

# Oil and Gas News Briefs

## Compiled by Larry Persily

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### [IEA outlook says natural gas demand could plateau by end of decade](#)

(The Wall Street Journal; Oct. 27) - Global demand for fossil fuels could peak starting later this decade, according to a prominent energy forecaster, as part of a faster-than-expected shift that the agency said has been hastened by the energy crisis stemming from Russia's invasion of Ukraine. The International Energy Agency, a group of some of the world's biggest energy users, said the war and the disruption to energy markets that it has unleashed has set off a realignment of global supply and demand.

If governments make good on goals they have set in motion recently in response to the crisis, they would speed up the shift from fossil fuels to cleaner renewables, the agency said. Based on such a scenario, the IEA said additional coal demand prompted by the energy crisis would be temporary, while natural gas demand would plateau by the end of this decade. With increased use of electric vehicles, the IEA said, oil demand would peak sometime in the middle of the 2030s, plateauing until about 2050 and then falling.

"Energy markets and policies have changed as a result of Russia's invasion of Ukraine, not just for the time being, but for decades to come," said Fatih Birol, executive director of the IEA. "The energy world is shifting dramatically before our eyes. Government responses around the world promise to make this a historic and definitive turning point." As a share of global energy, fossil fuels have held steady at 80% for decades. The IEA said the accelerated shift will reduce that to below 75% by 2030 and to 60% by 2050.

### ['Energy world is shifting' away from fossil fuels, IEA says](#)

(Bloomberg; Oct. 27) - Russia's invasion of Ukraine heralds a tipping point for global energy markets that will shrink Moscow's influence and hasten the transition to renewables, the International Energy Agency said. Demand for fossil fuels is set to hit a plateau from the middle of this decade as governments seek to shield themselves from the crisis by diversifying toward clean energy, the Paris-based agency said in its World Energy Outlook. Russia's share of oil and gas markets will halve by 2030, it predicted.

"Energy markets and policies have changed as a result of Russia's invasion of Ukraine, not just for the time being, but for decades to come," said IEA Executive Director Fatih Birol. "The energy world is shifting dramatically before our eyes." As countries hunt for alternatives to Russian energy, the lasting consequences may be profound. Rapid growth in demand for natural gas — often seen as a bridge fuel in the transition to low-carbon energy — will grind to a halt. Consumption will increase by less than 5% to the end of this decade and then stagnate to the middle of the century, the IEA report said.

Even China's gas demand growth will slow to 2% this decade, from the 12% seen since 2010, as it adopts electrification and renewables. Global oil demand will reach a peak of 103 million barrels a day in the middle of the 2030s — slightly later than suggested in recent IEA outlooks — and then decline “very gently” to 2050, the report said. Russia, the world's biggest exporter of fossil fuels before its war on Ukraine, has shared in the \$2 trillion windfall enjoyed by producers. Yet its energy importance is poised to recede dramatically, with exports of hydrocarbons never again reaching last year's levels.

### **IEA says long-term oil investments incompatible with net-zero goals**

(S&P Global; Oct. 27) - The world needs near-term alternatives to an impending fall in Russian oil exports, but this does not justify diluting net-zero commitments and requires an extra effort to curb emissions, the International Energy Agency said in its World Energy Outlook published Oct. 27. In the annual outlook, the IEA stuck with its view expressed in 2021 that investing in new long-cycle oil projects, rather than low-carbon technologies, would be incompatible with net-zero emissions targets.

"No one should imagine that Russia's invasion can justify a wave of new oil and gas infrastructure in a world that wants to reach net-zero emissions by 2050," the IEA said in its latest report. "It remains the case that with the steep reductions in fossil fuel demand in the Net Zero Emissions scenario in this outlook, fossil fuel demand can be met through continued investment in existing assets and already approved projects, but without any new long-lead time upstream conventional projects."

While stressing the role of low-carbon technology and extending the life of existing oil fields, the IEA conceded a complete absence of new long-term projects could lead to overreliance on core Middle Eastern producers to meet remaining long-term demand. To overcome the shortfall expected to result from shunning Russian oil supply, the IEA recommended investment in short-cycle production such as shale, alongside energy transition efforts. It questioned moves by some countries to hold new offshore licensing rounds as a means to stimulating long-term oil projects.

### **IEA report says Russian oil and gas revenues will drop 60% by 2030**

(Fortune; Oct. 26) - Even as Russian missiles pound Ukraine, shattering about a third of the country's electricity grid, President Vladimir Putin has already lost the war in one crucial respect: Russia's huge clout in global energy supplies — which it built up over decades — is shrinking drastically, probably forever. That's the assessment of the International Energy Agency, the Paris-based agency comprising the world's biggest producing and consuming nations, in its yearly World Energy Outlook issued on Oct. 27.

“The rupture has come with a speed that few imagined possible,” the organization said in its 524-page report, which lays out three different scenarios for the decades ahead, depending on whether major countries stick to their green-energy commitments. “Russian fossil fuel exports [will] never return in any of the scenarios ... to the levels seen in 2021,” the report said.

Instead, Russian oil and gas revenues will drop by 60%, from \$75 billion last year to less than \$30 billion in 2030. And as Europe rapidly switches to natural gas supplies from the U.S. and the Middle East, Russia’s global market share will steadily shrink further, the IEA report said. That’s a dizzying change for Putin, whose country until last year supplied a whopping 20% of the world’s fossil fuels.

### **Conoco signs on as partner in second phase of Qatar LNG expansion**

(Reuters; Oct. 30) - QatarEnergy's chief executive on Oct. 30 named ConocoPhillips as the third and final partner in the Gulf state's North Field South expansion, the second phase in the world's largest liquefied natural gas project. ConocoPhillips will have a 6.25% interest in the project, Saad al-Kaabi told a news conference. State-owned QatarEnergy had already announced Shell and TotalEnergies as partners in the North Field South expansion, and Kaabi said each would hold a 9.375% stake.

The North Field is part of the world's biggest gas field that Qatar shares with Iran, which calls its share South Pars. QatarEnergy earlier this year signed deals for North Field East, the first and larger phase of the two-phase expansion plan, which in total includes six large-volume LNG trains that will ramp up Qatar's liquefaction capacity to 126 million tonnes per year by 2027 from 77 million tonnes. The North Field East partners are Shell, TotalEnergies, ConocoPhillips, ExxonMobil and Italy’s Eni.

Kaabi said discussions continue with several Asian buyers as "value-added partners" that "will have a small equity participation" on the North Field expansion, but that the Western international partners were all announced. North Field East is estimated at close to \$30 billion, with production start-up expected by 2026. The second phase of the project could drive total costs to \$50 billion.

### **Record U.S. LNG exports, high domestic prices help renewables**

(Reuters columnist; Oct. 27) - Sales of U.S. liquefied natural gas are on track to smash volume and earnings records in 2022, but the stellar short-term gains for exporters may have long-term consequences for the entire U.S. energy sector due to the resulting higher gas prices domestically. U.S. LNG exports jumped nearly 11% in the first 10 months of 2022 from 2021, Kpler data shows, while soaring nearly 150% to Europe as desperate buyers there paid top dollar to replace Russian pipeline gas supplies.

Revenues from that bonanza have been eye-catching, topping \$25 billion through July, according to the latest data from the U.S. Energy Information Administration, compared with just over \$13 billion in the same slot in 2021. But those higher European purchases have affected far more than just the gas exporters who raked in record profits. The entire U.S. power market has been churned by the resulting rise in domestic gas costs, which have averaged 85% more through October than in the same period last year.

That has not only added to inflationary woes for American households and industry, but has also made power produced from renewables look cheaper — and more attractive — than ever. Meanwhile, domestic gas demand has outgrown production, leading to a tightening in the U.S. gas market despite a record output pace. With strong exports and an uptick in local use, U.S. gas prices have trended higher, averaging \$6.60 per million Btu through Oct. 24 compared with \$3.56 for the same period last year. Higher costs have the potential to permanently alter the American power market by reducing the volumes of gas used at home and increasing the amount of renewable energy supplied.

### **LNG tankers wait at anchor off Europe, anticipating higher prices**

(Reuters; Oct. 26) - Several ships carrying liquefied natural gas anchored off Spain's Bay of Cadiz are likely to stay there until late November in anticipation of a rise in European gas prices, industry sources said. Dozens of ships have been circling off the Iberian coast and in the Mediterranean for weeks, unable to secure slots to unload their cargoes as plants that convert the fuel back to gas are operating at maximum capacity.

The high volume of LNG in floating storage exposes Europe's lack of regasification capacity just as the continent stocks up for a winter of substantially less Russian pipeline gas. But industry sources say some of the waiting ships are part of a trading strategy from their respective companies, anticipating higher prices. "They are waiting for higher prices. If one single idling vessel discharges its cargo, the price will immediately collapse by affecting the other cargoes on the queue and this domino effect is so painful in terms of opportunity cost," one of the sources said.

European natural gas prices are at their lowest since June, dropping 28% in a week, partly due to high inventory levels and above-normal temperatures, according to Rystad Energy. "For those floating storage cargoes ... we're expecting most of these to be delivered in early November, though some firms may push deliveries yet further into winter," said Samuel Good, head of LNG pricing at commodity pricing agency Argus.

### **Russian fuel oil stored at sea near Singapore and Malaysia**

(Bloomberg; Oct. 27) - A fleet of tankers filled with Russian fuel oil have anchored near Singapore and Malaysia as more flows are directed toward Asia ahead of European

Union sanctions that take effect early next year. About 1.1 million tons of high-sulfur fuel oil were being stored on vessels in the week through Oct. 24, according to Vortexa. While the volume has eased slightly from a record, it's still more than double a year ago. HSFO is used in power generation and to fuel ships fitted with pollution-reducing kits.

Singapore is the world's biggest ship-refueling hub and a key oil distribution center in Asia. Waters around the city-state, including near Malaysia's Tanjung Pelepas port or the Johor Strait, can be used for ship-to-ship transfers of oil products or crude. The practice is often used to mask the origin of a cargo. Russian fuel oil has sometimes been carried on multiple vessels before ending up in floating storage in the region.

Fuel oil from Russia is making its way into regional ship-refueling, refining and power generation markets, said Roslan Khasawneh, a senior fuel oil analyst at Vortexa. Nearly 65% of all Russian flows that have signaled Singapore as a destination have ended up in storage tankers around Tanjung Pelepas over the past three months, he said.

### **[U.S. LNG helped save Europe this year, but next year will be harder](#)**

(Bloomberg; Oct. 28) - Europe has been able to plug the gap left by smaller Russian gas flows with U.S. liquefied natural gas, but those shipments won't be able to keep up as the shortfall expands. While U.S. gas now covers 40% of Europe's LNG imports, it will only offset a fraction of the deficit next summer, BloombergNEF said. That means it'll be harder to rebuild inventories when hit with a longer period without Russian gas.

Securing shipments not needed by top-importer Asia has been crucial for Europe. To meet demand going forward, Europe needs to remain an attractive market for sellers and pull about 70% of global spot supplies, primarily from the U.S., as LNG output growth remains limited in the next few years. Since supply cuts from Russia didn't come until late into the summer storage campaign, the lack of flows will be even more glaring next year. That will require more LNG, but also "persistent demand destruction," BNEF said Oct. 27 in a report.

"U.S. supply is particularly price sensitive and will flow to the premium market, which Europe will remain unless Asian demand picks up," BNEF analyst Arun Toora said. One problem is that there's a limit to U.S. supplies. Another issue is uncertainty over where that LNG will go. Energy majors and traders have secured most U.S. exports and also largely locked in future American supplies, and can send them to where prices are highest. That means more gas may head to China rather than to Europe.

### **[Texas Golden Pass LNG on track for 2024 exports](#)**

(Natural Gas Intelligence; Oct. 28) - Golden Pass LNG remains on track to start production in 2024, when the first of three liquefaction trains is expected to start ramping up on the Texas coast. The other trains are set to begin coming online at intervals about six months apart as commissioning continues, said Chief Commercial Officer Jeff Hammad at the North American Gas Forum in Washington, DC.

The facility started service in 2010 as an import terminal. In 2019, QatarEnergy and ExxonMobil made a final investment decision to add liquefaction trains and export capabilities at the site. There are about 5,500 workers on the job, Hammad said, adding that would grow to more than 7,000 at peak construction. He estimated that about 98% of procurement for the \$10 billion project is finished.

Under the current timeline, the terminal would enter full service sometime around 2025, with peak capacity to handle about 2.5 billion cubic feet of gas per day. Along with Venture Global LNG's Plaquemines export project in Louisiana, which was sanctioned this year, Golden Pass would boost peak U.S. export capacity to more than 18 bcf a day from current peak capacity of about 14 bcf a day. QatarEnergy owns 70% of Golden Pass and ExxonMobil holds a 30% stake.

### **[Qatar, Exxon will market own shares of Texas LNG export project](#)**

(Doha News; Qatar; Oct. 27) - QatarEnergy Trading is set to off-take, transport and trade 70% of the liquefied natural gas produced by Golden Pass LNG in Texas under a new agreement. The Qatari state-owned energy company inked the agreement with its partner in the development, ExxonMobil, stipulating that it would "independently off-take and market their respective proportionate equity shares" of production.

Golden Pass LNG, which is under construction, will have a production capacity of at least 18 million tonnes per year and is set to begin its first export loadings by the end of 2024. In 2016, affiliates of QatarEnergy and ExxonMobil established a joint venture, Ocean LNG, to off-take and market the production from the Texas facility. In early 2019, QatarEnergy and ExxonMobil's affiliates announced the project go-ahead, estimated to cost more than \$10 billion.

### **[Japanese utilities need to raise power rates to cover losses](#)**

(Bloomberg; Oct. 28) - Several Japanese utilities are moving to seek permission to raise customers' regulated power rate, the first such instances since the energy crisis and plummeting yen began to hammer electricity providers. Power providers, including Hokuriku Electric Power and Chugoku Electric Power, will apply to the trade ministry to raise regulated rates for households, the companies said this week. Tohoku Electric Power and Shikoku Electric Power also said that they are considering an increase.



Other major utilities in the country could follow suit, as expensive fuel costs threaten to cut into the firms' finances. Resource-scarce Japan has also been hit by the tumbling yen, which adds onto cost of importing fuel sold in dollars. "We expect to see record losses this fiscal year exceeding those seen in the 1970s oil shock and those following the 2011 earthquake disaster," Hokuriku Electric said in a statement on Oct. 27.

Hokuriku Electric expects to see an operating loss of 100 billion yen (\$683 million) for the fiscal year ending in March, according to its second-quarter earnings announcement. Chugoku Electric said it is seeking to raise rates from April, and is preparing to apply to the government for approval as soon as next month.

### **Novatek suspends external financing on Arctic LNG project**

(Reuters; Oct. 28) - Russia's largest liquefied natural gas producer, Novatek, has suspended the use of external financing for its Arctic LNG-2 project but hopes for a resumption early next year, the head of the company said on Oct. 28. "Due to some technical changes that we have just made, we have suspended (using financing)," Leonid Mikhelson told reporters. The West has introduced sweeping sanctions against Russia over Moscow's war on Ukraine, including restrictions on financing.

"I think, starting from the first quarter of next year, we will resume (financing) with the same creditors," Mikhelson said. Novatek planned to raise up to 9.5 billion euros (\$9.45 billion), including up to 2.5 billion euros from Chinese banks, for the \$21 billion project. Russian banks were due to raise 4.5 billion euros for the project. Mikhelson said financing of about 6 billion euros is already in place.

Novatek aims to start the first production line of Arctic LNG-2 late next year, ramping up over three years to three lines, each having annual LNG output capacity of 6.6 million tonnes. Novatek holds a 60% stake in the project, with 10% stakes held by France's TotalEnergies, Japan Arctic LNG (a consortium of Mitsui and JOGMEC) and Chinese players CNPC and CNOOC.

### **High prices deter shipowners from switching to LNG**

(Reuters; Oct. 27) - Even as liquefied natural gas is seen as a key transitional fuel for maritime bunkering, soaring prices have led to higher demand for ships with dual-fuel tankers, said an industry executive. The global shipping industry is seeking to reduce its reliance on oil as it tries to meet carbon-emission reduction targets set out by the U.N. International Maritime Organization. These include cutting carbon emissions by 40% from 2008 levels by 2030, and overall greenhouse gas emissions by 50% by 2050.

"We believe that LNG will be one of the major fuels for bunkering. (But) at prices of \$35 to \$40 per million Btu, it is challenging for ship owners to continue to subscribe to LNG bunker. Many of them have actually dialed back LNG bunkering and gone to diesel, because diesel is cheaper," said Alan Heng, CEO of Pavilion Energy. Once LNG prices ease "back to a more normal price level," the uptake for LNG as a bunker fuel will resume, said Heng, speaking at the Singapore International Energy Week conference.

He added that ammonia might be the next bunker fuel to become economically viable. "What we have noticed in the last quarter, with the high LNG prices, is that there are a higher number of order books for ammonia dual-fuel use. It's gaining traction. ... People want to have an alternative," said Heng. "With the energy transition, it's not about one winning fuel. It's about having a range of fuels that will give us the diversity we need." LNG, methanol and biofuel are among the more popular alternative fuel options.

### **California nervous as oil companies sell off old assets, idle wells**

(The Los Angeles Times; Oct. 27) – The price of oil produced in California this year reached its highest level in a decade. Fossil fuel companies' earnings are so high that Gov. Gavin Newsom has called for a windfall tax on their profits. It might seem like a lucrative time to drill for oil in the Golden State. Yet, some of the world's largest oil companies, several of which have done business in the state for more than a century, are selling assets and beginning to pull out of California.

Even with strong cash flow in the short term, producers have more to gain from offloading wells and the associated liability — chiefly expensive environmental cleanup — than from pumping more oil and gas, experts say. "This is the kind of deal you see when an industry is in its twilight," said Andrew Logan, senior director for oil and gas at Ceres, a nonprofit focused on sustainability in companies and markets.

Some industry experts, lawmakers and environmentalists are concerned about the recent deals, noting that the sales shift environmental liability from corporate powerhouses to less-capitalized firms, increasing the risk that aging wells will be left orphaned, unplugged and leaking oil, brine and climate-warming methane.

Shell and ExxonMobil recently agreed to sell over 23,000 wells in California, owned through a joint venture Aera Energy, to German asset management group IKAV for an estimated \$4 billion. Aera accounts for about 25% of California's oil and gas production. Greg Rogers, an attorney and accountant who researches the industry, said the deal allows the sellers to shed decommissioning costs. IKAV will inherit a portfolio littered with wells past their prime. Nearly 9,000 Aera wells were idle as of early October.

### **COVID restrictions cut into China's coal production as winter nears**



(Reuters; Oct. 28) - China's strict COVID-19 policy is constraining coal supplies and pushing up prices, industry officials and traders say, just weeks before the country's north switches on mostly coal-fired heating systems for winter and demand for the fuel jumps. The world's top coal consumer still relies on the fuel to heat homes across much of the colder north, and Beijing is determined to ensure sufficient supplies this year after shortages led to unprecedented power outages in 2021.

But China's top three coal-production regions have reported hundreds of COVID cases in recent weeks, data from the country's health commission showed, disrupting coal trade. The provinces introduced strict transport curbs this month, leaving some mines unable to ship coal and forcing them to slow or halt production. The curbs include special licenses for trucks to enter mines, while drivers are not allowed to leave their cabs during entire shipment journeys that often cover hundreds of miles.

In Zhungeer county, which contributes 27% of Inner Mongolia's coal production, authorities ordered everyone in the area to stay home since Oct. 19 after a solitary COVID case was reported at a coal mine, local government statements showed. "Coal mines have to lower operations or even shut down if they cannot find trucks to transport their production out," said a Zhungeer-based coal trader.

### **Closed U.S. Virgin Islands refinery at risk of 'catastrophic' release**

(Washington Post; Oct. 28) - An oil refinery in the U.S. Virgin Islands that the Environmental Protection Agency shut down in spring 2021 now poses the risk of a fire, explosion or other "catastrophic" releases of "extremely hazardous substances," the agency found in a report released this week. The idled plant on St. Croix experienced a series of accidents last year that spewed noxious fumes and showered oil droplets onto homes, sending some residents to emergency rooms.

Deteriorating conditions at the massive facility, which was sold in a bankruptcy auction in December, pose a major test of the Biden administration's commitment to environmental justice. In September, the EPA conducted an inspection of the refinery and observed "significant corrosion" of equipment including valves, pipes and pressure-relief devices, the agency said in a letter sent to the owners' lawyers on Oct. 13 and made public this week. "These conditions demonstrate a risk of imminent release of extremely hazardous substances," the EPA said in its report.

Residents question why federal officials have not done more to protect the health of this Caribbean island's largely Black and Brown population. "This report is equally alarming and affirming to those of us in the civic sector who have been sounding the bullhorn about the dangers posed by this refinery for years," Deanna James, president of the St. Croix Foundation, said. The refinery, which received approval to operate during the Trump administration, has come under closer scrutiny since Biden took office. The EPA shut it down in 2021 after residents reported feeling nauseous and ill from fumes.

## **Exxon, Chevron scale back growth forecast for Permian production**

(S&P Global Platts; Oct. 28) - ExxonMobil and Chevron each foresee a bit lower respective Permian Basin production profiles for 2022 than earlier stated, although both are still running high volumes of several hundred thousand barrels a day apiece of oil equivalent, the majors' CEOs said in separate third-quarter earnings calls Oct. 28.

ExxonMobil, which during much of 2022 had touted 25% growth in the West Texas and Southeast New Mexico basin this year above 2021's average 460,000 barrels of oil equivalent per day of output, has reduced the growth target to about 20%, CEO Darren Woods said in webcast remarks. Chevron expects its Permian production growth profile to tilt toward the low end of its earlier 700,000 to 750,000 barrels of oil equivalent per day guidance, CEO Mike Wirth said during his earnings call.

While the CEOs offered varying reasons for lowered expectations, analysts note ongoing supply chain and labor shortages as current big obstacles to output growth. "The entire industry is suffering" from those constraints, Reed Olmstead, executive director of research analysis for S&P Global Commodity Insights, said. "Costs for new labor (needed to increase rig counts and fracking crews) are skyrocketing, turnover is huge. Labor is a real challenge."