of fracking — might harm its environmental credentials. Russia’s invasion of Ukraine has caused a dramatic change of stance.

Proposed East Coast Canada LNG projects may get second chance

(CBC News; Canada; May 11) - Two proposed but stalled liquefied natural gas projects in Nova Scotia are showing signs of advancing. Pieridae Energy, the company behind the Goldboro LNG project, is in discussions with the federal government about how to move the project forward. The proposed LNG terminal was previously pitched as a $13-billion land-based facility that would bring in gas from Western Canada and then ship it to Europe. Pieridae shelved the project last summer due to cost pressures.

But after Russia invaded Ukraine, the federal government approached Pieridae to see if the company could assist with efforts to boost energy exports to help wean Europe off Russian resources. It's a far cry from the situation a year ago, when Pieridae requested $1 billion from Ottawa to help the project — funding that did not materialize. "The world has changed a lot since then," Pieridae CEO Alfred Sorensen said on May 10.

Earlier this year, Pieridae Energy was considering a smaller project with a floating LNG barge. The company is now shifting its attention back to a land-based project because it would be able to produce more gas than a barge-based facility, and the federal government is interested in maximizing output, Sorensen said. Even with its headstart, gas likely would not flow through the project until 2027, he said.

Meanwhile, Texas energy company Buckeye Partners announced has an agreement to purchase Bear Head Energy and its proposed LNG project in Nova Scotia. The project was in development for over 15 years, but has had difficulty getting gas suppliers and customers on board. Buckeye declined to answer questions about the company's plans.

U.S. midstream company will buy proposed Canadian LNG project

(Natural Gas World; May 9) – U.S. midstream company Buckeye Partners said May 5 it had entered into a definitive agreement to acquire Bear Head Energy, formerly the Bear Head LNG project, in Nova Scotia. Bear Head LNG was originally owned by Australia's LNG Ltd., which entered administration (insolvency) in 2020 and subsequently sold its other North American LNG asset, the proposed Magnolia LNG project in Louisiana, to the Glenfarne Group. Houston-based Buckeye would not discuss details of its purchase.

Fully permitted at 8 million tonnes per year of exports, Bear Head is proposed for 251 acres on Nova Scotia's Strait of Canso. In 2020, Nova Scotia authorities extended its construction permit until December 2022, but Buckeye has not said whether that permit has been extended again. Bear Head Energy is now dubbed a "clean energy development," though Buckeye provided no details. The company owns and operates petroleum liquids pipelines, terminals and storage tanks across the U.S. and Caribbean.

Exxon signs up to buy LNG from two Louisiana projects

(Reuters; May 10) - Venture Global LNG said May 10 it would supply 2 million tonnes of liquefied natural gas per year for 20 years to ExxonMobil. The company, which plans to build as many as four LNG plants using a modular design that streamlines construction and cuts production costs, has emerged as a powerful force in the business. Venture Global this year started exports at its first plant in Calcasieu Pass, Louisiana, and the Exxon deal will help advance two other proposed Gulf Coast facilities.

The U.S. has become a major LNG player and this year is expected to pass Australia and Qatar as the world's largest exporter. Global demand for U.S. LNG has surged since Russia's invasion of Ukraine, which tightened an already undersupplied market.

Under the deal, Exxon's Asia Pacific unit will purchase one million tonnes of LNG per year each from Venture Global's Plaquemines LNG facility, now under construction, and its planned Calcasieu Pass 2 facility, also in Louisiana. The deal will help boost Exxon's LNG sales growth in Asia and in China, already the world's largest importer of LNG. Exxon also is a 30% partner with Qatar Energy in Golden Pass LNG, now under construction in Texas. That $10 billion facility is expected to start up in 2024.

Malaysia's Petronas signs up to take U.S. LNG in 20-year deal

(Natural Gas World; May 11) - LNG developer Venture Global and Malaysia's Petronas announced new 20-year sales and purchase agreement May 11 covering 1 million tonnes of the fuel per year from Venture Global's Plaquemines LNG facility in Plaquemines Parish, Louisiana. On the heels of a similar deal with ExxonMobil on May 10, Venture Global has now executed 20-year agreements covering 16 million tonnes of off-take from the planned 20-million-tonne Plaquemines facility. Early site construction began last year, and a final investment decision is expected soon.

Venture Global began producing LNG at its first facility, the 10-million-tonne Calcasieu Pass terminal in Louisiana, in January. It has also proposed a second 20-million-tonne project in Plaquemines Parish, Delta LNG, and the 20-million-tonne CP2 LNG project adjacent to the operating Calcasieu Pass terminal. All of Venture Global's projects will incorporate carbon capture and sequestration technology, the company said.

Germany, Qatar in tough negotiations over LNG supply deals

(Reuters; May 9) - Germany and Qatar have hit difficulties in talks over long-term liquefied natural gas supply deals amid differences over key conditions, including the duration of any contract, three people familiar with the discussions told Reuters. Germany, which aims to cut its carbon emissions by 88% by 2040, is reluctant to commit to Qatar's conditions to sign deals of at least 20 years to secure the massive LNG volumes it needs to reduce its dependence on Russian gas, the people said.

Qatar, the world's largest LNG supplier, is also specifying terms such as a destination clause that would prevent Berlin from rerouting gas to other areas in Europe, a condition which the European Union opposes. The talks between Qatar Energy and German utilities highlight the challenges the EU faces in its ambition to pull away from Russian gas as Germany struggles to balance any deal with its carbon-reduction targets.

Germany consumes about 3.5 trillion cubic feet of natural gas annually, with about 55% of that coming from Russia. It has backed construction of two LNG import terminals and has rented four floating storage and regasification units as a stopgap measure. What it needs now is LNG. Germany was also competing with other nations for Qatari gas.

In addition to the other issues, Qatar is firm on oil-indexation, linking the contracts to oil prices, which represents the pricing structure of its sales to Asia, while Germany is seeking linkage to a European natural gas benchmark, said Felix Booth, head of LNG at energy intelligence firm Vortexa, said. "Qatar is in the driving seat in these discussions."

OPEC+ continues to fall short of production targets

(S&P Global Platts; May 10) - Crude oil production by OPEC and its partners fell to a six-month low of 41.58 million barrels per day in April as Russian production took a battering from Western sanctions, the latest Platts survey by S&P Global Commodity Insights found. OPEC's 13 members raised output by 70,000 barrels per day to 28.8 million, led by gains in Saudi Arabia and Iraq, but production by key ally Russia fell by 900,000, and Kazakhstan also registered significant losses.

This meant the glaring gap between OPEC+ production and quotas rose to a record-high 2.59 million barrels per day as 13 out of the 19 OPEC+ countries with quotas struggled to hit their output targets, the survey found. Crude prices, which were already climbing as global oil demand has recovered from the pandemic, have largely remained above $100 per barrel since Russia launched its invasion of Ukraine, though tempered somewhat by widespread COVID-19-related lockdown measures in China.

Russia's output plunged to 9.14 million barrels per day in April, far below its quota of 10.44 million, the survey found, and is expected to fall further with the European Union preparing to impose an embargo on oil supplies from the country to choke its income. Fellow non-OPEC producer Kazakhstan saw its output fall 220,000 to 1.33 million barrels per day following damage to offshore loading facilities at the Russian port of Novorossiisk. The outage lasted almost a month before loadings returned to normal.

Saudi, UAE ministers blame high oil prices on lack of investment

(Bloomberg; May 10) - The oil ministers of Saudi Arabia and the United Arab Emirates warned that spare capacity is decreasing in all energy sectors as producers slash investment, causing everything from crude to diesel and natural gas to trade at or near record highs. "I am a dinosaur, but I have never seen these things," Saudi Energy Minister Prince Abdulaziz bin Salman, who has attended OPEC meetings since the 1980s, said May 10 at a conference in Abu Dhabi, referring to rising prices.

“The world needs to wake up to an existing reality. The world is running out of energy capacity at all levels,” the minister said. The prince’s UAE counterpart, Suhail al Mazrouei, said that without more investment across the globe, OPEC+ wouldn’t be able to guarantee sufficient supplies of oil when demand fully recovers from the coronavirus pandemic. “We’ve been warning about the lack of investment,” he said in an interview, also in Abu Dhabi. “That lack of investment is catching up with a lot of countries.”

Saudi Arabia and the UAE are among the few producers investing in more output. They are spending billions of dollars to raise their crude capacity by 2 million barrels a day between them by the end of this decade, while other producers are struggling to get funding as shareholders and governments encourage a shift to renewables. Yet, for now, the market is balanced and there is no need for OPEC+ to accelerate its gradual production increases, Mazrouei said. Many governments in importing nations disagree.

Oil and gas asset sales can be bad for the environment

(The New York Times; May 10) - When Shell sold off its stake in the Umuechem oil field in Nigeria last year, it was, on paper, a step forward for the company’s climate goals: Shell could clean up its holdings, raise money to invest in cleaner technologies, and move toward its goal of net-zero emissions by 2050. As soon as Shell left, however, the oil field underwent a change so significant it was detected from space: a surge in flaring, or the wasteful burning of excess gas in towering columns of smoke and fire.

Around the world, many of the largest energy companies are expected to sell off more than $100 billion of oil fields and other polluting assets in an effort to cut their emissions and make progress toward their corporate climate goals. However, they frequently sell to buyers that disclose little about their operations, have made few or no pledges to combat climate change, and are committed to ramping up fossil fuel production.

New research shows that of 3,000 oil and gas deals between 2017 and 2021, the vast majority involved assets going from operators with net-zero pledges to those that didn’t. That’s raising concerns the assets will continue to pollute, but away from the public eye. “You can move your assets to another company, and move the emissions off your own books, but that doesn’t equal any positive impact on the planet,” said Andrew Baxter, who heads the energy transition team at the Environmental Defense Fund.

For the four years before the Umuechem sale, satellites had spotted no routine flaring from the field, which Shell operated, together with Total and Eni. But immediately after they sold the field to a private-equity backed firm, Trans-Niger Oil & Gas, an operator with no stated net-zero goals, flaring quadrupled, according to data from the VIIRS satellite collected by the Environmental Defense Fund as part of its analysis.

Embargoes on Russian crude will hit hard at government revenues

(CNN Business; May 9) - Russia has long been powered by oil and Europe's addiction to it. Now, Moscow is faced with an unprecedented challenge: If the continent bars imports of millions of barrels of crude, can it find new customers? The European Union, once hesitant, is taking steps to halt the flow of Russian oil and refined products to most member states this year as the war in Ukraine drags on. If the bloc agrees to an embargo, it would strike at the heart of Russia's economy.

Moscow would not be crippled overnight. Countries like India continue to snap up hundreds of thousands of barrels of crude per day, taking advantage of hefty discounts. And the Kremlin's tax receipts have been swelled by the overall increase in global benchmark prices triggered by its invasion of Ukraine.

But over time, losing Europe — the destination for more than half of Russia's oil exports — would deal a blow to the Kremlin, reducing government revenue as other harsh sanctions take a growing toll. It will struggle to find enough new customers to fill the gap. The International Energy Agency and other analysts predict Russian oil production will fall sharply as a result. "It hurts Russia, without a doubt," said Henning Gloystein, director of the energy program at Eurasia Group, a consultancy.

Moscow relies heavily on revenues from its powerful oil and gas sector, which in January accounted for 45% of the federal government's budget. Analysts at Rystad Energy and Kpler, another research firm, expect that Russia will need to cut production by about 2 million barrels a day — or roughly 20% — as a result of the embargoes.

Japan will maintain ownership stakes in Russian oil and gas projects

(Nikkei Asia; May 9) - Japanese Prime Minister Fumio Kishida told reporters on May 9 that Japan would maintain its stakes in the Sakhalin-1 and Sakhalin-2 energy projects in Russia, from which it imports oil and liquefied natural gas. During an online meeting of the leaders of the Group of Seven countries earlier, Kishida had announced that Japan will ban Russian crude oil imports "in principle" as part of a G-7 sanctions campaign.

He stressed there would be no near-term change in the policy on Sakhalin-1 and Sakhalin-2, in which the Japanese government and Japanese companies hold stakes. Japan imports about 90% of its energy, with Russia being the country's fifth-biggest source of LNG. Sakhalin-1 received development funding from the Minister of Economy, Trade and Industry, Itochu, Japan Petroleum Exploration Co., Marubeni and Inpex. Sakhalin-2 counts Mitsui and Mitsubishi among its investors.

"We will take steps to phase out imports in a way that minimizes the adverse impact on people's lives and business activities," Kishida told reporters. "We will consider how to reduce oil imports and the timing of the suspension based on actual conditions."

India buys extra Russian LNG on spot market at discount

(Bloomberg; May 9) - India’s liquefied natural gas importers are purchasing extra volumes from Russia at a discount as most other spot buyers shun the fuel. Companies including Gujarat State Petroleum and GAIL India recently bought several LNG spot shipments from Russia at prices below prevailing market rates, according to traders with knowledge of the matter. They may buy more as long as Russian gas remains cheaper than rival suppliers, the people said, requesting anonymity to discuss private details.

India gets almost three-quarters of its LNG under long-term contracts, but sweltering heat and blackouts are forcing the nation’s utilities to top up with spot shipments, which are trading at well above normal prices due to a global supply crunch. With demand for gas in the fertilizer sector also rising, some Indian importers are snapping up discounted Russian shipments. The South Asian nation, which is also seeking deeper discounts on Russian oil, has emerged as a last resort for Russian fuels traded on the spot market and shunned by the world due to President Vladimir Putin’s invasion of Ukraine.

Power cuts more frequent as India runs short of coal

(BBC News; May 9) - For more than a month, Sandeep Mall's engineering goods factory next to the Indian capital, Delhi, has faced crippling power cuts, sometimes up to 14 hours a day. The 50-odd machines in the factory in a major manufacturing hub in Faridabad make products for aeronautics, automobile, mining and construction industries. "Every time the power goes off, the machines stop, the semi-finished products get rejected and we have to start all over again," Mall said.

Beginning in April, power cuts and outages have rippled across India, slowing factories, closing schools and sparking demonstrations. The main reason why electricity is in such short supply is a shortage of coal. India is the world's second-largest producer and consumer of coal. The fossil fuel keeps the lights on — three-quarters of the electricity produced uses coal. India sits atop the world's third-highest reserves of coal and boasts of the world's largest coal mining company. Yet there are perpetual shortages.

Last October, India teetered on the brink of a power crisis when stockpiles at more than half of the country's 135 coal-fired plants ran critically low, below 25% of normal levels. Coal stocks now are critically low at 108 of its 173 power plants. "A perfect storm has built up now, and there are many reasons to blame," says Rahul Tongia, a senior fellow with the Centre for Social and Economic Progress, a Delhi-based think tank.

Demand for electricity is seasonal, and building a stockpile costs more money and is time-consuming. Besides, rail capacity is in short supply. India has traditionally boosted supplies by importing coal, but high global prices is making that too costly.

COVID lockdowns cut into China's natural gas demand

(Bloomberg; May 10) - Industrial demand for natural gas in the factory-heavy province of Jiangsu slumped 43% in April from a year earlier, in another sign of how virus lockdowns are wreaking havoc on China's economy. Jiangsu is China's second-biggest provincial economy and lies just to the north of Shanghai, where the harshest COVID-19 restrictions resulted in a web of quarantine rules disrupting transport and labor. The figures are from the National Energy Administration.

Across the entire country, gas demand fell by around 6% last month from a year earlier to the lowest since September 2021, while industrial consumption was down 8.4%, Morgan Stanley said in a note that cited data from BSC Energy Consulting. China — the world's biggest liquefied natural gas importer last year — has stuck to its COVID-zero approach to quell outbreaks of the virus, weighing on energy consumption.

China's biggest gas importers have curbed purchases in the past year due to high spot prices, mild winter weather and lackluster demand. The country's LNG imports are down nearly 20% in the first four months of the year from the same period in 2021, ship-tracking data compiled by Bloomberg show.

LNG buyers in northern China expect lockdowns to curb demand

(Bloomberg; May 11) - Liquefied natural gas buyers in northern China are concerned that virus-linked curbs on travel and industry will persist through the summer, further limiting demand. Respondents to a government survey expect LNG imports in northern China, which accounts for about a third of the nation's deliveries, to drop by at least 20% for the three months through August compared with a year earlier, according to people familiar with the survey results.

Virus restrictions are expected to curb loading of trucked LNG shipments and reduce factory operations, while high overseas spot LNG prices will also weigh on demand, said the people, who requested anonymity as the results haven't been made public. Buyers canvassed in the survey said demand could drop as much as 45% under a worst-case scenario that includes months of lockdowns, according to one of the people.

Northern China is home to the capital of Beijing, where a recent jump in COVID-19 cases triggered some restrictions and mass testing. The weak outlook for LNG demand shows how China's utilities expect the lockdowns throughout the country — which have confined millions of residents to their homes for more than a month — won't be eased soon. Meanwhile, higher-than-normal spot LNG rates also will curb fuel procurement and weigh on imports this summer, the people said.

New England depends on imported LNG to cover energy needs

(ClimateWire; May 10) - As coal, oil and nuclear power plants have retired in recent years, New England has turned to liquefied natural gas to keep the lights on and energy prices low. But with Europe scrambling to offset its use of Russian gas by importing more LNG, the region could find itself facing skyrocketing gas prices next winter. The dynamic illustrates New England's mounting reliance on gas and the halting nature of efforts to green the region's power supplies.

The six New England states, which are served by a common electricity market, have struggled to replace their retired power plants with large-scale renewable projects or new pipelines to serve their existing gas facilities. LNG has helped paper over the cracks. Cargoes delivered to a trio of marine terminals in Massachusetts and New Brunswick, Canada, have helped the region compensate for its limited pipeline network, which lacks enough capacity to serve heating and electricity demand during cold snaps.

But the strategy also has left New England exposed to the global LNG market. In previous years, the approach paid off. Gas was cheap. Now, with rising gas prices, the situation underscores the growing challenges facing New England's grid. A combination of cheap gas and increasingly ambitious state climate policies in the past decade drove the region's fleet of old coal- and oil-fired power plants into retirement. Each fuel now accounts for less than 1% of the region's electricity. Two nuclear facilities also closed in the face of low gas prices and concerns over safety.

Haynesville Shale well positioned with low-emissions production

(S&P Global Platts; May 9) - The low emissions profile of Haynesville Shale natural gas and the play's proximity to Gulf Coast LNG export terminals have made the basin a hub for third-party certification, putting it in pole position in the race to get more and cleaner U.S. gas to global markets. Based on current commitments to certify about 7 billion cubic feet per day of Haynesville production by the end of 2022, roughly 53% of the basin's gas output will be certified gas by the end of the year. Around 40% of total commitments in the basin were announced in 2022, suggesting gathering momentum.

Certified gas is production that has been assessed by an independent third-party as meeting certain environmental, social and governance standards, as laid out by one of the three major standards on the market today. As the market evolves, other standards may gain traction and be added to this definition. The Haynesville Shale in Louisiana and eastern Texas has a suite of natural advantages when it comes to third-party certification, including what data suggests is a naturally lower methane intensity.

Out of the 19 U.S. gas basins evaluated, the ARKLA-Haynesville and East Texas-Haynesville basins have consistently shown the lowest methane intensities, according to data from S&P Global Commodity Insights. Although S&P Global's satellite-driven

methane intensity data captures all methane emissions from a particular area, not just those resulting from gas-related activities, it does support the theory that naturally lower emissions plays a part in the Haynesville's appeal for third-party certification.