

Oil and Gas News Briefs

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March 6, 2023

More predictions of \$100 oil and supply shortage later this year

(Bloomberg; March 5) - As COVID-19 lockdowns hit the world in 2020, Bernard Looney, BP's CEO, made a startling admission: He thought oil demand might never return to its pre-pandemic peak. But recently, Looney has done an about-face. After announcing ambitious plans to cut emissions, BP, one of the world's top crude producers, is now plowing more money into fossil fuels. Oil consumption is heading for a record this year, according to the International Energy Agency, which advises major economies.

Supply — buffeted by Russia's war on Ukraine, a slowdown in U.S. shale growth and lackluster investment in production — can't keep up. It all comes down to China: The world's second-biggest oil consumer is snapping up crude after reversing strict COVID-19 policies. Against a backdrop of tight supply, the demand boost has everyone from Goldman Sachs to trading powerhouse Vitol predicting a rally to \$100 a barrel this year.

By the second half of the year, analysts say, the market will face a shortage. The impending crunch shows that even as the world embraces cleaner energy, the thirst for oil is hard to slake. "My view ... is maybe people are underestimating demand and overestimating U.S. production," Saad Rahim, chief economist at trader Trafigura, said on the sidelines of the International Energy Week conference in London last week. It's not just China. India and other Asia-Pacific countries are consuming more oil as borders reopen, helping push global demand to a record 101.9 million barrels a day in 2023 and potentially plunging the market into a deficit by the second half, according to the IEA.

U.S. oil companies give priority to shareholders, not new production

(Bloomberg; March 4) - Worldwide oil demand is racing toward an all-time high and some of the smartest minds are forecasting \$100-a-barrel crude in a matter of months, but U.S. producers are playing the short game and looking to turn over as much cash as possible to investors. Shareholders in U.S. oil companies reaped a \$128 billion windfall in 2022 due to a combination of supply disruptions such as Russia's war in Ukraine and intensifying Wall Street pressure to prioritize returns over finding new crude reserves.

Oil executives who in years past were rewarded for investing in gigantic, long-term energy projects are now under the gun to funnel cash to investors who are increasingly convinced that the sunset of the fossil-fuel era is nigh. For the first time in at least a decade, U.S. drillers last year spent more on share buybacks and dividends than on capital projects, according to Bloomberg calculations.

At the heart of the divergence is growing concern among investors that demand for fossil fuels will peak as soon as 2030, obviating the need for multibillion-dollar mega projects that take decades to yield full returns. In other words, oil refineries and gas fired power plants — along with the wells that feed them — risk becoming so-called stranded assets if and when they are displaced by electric cars and battery farms.

Global investment in new oil and gas already is expected to fall short of the minimum needed to keep up with demand by \$140 billion this year, according to Evercore ISI. Meanwhile, crude supplies are seen growing at such an anemic pace that the safety margin between consumption and output will narrow to just 350,000 barrels a day next year, according to the U.S. Energy Information Administration.

[U.S. looks for agreement on 'certified' clean natural gas standards](#)

(Reuters; March 3) - The Biden administration is holding talks with global energy companies and foreign officials in an effort to set standards for certified natural gas, a form of the fuel that producers market as climate friendly. The effort comes as the United States seeks to sustain its liquefied natural gas exports to Europe to displace Russian fuel, while also promoting efforts to fight global warming.

A credible market for certified natural gas could help it tackle both goals at once. Gas can be certified low- or no-carbon if producers can prove they've reduced greenhouse gas emissions associated with getting it to market, or if they purchase carbon offsets to cut its net climate impact. Brad Crabtree, an assistant secretary for the U.S. Department of Energy's fossil energy and carbon management office, has had talks with European Union representatives, Japan, Norway, the United Arab Emirates, Britain and others on approaches to reduce methane emissions from the industry, a spokesperson said.

Crabtree on March 9 will host a private meeting on certified gas at the CERAWEEK energy conference in Houston with about 20 speakers, according to an invitation seen by Reuters. Producers have attempted to market certified gas at a premium for years, using third-party certifiers to prove the fuel has been produced and transported in ways to minimize emissions. But a lack of unified standards on measuring and verifying emissions across the supply chain, and Europe's energy crisis following Russia's invasion of Ukraine, have prevented low-carbon gas markets from taking off.

[British Columbia LNG projects run into CleanBC emissions targets](#)

(The Tyee; Vancouver, BC; March 2) - British Columbia's New Democratic Party government is expressing doubts about growing the province's liquefied natural gas industry while the Liberal Party opposition wants more projects approved faster. With two proposals waiting for decisions from the government and a third close to entering

the environmental assessment process, B.C. is at a pivotal moment and weighing the economic promise of LNG against the goal of reducing greenhouse gas emissions.

So far the government led by Premier David Eby, who has been in the job a little more than three months, appears to lack enthusiasm for expanding the industry, even as Indigenous-led projects are being pitched as key to economic reconciliation. In responding to a question from The Tyee about LNG proposals and carbon emissions, Eby shifted to talking about the need to move the province into a clean-energy future.

“We’re going to be recognizing that there is ... a movement internationally away from them (fossil fuels) to respond to carbon pollution and toward innovative technologies like hydrogen and better use of firm electricity, hydro resources,” said Eby. “These are big advantages for B.C. We’re going to be doing everything we can to take advantage of those trends. We’re building an economy not just for today but for the future.”

A key condition for any additional LNG projects is that they fit within the CleanBC plan that sets targets for reducing greenhouse gas emissions, he said. “That hasn’t changed.” A decade ago, there were some 20 LNG export facilities proposed for B.C. Today, there is one facility under construction — the first phase of LNG Canada’s project near Kitimat. Woodfibre LNG, near Squamish, received a permit in 2019 and is now working on remediation of the pulp and paper mill formerly on the site. Two more projects are waiting for decisions from the provincial and federal governments.

[Saudi energy company has big plans to build green hydrogen plants](#)

(Bloomberg; March 1) - Saudi Arabian energy company Acwa Power is planning to develop as many as three more green hydrogen plants on a similar scale to its vast project being built at Neom. Acwa has plans to develop two more projects adjacent to a \$8.5 billion green hydrogen plant at Neom, a \$500 billion new city on Saudi Arabia’s northwest coast, CEO Paddy Padmanathan said in an interview. The company is also looking at another location, confident that demand for the fuel will rise as governments and companies accelerate plans to reduce their carbon emissions, he said.

“Acwa Power itself can do five of these projects without blinking,” Padmanathan said. “Now that we have financially closed the first one, we are looking in parallel to two others.” Green hydrogen is made when wind or solar power is used to split water into hydrogen and oxygen. The fuel is seen as crucial to the clean-energy transition in the coming decades. It’s still far more expensive than oil and natural gas, but developers are confident they can bring down costs enough to make green hydrogen competitive.

Future green hydrogen projects would likely be developed by the same consortium behind the Neom Green Hydrogen Co., which includes U.S.-based Air Products & Chemicals, Padmanathan said. The new plants will likely be cheaper than the first one, he said, as developers get more experienced, technology improves and a local supply

chain develops. The first plant's costs have ballooned from initial estimates of \$5 billion, in large part due to inflation pushing up prices for solar panels, wind turbines and electrolyzers. "The costs will come down when you do it again," Padmanathan said.

Deutsche Bank tightens financing policies on coal, but not oil and gas

(Reuters; March 2) - Deutsche Bank on March 2 tightened its coal financing policies but did not change its criteria for the oil and gas industries, drawing criticism from climate activists. Financial firms are under pressure from policymakers and investors to reduce the scale of climate-damaging carbon emissions linked to lending and underwriting. Germany's largest bank said it would not take as new clients corporations that generate over 30% of revenue from coal and that do not provide a "credible diversification plan."

The level is down from a previous 50% and is more in line with industry standards. The bank said it will give existing clients until 2025 to convince it of their ability to shift to lower-carbon business models. After that date, it will stop financing clients that do not meet its criteria. "Parting with a client after a transition dialogue can only ever be a last resort," CEO Christian Sewing said. "But in cases where we saw no willingness on the part of a client to embark on a credible transition, we would not shy away from exiting."

The bank said it already stays away from project financing for thermal coal and that its exposure to the sector at the end of 2022 accounted for 0.09% of its corporate loan book, or 321 million euros (\$340 million). Shareholders and activists had called on Deutsche to introduce similar restrictions for oil and gas, but the bank only said it "plans to update its oil and gas policy" without giving a timeframe. About 20 of Europe's banks have committed to phasing out financing for coal power or mining, while several, including NatWest and HSBC, have said they would similarly restrict it for oil and gas.

Shell's new CEO says world will need oil and gas 'for a long time'

(Bloomberg; March 3) - Shell's new boss said cutting oil and gas output would be bad for consumers, echoing a pivot by other major producers toward fossil fuels and energy security. "I am of a firm view that the world will need oil and gas for a long time to come," Shell Chief Executive Officer Wael Sawan said in an interview with Times Radio on March 3. "As such, cutting oil and gas production is not healthy."

Europe's largest energy majors are increasingly echoing the strategies of their less climate-minded American peers and leaning into the oil and gas businesses that drove record profits last year and payouts to their shareholders. BP, Shell's closest peer, said last month that it would slow the planned decline in its oil and gas production to guarantee reliability of energy supply following the disruption caused by Russia's

invasion of Ukraine. The company's shareholders applauded the news by sending BP's shares up about 17% since the announcement.

"We've seen of course through 2022 the fragility of the energy system," Sawan said. "To see prices start to skyrocket, that's not healthy for anyone, particularly consumers." Sawan said the company remains committed to a strategy to invest in both oil and gas as well as low-carbon and zero-carbon technologies.

China's seaborne imports of Russian crude headed for new record

(Reuters; March 2) - China's seaborne imports of Russian oil are set to hit a record this month after refiners took advantage of cheap prices and as domestic fuel demand rebounded, but Russia's plan to cut exports will likely cap buying in the coming months. Hefty Chinese buying, alongside robust Indian demand, has been spurred by steep price discounts while providing Moscow much-needed revenue after the Group of Seven imposed a \$60 price cap on Russian crude.

"Price is the king," said a purchasing manager for a Shandong-based refinery. Tanker-tracking consultancies Vortexa and Kpler estimated nearly 43 million barrels of Russian crude oil, comprising about at least 20 million barrels of ESPO Blend and 11 million barrels of Urals, are set to reach China in March. The previous high for Russian seaborne imports was 42.48 million barrels in June 2020, shiptracking data showed.

The data also pointed to record arrivals of rarely bought oil from Russia's Arctic, with three tankers carrying a total of 3.15 million barrels due to reach China this month, after 2.7 million barrels landed in February. China, Russia's largest oil buyer including via pipelines, has been taking steady volumes of ESPO crude as refiners — mostly its independent plants — favor the oil's high quality and proximity. ESPO Blend is a light, low-sulfur grade exported from Far East ports. However, the growing demand is likely to push up prices and drive down the steep discounts, a China-based oil trader said.

Crude coming out of seaborne storage adds to global supply

(Bloomberg opinion; March 2) - One oil barrel here, another there, and soon you get an oversupply. Releases of millions of barrels from the U.S. Strategic Petroleum Reserve and similar emergency stockpiles in Europe, Japan and South Korea have grabbed the attention of the oil market. But there was another release that few paid attention to — and it matters. The amount of crude held in floating storage has declined significantly, contributing to the surplus that plagued the oil market during the past six months.

According to the International Energy Agency, tankers used as temporary storage facilities held 79.5 million barrels by the end of 2022, down nearly 40% from the year

before. The flow equates, when averaged over the year, to about 100,000 barrels a day. Although that's a fraction of the release from emergency stockpiles, which measured about 850,000 barrels a day on average during 2022, every barrel does count.

One reason for the drawdown from floating storage is the end of a trade that started in mid-2020, when global oil demand cratered due to the pandemic. Traders stored cheap crude at sea, looking to profit when demand recovered. They have been selling their cache as shipping contracts expire. The flow out of seaborne storage continued in January from another source: Iran selling down its stockpile of crude and condensates. Facing Western sanctions and weak global demand, Iran was forced to put millions of barrels into floating storage in 2020-2021. At its peak, Iran had more than 100 million barrels in tankers around the world. Since June, Tehran has sold a significant chunk.

Bank says steady demand for oil from China and India helps Russia

(Reuters; March 2) - J.P. Morgan on March 2 forecast Russia would be able to maintain its oil output at pre-Ukraine conflict levels due to steady demand from China and India, but said it might struggle to reroute some of its oil product exports away from Europe. "We believe Russia will be able to maintain its oil production at pre-war levels of 10.8 million barrels a day but will have difficulties getting back to peak pre-COVID volumes of 11.3 million barrels per day," the bank said.

J.P. Morgan expects Indian and Chinese demand collectively to increase by 1 million barrels per day this year. Russia has so far managed to reroute oil exports from Europe to India, China and Turkey, which snapped up cheap barrels despite the Group of Seven's \$60 price cap on Russian crude. China's seaborne imports of Russian oil are set to hit a record in March, along with robust Indian demand.

The International Energy Agency said Russia, the world's second-biggest oil producer, saw revenues from oil and gas exports drop by nearly 40% in January. J.P. Morgan said Russia is struggling to reroute refined products exports, adding that Moscow could face more competition from Mideast refineries coming online in the second half of the year.

China will burn more gas this year, but LNG imports depend on price

(Reuters; March 2) - Natural gas demand in China is likely to grow this year as the economy recovers, but whether the country's imports of liquefied natural gas rebound will depend on spot prices, an executive of PetroChina International said. China's LNG imports dropped nearly 20% to 63.4 million tonnes last year, pushing it down to the world's No. 2 LNG buyer behind Japan as zero-COVID lockdown measures and high spot prices hit demand.

"We expect consumption of natural gas to return to a healthier level this year compared to 2022," Yaoyu Zhang, general manager of LNG and new energies at PetroChina International, told Reuters on the sidelines of an energy conference in Tokyo. China's overall gas consumption was down less than 2% last year, but increased domestic production and more pipeline gas from Russia reduced the need for LNG imports. High prices in a tight market also drove down purchases of the fuel for local consumers.

PetroChina, the listed arm of state-run China National Petroleum Corp., is the country's top gas importer. As China's economic activity ramps up following the end of lockdowns, its LNG demand could increase by 10% this year, the International Energy Agency has said, but Zhang remained cautious with predictions. "This year, we are going to take a similar approach depending on the price level on the spot market, then we will decide do we want to buy more or less," Zhang said. "If the spot LNG prices remain high like last year, we don't expect a quick rebound of LNG purchases."

Germany reports LNG import terminals will exceed budgeted costs

(Reuters; March 3) - Germany said on March 3 that new infrastructure for floating liquefied natural gas import terminals will exceed previously expected costs, forewarning taxpayers that there will be a price to pay for energy security. The Bundestag lower house of parliament has approved 9.8 billion euros (\$10.40 billion) for the 2022-2038 period to cover the projects, but "it is already clear now, that more cost increases will have to be added," according to a paper issued by the Economy Ministry.

Germany, one of the most reliant in Europe on Russian gas, is looking for alternatives since Moscow turned off the taps in the energy crisis in the wake of war in Ukraine. However, critics of the LNG push say the future of energy should lie in electrification and that such import terminals could help fossil-fuel incumbents cement their survival. Environmentalists fear the units could pose risks to local wildlife and tourism.

Berlin initiated the build-up of floating LNG storage and regasification units at various coastal locations in record time to speed Germany's bid to get access to new import channels. The government paper said that in a follow-up to the immediate measures, it was important to solidify and expand the infrastructure to be able to boost Europe's gas infrastructure overall, to create buffers, flexibility and solidarity. Six floating storage and regasification terminals at four sites are due to be online by the end of 2023.

Japan's LNG stockpiles up almost 18% from year earlier

(Japan Today; Feb. 27) - Japan's inventories of liquefied natural gas have surged since Russia's war on Ukraine, government data shows, in an effort to address concerns over potential disruptions to the biggest fuel supply for power generation in the country. LNG

inventories in Japan stood at 5.9 million tonnes as of the end of August, up 17.6% from a year earlier and the largest since data became available in 2008, according to data from the Japan Organization for Metals and Energy Security, a government agency.

Concerns increased after Russia reduced gas supplies to Europe, prompting LNG-importing countries to scramble to look for other suppliers amid intensifying global competition. Another reason for the increase in inventories is the possible disruption of gas supplies from the Sakhalin-2 LNG project in the Russian Far East. Japan buys about 9% of its overall LNG imports from the project, which is controlled by Russia.

Resource-poor Japan depends heavily on fuel imports to meet its energy needs, with LNG accounting for about 35.5% of the total energy mix, according to data from the Natural Resources and Energy Agency. Japan holds over 200 days of oil reserves in stockpiles but there are only a few weeks of LNG inventories. LNG is not suitable for long-term storage due to the high costs and the speed at which it evaporates.

Mozambique could struggle to repay debt unless LNG starts up

(Bloomberg; March 2) - Mozambique's ability to keep servicing its rising debt depends on the resumption of TotalEnergies' \$20 billion liquefied natural gas project, according to S&P Global Ratings. The project, once touted as Africa's biggest private investment, stalled in 2021 following terror attacks by Islamic State-linked rebels in Mozambique's northeast. Progress in containing the violence has led to speculation that work may resume in the coming months, but TotalEnergies has yet to make a decision.

Patrick Pouyanne, CEO at the French oil and gas major, said in February he's in no hurry to resume construction. Yet Mozambique faces growing debt payments that might be difficult to meet without revenue it had been banking on from the project. Yearly coupon payments on the nation's sole \$900 million eurobond jump to 9% from 5% next year. Principal payments of \$225 million start in 2028. "It's really critical for these gas projects to come online and for them to be able to generate the revenue," Leon Bezuidenhout, sovereign analyst at S&P, said in an interview last week.

Foreign troops from Rwanda and a separate deployment from the Southern African Development Community have helped improve the security situation in Cabo Delgado province, where the Mozambique LNG project is located. Still, frequent raids by mostly small groups of insurgents have continued as they have been able to evade authorities in densely forested areas. At least 4,668 people have died since the violence started in 2017, according to Cabo Ligado, a website that monitors the war.

Ohio train derailment renews opposition to LNG by rail

(EnergyWire; Feb. 28) - The train derailment in East Palestine, Ohio, is renewing concerns about the safety of moving liquefied natural gas by rail and whether existing federal rules governing the industry should be changed. Seven Democratic House lawmakers from Pennsylvania sent a letter to Transportation Secretary Pete Buttigieg on Feb. 24, asking that he work to suspend a Trump administration rule that would allow the transportation of LNG by rail.

After the Biden administration took office, the Pipeline and Hazardous Materials Safety Administration proposed to halt the authorization until it could finalize a rule or until June 2024, whichever comes first. But calls to change the rule more quickly have swelled since the derailment in Ohio. There are currently no large-scale shipments of LNG by rail in the U.S., but that could change pending what happens with the Trump rule, according to industry groups, researchers and environmental advocates.

Under a separate pilot program, a route in southern Florida in 2017 and the Alaska Railroad in 2015 were given blessings by the Federal Railroad Administration to ship LNG by rail. The southern Florida project is shipping LNG by rail now; shipments never started in Alaska. The Trump rule would allow the bulk transport of LNG in specialized rail tank cars and was created in response to a 2019 executive order. Environmental groups, followed by 12 Democratic-leaning states, filed petitions to review the plan in the Court of Appeals for the District of Columbia Circuit months later.

[Indonesia hopes to start shipping LNG from expansion in June](#)

(S&P Global; March 3) – Indonesia's Tangguh LNG project's Train 3 is in the "commissioning process," with hopes for the first shipment by the end of June, the country's Minister of Energy and Mineral Resources Arifin Tasrif said March 3. "No. 3 is now in the commissioning process; we hope they can finalize (production) within the next couple months," Tasrif told reporters on the sidelines of the first Asia Zero Emission Community investment forum in Tokyo.

The Tangguh LNG project in Papua Barat province currently has a combined 7.6 million tonnes per year production capacity over two trains. The third liquefaction train will add an additional 3.8 million tonnes, bringing total output potential to 11.4 million tonnes.

[Partially hydrogen-powered plane makes first test flight](#)

(TechCrunch; March 2) - As a Universal Hydrogen-branded plane, equipped with the largest hydrogen fuel cell to ever power an aircraft, made its first test flight in eastern Washington state, CEO Paul Eremenko declared the moment the dawn of a "new golden age of aviation." The 15-minute flight of a modified Dash-8 aircraft was brief, but it showed that hydrogen could be viable as a fuel for short-hop passenger aircraft. That

is, if Universal Hydrogen — and others in the emerging world of hydrogen flight — can achieve the technical and regulatory progress needed to make it a mainstream product.

Dash-8s, a staple at regional airports, usually carry up to 50 passengers on short hops. The Dash-8 used in the March 2 test flight from the airport in Moses Lake had decidedly different cargo. The test plane, nicknamed Lightning McClean, had just two pilots, an engineer and a lot of tech onboard, including an electric motor and hydrogen fuel cell.

The stripped-down interior contained two racks of electronics and sensors, and two large hydrogen tanks with fuel. Beneath the plane's right wing, an electric motor from magniX was being driven by the new hydrogen fuel cell from Plug Power. This system turns hydrogen into electricity and water — an emission-free powerplant. The fuel cell operated throughout the flight, generating power and producing nothing but water vapor.

Beneath the other wing ran a standard turboprop engine, with about twice as much power as the fuel-cell side. That redundancy helped smooth a path with the FAA, which issued an experimental special airworthiness certificate for the Dash-8 tests in February.

[Company sells 10-year-old LNG carrier for what new one cost in 2013](#)

(Natural Gas Intelligence; Feb. 24) - As the price of new LNG carriers increases, and as shipyard slots dwindle, the value of older tankers is on the rise. Bermuda-based CoolCo. disclosed earlier this month that it plans to sell the 10-year old tri-fuel diesel electric Golar Seal liquefied natural gas carrier for \$184 million. The buyer, Höegh LNG Holdings, agreed to cover all the costs of the vessel's drydock work, making the value of the transaction closer to \$190 million. The deal is expected to close in March.

CoolCo CEO Richard Tyrrell said the Golar Seal's sales price represented the "repricing of the LNG carrier market and strategic value of such LNG infrastructure assets." When the Golar Seal was built in 2013, such a vessel cost about \$190 million new, according to data from shipbroker Fearnleys. A comparable newbuild recently has reached a record of roughly \$250 million. Fearnleys shipping analyst Ina Bjørkum Arneson said newbuild prices "have increased rapidly over the last year," as the price of steel increased as shipbuilders saw an influx of interest in orders. "The yards are currently close to full all the way out to the end of 2027."