Oil and Gas News Briefs
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Less supply, with expectations of more demand, boost oil prices

(Wall Street Journal; Aug. 2) - Oil prices have surged to the highest levels in three months as the economic outlook improves and supply cuts from some of the world's biggest producers start to bite. Some analysts believe benchmark crude oil futures are due for further gains and could head toward $100 a barrel after trading within a few dollars either side of $80 a barrel so far this year.

Another move higher would quickly translate into higher gasoline prices for drivers — and would make life a little harder for officials at the Federal Reserve and other major central banks, who are trying to bring inflation back down to their target levels. The most actively traded futures contract for Brent, the global yardstick for crude oil, jumped 13% in July, its biggest monthly gain in a year and a half. It traded around $85.50 a barrel early on Aug. 2. The U.S. equivalent, known as West Texas Intermediate or WTI, surged nearly 16% last month, while both gasoline futures and prices at the pump have risen.

Changes in supply and demand are fueling the upswing. Declining inventories reflecting recent production cuts from Saudi Arabia and Russia are in contrast to earlier this year, when traders and analysts suspected Moscow had failed to follow through on its pledge to pump less oil. "The market is really starting to respond to the production cuts by Saudi Arabia," said Saad Rahim, chief economist at commodities trader Trafigura. At the same time, economic indicators are signaling that fears about recession in the U.S. and the eurozone may have been overblown, boosting prospects for energy consumption.

Goldman Sachs sticks with $93 Brent price forecast for next year

(Reuters; July 31) - Goldman Sachs on July 30 revised up its global oil demand forecast for the year while sticking to its 12-month Brent price projection of $93 a barrel as higher crude inventories offset the demand boost from a less pessimistic growth outlook. Goldman analysts estimate global demand climbed to an all-time high of 102.8 million barrels per day in July and see solid demand driving a larger-than-expected 1.8 million-barrels-per-day supply deficit in the second half this year and a 600,000 deficit in 2024.

A reduced recession risk and a strong effort by the Organization of the Petroleum Exporting Countries to push up prices support Goldman's view on higher oil prices, the analysts wrote in a note. Oil prices hovered near three-month highs on July 31, set to post their biggest monthly gains in over a year on expectations that Saudi Arabia would extend voluntary output cuts into September and tighten global supply. Saudi cutbacks have brought back world oil supply deficits, the Goldman analysts said. The bank maintained its $86 a barrel Brent forecast for December 2023, and it expects prices to rise to $93 per barrel in the second quarter next year as supply deficits continue.

U.S. agency says China aids Russia's war effort by buying oil

(The Maritime Executive; July 30) - A top U.S government intelligence agency has accused China of aiding Russia's war on Ukraine by supplying Moscow with key technology, military hardware and helping the country evade Western sanctions, particularly on crude oil exports. The Office of the Director of National Intelligence said in a newly declassified report that Beijing pursues a variety of support mechanisms for Russia that reduce the impact of Western sanctions and export restrictions.

Apart from supplying Russia with a ready market for its crude, which has largely been locked out of the European market and other parts of the world, China has also opened its financial system for commercial interactions with Moscow, allowing Russian entities to conduct financial transactions without Western interference. One area that China has greatly helped Moscow escape the impacts of the sanctions is in oil and gas exports.

Last year, Beijing's purchase of Russian energy rose to $81 billion, compared to $52 billion in 2021. In March this year, China's imports of Russian crude hit 1.65 million barrels per day, overtaking India as the largest buyer. In May, Moscow exported a near record 2 million barrels per day to China, an increase of about 25% compared to the first quarter of last year. And while a majority of Russia tankers have been slapped with sanctions, China continues to aid the transportation of Russia's Urals crude by providing supertankers and insurance coverage to move the crude to Chinese ports.

Iran's oil exports more than triple from 2020 level

(Al-Monitor; July 31) - Iran's oil exports to China have tripled in the past three years, a data analytics firm said on July 31, despite Western sanctions imposed on Iran. The country's crude oil shipments to China averaged approximately 324,000 barrels per day in 2020 and rose to approximate averages of 584,000 and 770,000 in 2021 and 2022, respectively. That figure has climbed further to an average of 1.1 million a day from January through July of this year, according to the London-based Kpler.

Iran is becoming increasing reliant on China amid its economic struggles and international isolation. Ties have significantly strengthened since the United States withdrew from the nuclear deal in 2018 and reimposed sanctions on Iran, according to a July report from the United States Institute of Peace. In 2018, exports were 2.5 million barrels per day. In 2020, the figure fell to as low as 100,000, according to Reuters.

U.S. officials have noted increasing Iranian oil shipments to China. In January, U.S. special envoy for Iran Robert Malley said that is the “main destination” of “illicit” Iranian oil exports. U.S. sanctions on Iran prohibit deals with the Islamic Republic’s energy industry. Though ties are strengthening, Iran and China have been close for some time. China was Iran’s top trading partner for 10 straight years as of 2022, the Chinese state media outlet Xinhua reported in February.

Britain will grant hundreds of new North Sea oil and gas licenses

(Associated Press; July 31) - Britain said on July 31 it will grant hundreds of new North Sea oil and gas licenses in a bid for energy independence, ignoring calls from the United Nations and environmental campaigners to stop the development of new fossil fuel projects. The plans announced by Prime Minister Rishi Sunak include a pledge to invest 20 billion pounds (US$26 billion) in carbon capture and storage projects as the government maintains its commitment to eliminate net carbon emissions by 2050.

Sunak, who is traveling to Scotland to formally unveil the package, said Britain will still need fossil fuels even after the country reaches its net-zero target. He said it is better to produce oil and gas at home rather than rely on foreign leaders like Russian President Vladimir Putin, whose invasion of Ukraine sent global energy prices soaring. “We have all witnessed how Putin has manipulated and weaponized energy — disrupting supply and stalling growth in countries around the world,’’ Sunak said in a statement. “Now more than ever, it’s vital that we bolster our energy security.’’

The leasing plan comes as Sunak faces pressure to roll back expensive environmental commitments as his Conservative Party scrambles to attract voters amid opinion polls showing that the party is likely headed toward a crushing defeat in the next general election. But U.N. scientists and environmental campaigners are calling on governments around the world to accelerate the transition away from fossil fuels after a summer of record high temperatures, drought and floods linked to man-made climate change.

Turkmenistan has gas but no pipeline and no financing

(Bloomberg; July 31) - Turkmenistan, which sits atop the world’s fourth-largest natural gas reserves, is running out of time in its efforts to feed Europe’s hot market for the fuel. The country is losing out to other nations as Europe seeks new supply lines following a historic energy crisis. Turkmenistan’s proposal to build a multibillion-dollar gas pipeline across the Caspian Sea faces major financing challenges, and climate change is quickly diminishing the appeal of big fossil fuel projects.

All of which means that if Turkmenistan wants to become a provider to the European Union, it needs to act quickly. The country is seeking to rally support for a Trans-

Caspian pipeline — an idea that has been around since 2007 — even as less expensive and more immediate supply options are available for Europe. Sitting at the crossroads of Asia, the country is potentially well-positioned to supply some of the world's fastest-growing markets for gas. At the moment, there are few places where the need is greater than the EU, which is taking unprecedented steps to replace Russian flows.

However, Turkmenistan, a former Soviet republic that maintains close relations with Russia, has limited its ties to the West. The pipeline would ship as much as 1 trillion cubic feet of gas a year across the Caspian seabed. Cost estimates vary widely, as much to as $2 billion or more, and it could take years to build. "The main question is who's going to finance it," Azerbaijan President Ilham Aliyev said recently, adding that European banks are reluctant to fund major fossil fuel projects.

Russia's LNG transshipment hubs will start work later this year

(High North News; Aug. 1) **-** Just weeks after Russian gas producer Novatek installed its first massive floating liquefied natural gas storage and transshipment terminal, the Saam, near Murmansk, the sister ship arrived in Bechevinskaya Bay in Russia's Far East. Together, the two transfer hubs will optimize the company's flow of LNG to Europe and Asia. The Koryak arrived outside Bechevinskaya Bay from the shipyard at Daewoo Shipbuilding & Marine Engineering in South Korea after a three-week tow in July.

The Koryak will serve the eastern terminus of Russia's Northern Sea Route, allowing for transshipment of LNG from expensive ice-class carriers to traditional tankers for delivery to buyers in Asia and will cut the distance ice-capable ships will have to travel by around 40%. The Koryak measures 1,312 feet in length and almost 200 feet wide. It will be able to handle the transfer of about 20 million tonnes of LNG annually.

Both hubs had been scheduled to enter service in 2022, but operational delays and Western sanctions on Russia resulted in a one-year delay. China Communications and Construction Co. has a $214 million contract to prepare the site in Bechevinskaya Bay. Infrastructure work includes dredging of an approach channel, erection of lighthouses and buoys, coastal berths for support ships and preparation of the anchorage site. Last week, the Koryak was secured in place using 32 anchor mooring ties. The first LNG carriers are expected to call at both transshipment hubs later this year.

FERC issues final EIS for another Louisiana LNG project

(Reuters; July 28) - Venture Global LNG's proposed $10 billion Calcasieu Pass 2 (CP2) project in Louisiana received environmental approval on July 28 from the Federal Energy Regulatory Commission, clearing the way for a final vote by the commission on expanding the company's natural gas liquefaction facility. Analysts expect Venture

Global to make a final investment decision on the project later this year, as U.S. developers seek to expand exports of the fuel to meet growing global demand.

FERC said the potential impacts of the project would not significantly affect local resources, adding that the commission had developed specific mitigation measures for construction and operation of the project. Implementation of mitigation measures would avoid or reduce the impact of CP2 and a proposed connecting natural gas pipeline from Texas to the LNG facility, the regulator said in its environmental impact statement.

Construction and operation of the project would increase the atmospheric concentration of greenhouse gases, but FERC said it would not classify it "significant or insignificant" and instead would make recommendations to reduce its effects. Venture Global said the decision puts the company on track for a commission vote and start of construction later this year. About 9.25 million tonnes per year of the project’s 20 million tonne nameplate capacity have been sold under 20-year sales and purchase agreements, with discussions ongoing for the remaining capacity, the company said in its statement.

Small increase in Asia’s LNG demand in first six months of the year

(Reuters columnist; July 31) - Asia's demand for liquefied natural gas ticked up in July, but the small increase was partially offset by declining demand in Europe. Asia's imports of the fuel were estimated at 21.85 million tonnes in July by commodity analysts Kpler, up from June's 21.28 million and the most since January. Europe's imports were estimated at 8.72 million tonnes in July, down from June's 9.06 million and the lowest monthly total since August last year.

The modest shift in volumes in the top two LNG-importing regions isn't enough to exert much influence on spot prices, as seen by the relative price stability in Asia. Spot LNG for delivery to North Asia increased slightly in the week to July 28 at $11 per million Btu, up from $10.80 the week before. The price has shifted slightly higher in recent weeks, after hitting a 26-month low of $9 the week to June 9. However, the price is still 84% below its all-time high of $70.50, hit in August 2022 as Europe ramped up demand as supplies of Russia's pipeline gas dwindled amid the fallout from its invasion of Ukraine.

BP close to start-up of LNG expansion project in Indonesia

(LNG Prime; Aug. 2) - BP is close to launching the third liquefaction train at the Tangguh LNG facility in Indonesia, according to the company’s CEO Bernard Looney. Operator BP and its partners are expanding the facility in Papua Barat province with the addition of the third liquefaction train with a capacity of 3.8 million tonnes per year, adding to the existing 7.6 million tonnes of production capacity.

The firm had originally expected to launch the expansion project in the third quarter of 2020. However, BP delayed the launch several times. “Construction and commissioning of the project have been completed, and start-up is now in progress at the facility,” Looney said on Aug. 1 during BP’s second-quarter earnings call. He said it’s an “important delivery milestone,” contributing to the company’s LNG supply target of 25 million tonnes per year by 2025.

In December, BP and its partners secured a 20-year extension for the Tangguh production-sharing contract. Under the deal signed with the Indonesian government, the contract will be extended from 2035 to 2055. Tangguh is the largest gas-producing field in Indonesia, accounting for around 20% of the country’s output, and supplies feed gas to the Tangguh LNG plant which began operations in 2009.

Japanese equity holder signs up buyers for its share of Russian LNG

(S&P Global; Aug. 1) - Japan's Mitsui has signed sales and purchase agreements with customers for its equity lifting volumes from the Arctic LNG-2 project in Russia ahead of the first liquefaction train starting up later this year, a company spokesperson told S&P Global Commodity Insights on Aug. 1. Mitsui joined the Arctic LNG-2 project in 2019 via a subsidiary called Japan Arctic LNG, which secured substantial financial support from state-owned Japan Organization for Metals and Energy Security (JOGMEC) as part of wider Japan’s efforts to ensure stable LNG supply and diversify its import sources.

Mitsui handles LNG marketing for Japan Arctic LNG's 10% equity offtake volume of 1.98 million tonnes per year from the Russian project. Novatek CEO Leonid Mikhelson said on July 20 that the first LNG from the project was still expected before the end of 2023. Arctic LNG-2 will have three production trains, each with a capacity of 6.6 million tonnes per year. The second and third trains are expected online in 2024 and 2026, respectively. Novatek holds 60% in the project, alongside TotalEnergies (10%), Chinese companies CNPC and CNOOC (10% each) and Japan Arctic LNG (10%).

Russia was the third-largest LNG supplier to Japan in the first half of 2023, with its LNG supply accounting for 9.5% of the country's total LNG imports of 32.62 million tonnes, according to Japan’s Ministry of Finance data.

BP and Shell in arbitration with U.S. LNG developer

(Reuters; Aug. 1) - BP will defend its rights "to the absolute fullest" in an arbitration case against U.S. exporter Venture Global LNG over failing to supply contracted cargoes from its new Louisiana production facility, CEO Bernard Looney said on Aug. 1. Shell has separately filed for arbitration against Venture Global over failing to supply contracted cargoes, even as it sold to non-contract customers while prices were soaring. Shell and BP filed their cases at the London Court of International Arbitration.

Venture Global's spokesperson Shaylyn Hynes on Aug. 1 said the LNG exporter is fulfilling the terms of its contracts with customers. A similar case was brought by Italian utility Edison in May, while another Venture Global LNG contract customer, Spanish energy firm Repsol, has asked U.S. regulators to release confidential records that would shed light on the plant's contested start-up.

The disputed contracts are tied to the Calcasieu Pass LNG facility, the first of Venture Global's three planned terminals. It stitched together 18 liquefaction units to produce up to 12 million tonnes per year of LNG. However, the company has said the plant's onsite power supply facility required extensive repairs that will prevent contract deliveries from the first phase until early 2024. By declaring the plant is not yet in "commercial operations," Venture Global has avoided fulfilling its supply contracts, opting instead to sell an estimated 170 cargoes since last year on the higher-priced spot market.

Pakistan rejects expensive LNG for winter delivery

(Bloomberg; July 31) - Pakistan will not purchase costly liquefied natural gas shipments for early next year, a move that threatens further fuel shortages in the cash-strapped nation. The country's latest request for LNG cargoes received two offers from commodities trader Trafigura for January to February delivery at a roughly 30% premium to current market prices. Pakistan LNG decided on July 31 not to procure the cargoes due in part to the high cost, according to traders with knowledge of the matter.

It's the latest in a string of failed attempts by Pakistan in more than a year to secure LNG after spot prices surged to an all-time high in 2022 and forced the nation to curb purchases. The lack of gas could result in fuel rationing to industries or planned power outages this winter. While Pakistan last month won final approval for a $3 billion international aid program to help ease the nation's dire need for cash and rescue its economy, LNG suppliers are still wary of the country's credit risk.

South Korean company gets into LNG tanker conversion business

(Port News; Aug. 2) - HD Hyundai Global Service, the ship-retrofit subsidiary of the world's second-largest shipbuilder HD Hyundai Co., is poised to bag orders for the first time to convert liquefied natural gas carriers to floating terminals amid rising demand for such projects, according to The Korea Economic Daily. HD Hyundai Global Service is scheduled to sign two deals worth $100 million to $130 million each with global shipping companies to retrofit aged LNG tankers to floating storage regasification units (FSRUs) that can transport, store and regasify LNG onboard, according to sources on Aug. 2.

The South Korean company is known to be in final talks with the customers on details of the contracts including schedules and values to ink the deals as early as September. Demand for FSRUs is growing. It takes about one year to convert LNG tankers to the floating terminal vessels versus the three to five years to set up LNG facilities on land and two to three years to build new FSRUs. Europe has been increasing its LNG import infrastructure to replace pipeline natural gas supply from Russia.

International Maritime Organization regulations to reduce ocean pollution also has caused shipping companies to convert aged LNG carriers, which emit carbon, to FSRUs, as it is more profitable than selling the ships as scrap metal. HD Hyundai Global Service is known to be in talks for 10 more deals for such transformation works.

European businesses leery of buying too early into hydrogen

(Bloomberg; Aug. 1) - In Stoke-on-Trent, three hours north of London, traditional English potteries were among the businesses hit hard by soaring energy prices last year. Scrambling to protect their key industries, Britain and other parts of Europe quickly devised plans to keep energy-intensive manufacturers afloat and pledged to push harder to develop alternatives like hydrogen to maintain a competitive advantage.

But for all the hype surrounding the emissions-free energy source, European manufacturers both large and small are reluctant to buy into hydrogen. Committing to the fuel is “uncompetitively expensive,” said Rob Flello, chief executive of the British Ceramic Confederation in Stoke-on-Trent. The group is testing the use of hydrogen for firing ceramics but hasn’t entered any contracts to buy large quantities.

A key dilemma is that manufacturers that shift from natural gas are likely to get locked into paying more if they enter hydrogen contracts now, when the industry has yet to grow. If they wait for others to take the lead in developing the technology, eventually it will be cheaper. With established clean technologies like wind and solar, developers typically sell supply contracts to large customers in advance, with the certainty of deals helping to finance construction. That’s proving difficult for hydrogen, with buyers and developers focusing on potential government subsidies to help kick start the market.

German utility sets out transition plan to green energy

(Reuters; Aug. 1) - German utility Uniper mapped out plans to move away from fossil fuels on Aug. 1 with billions of euros in green investments, hailing record earnings in the first half of 2023 as a turnaround following its bailout just a year earlier. "Uniper is back on track," said new CEO Michael Lewis, who was installed to steer the company — once Germany's biggest importer of Russian gas — out of the crisis triggered by an end in deliveries from Russia's Gazprom.

He presented plans to invest 8 billion euros ($8.79 billion) through 2030 on a green transformation, triple the company's average annual investments of the past three years. The planned transformation consists of decarbonizing Uniper's existing power and gas assets and building up new ones. Uniper's turnaround was largely driven by hedging its gas supply commitments for 2023 and 2024 at lower prices after being forced to replace missing Russian volumes at surging prices on spot markets last year.

The company is aiming to transition away from natural gas toward hydrogen and biomethane, although its plan to reduce carbon emissions also relies on carbon capture and expanding imports. Uniper's strategy also includes growth in solar and wind farms, with 80% of Uniper's installed generating capacity to be zero-carbon by 2030, the company said, adding it would end coal-fired power generation by 2029 at the latest.

Environmental group says LNG-fueled ships not so 'green'

(Bloomberg; July 31) – Many cruise operators are replacing oil-based fuel with liquefied natural gas to run their ships, pitching it as a greener way to travel. An investigation by environmental activists suggests the change could be worse for the climate in the short term. Although ships burning LNG produce about 25% less carbon dioxide emissions than traditional marine fuels, the vessels often fail to combust all of the gas — some of it leaks into the atmosphere, where it can have a devastating impact on the climate.

One of the most common engines used on LNG-powered ships leaks 3.1% of its fuel, according to the European Commission. Using a special camera that can detect the invisible gas, a certified thermographer hired by Brussels-based nonprofit Transport & Environment boarded a cruise ship in Barcelona last month as a passenger and filmed large hydrocarbon plumes spewing from the ship's exhaust funnels. The emissions from the World Europa almost certainly include the greenhouse gas methane, according to an independent analysis of the footage from Texas-based TCHD Consulting.

MSC Cruises said that data from the World Europa's engine manufacturer show the methane leakage rate significantly lower than 3.1%. Methane, which is the primary component of LNG, has more than 80 times the global warming potential of carbon dioxide during its first two decades in the atmosphere. "LNG is far from an ideal solution,'' said Constance Dijkstra, a shipping campaigner with T&E. "Cruise operators are currently claiming they are going greener while still using damaging fossil fuels. To future-proof the sector, we need to move ships toward green-hydrogen based fuels."