Oil and Gas News Briefs
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Goldman Sachs says $100 oil possible, but worst may be over

(Bloomberg; Sept. 20) - Goldman Sachs has rejoined the $100-a-barrel oil club, raising its forecast for crude back to triple digits as worldwide demand hits unprecedented levels and OPEC+ supply curbs continue to tighten the market. With prices advancing by more than 30% since mid-June to breach $95 a barrel on Sept. 19, the Wall Street bank nudged up its 12-month forecast for global benchmark Brent to $100 from $93. However, most of the rally in the vital commodity “is behind us,” the bank said in a note.

Oil has rallied strongly in recent months, hitting a 10-month high, thanks to the significant supply curbs from OPEC+ linchpins Saudi Arabia and Russia. Brighter outlooks in the two biggest economies, the U.S. and China, have also supported the advance, with stockpiles declining at a rapid clip. “We believe that OPEC will be able to sustain Brent in an $80-to-$105 range in 2024 by leveraging robust Asia-centric global demand growth,” analysts said in the report dated Sept. 20.

At the same time, “OPEC is unlikely to push prices to extreme levels, which would destroy its long-term residual demand,” they said. The market will have a deficit estimated at 2 million barrels a day this quarter, followed by a shortfall of 1.1 million barrels a day in the final three months of 2023, Goldman said. Oil’s rally has rekindled talk of the possibility of $100 oil. This week, Chevron CEO Mike Wirth said it was on the cards, citing tighter supplies and dwindling inventories. Amrita Sen, head of research at Energy Aspects, echoed that view, predicting prices could top $100 “for a bit.”

Analysts see $100 oil possible, but not for very long

(Bloomberg; Sept. 18) – As crude futures jump higher, traders and analysts are increasingly talking about when — not if — prices return to $100 a barrel. Supplies from the Middle East, Azerbaijan and even Russia are commanding premiums as refiners clamber to make enough diesel ahead of a seasonal ramp-up in demand. Bullish analysts argue that even with crude now in the mid-$90s, many funds remain underinvested in oil futures, creating the potential for higher prices yet to come.

Benchmark Brent has risen more than 30% since its nadir in March. Production cuts by Saudi Arabia and Russia have steadily tightened supplies at a time when consumption has surged to a record. That’s eating into stockpiles and forcing refiners to snap up barrels to make enough of the right type of fuels. “Fundamentals are very, very strong right now,” Amrita Sen, head of research at consultant Energy Aspects, said on

Bloomberg Television. “At this point it’s a short-term thing. I’m not saying it’s going to average above $100, but could it go to $100 for a bit? Absolutely yes.”

Geopolitics, alongside technical trading, “could push oil over $100 for a short while,” Citigroup analysts, including Ed Morse, wrote on Sept. 18. “However, we continue to see progressive loosening on the horizon.” Part of that decline, Citi argues, will be driven by a growth in supply from outside the OPEC+ alliance. It cites countries — including the U.S., Guyana and Brazil — that can all add barrels to the market in coming months and derail current tight supplies, helping to ease back prices.

China’s oil refineries are price sensitive to imports

(Reuters; Sept. 18) - China's record crude oil processing volumes and robust imports in August have painted a bullish picture of demand in the world's largest importer. But what is largely ignored — and shouldn't be — are the vast quantities of oil flowing into inventories. China added about 1.32 million barrels per day to either commercial or strategic crude stockpiles in August, according to calculations based on official data.

This reversed a rare draw on inventories in July. That was the first month in 13 that China turned to stockpiles and came at a time when imports dropped as crude prices rose during the earlier period when July-arriving cargoes would have been arranged. This was reversed in August as strong imports flowed into the country. For the first eight months of the year, China added about 810,000 barrels per day to inventories, or a total of about 197 million barrels.

All of this means that in theory China could lower imports by about 1.61 million barrels per day over the final four months of 2023 and still have stockpiles at exactly the same level as they were at the end of 2022. This doesn't necessarily mean China will lower imports in the last four months of the year, but it does mean that refiners have options. The question is how will China's refiners respond to the higher prices? History suggests that they tend to pare imports if they take the view that prices have risen too fast or too high. Conversely, they tend to import more and fill storage tanks when prices are low.

Saudi oil CEO continues to predict growth in oil demand

(The Canadian Press; Sept. 18) - Chief executives of the some of the world’s biggest fossil fuel companies are meeting in Canada this week, united in their stance that “peak oil” isn’t about to put them out of business anytime soon. Against the backdrop of benchmark prices for West Texas Intermediate crude topping $90 per barrel, the highest since November of last year, executives and government officials from around the world are gathering in Calgary for the 24th World Petroleum Congress.

While the industry is under far greater pressure now to address its role in fueling climate change, oil and gas leaders remain bullish on the future of their industry. “Today if you ask me … I would see around 110 million barrels per day (of global oil production) in 2050,” said Amin Nasser, the CEO of Saudi Arabian Oil Co., at a panel discussion on Sept. 18. That’s almost 10% more than today. But the International Energy Agency predicts that demand for oil and gas will peak in 2030, as the transition to electric vehicles accelerates and countries intensify their efforts to limit climate change gases.

Nasser said projections of “peak oil” are based on “unrealistic expectations.” He warned that overestimating how quickly the world can transition to cleaner energy puts the welfare of many at risk, particularly in developing nations where expensive solutions aren’t feasible. Darren Woods, CEO of ExxonMobil, said the fossil fuel sector will continue to need government support to help it move the needle of an energy transition — whether in the form of financial incentives for technology development, development of carbon markets, or regulatory improvements to fast-track project construction.

Federal appeals court appears to side with FERC in Sierra Club case

(Energy Wire; Sept. 19) - A federal appeals court Sept. 18 appeared unlikely to require the Federal Energy Regulatory Commission to revamp how it approves the timeline for building fossil fuel projects. In back-to-back oral arguments in two separate cases, the Sierra Club pressed for a three-judge panel to require more analysis from the commission before it approves deadline extensions for energy project construction.

If the court rules in FERC’s favor, the commission wouldn’t need to impose new requirements before advancing natural gas infrastructure that is running behind schedule, making it more likely that projects get finished. Specifically, the U.S. Court of Appeals for the District of Columbia seemed unconvinced that the commission had acted outside its discretion in assessing challenged certificate extensions for the 99-mile Northern Access gas pipeline from Pennsylvania to New York, and the third phase of Cheniere Energy’s Corpus Christi liquefied natural gas export terminal in Texas.

Judge Florence Pan questioned how much FERC should review projects again when companies seek extensions of construction deadlines. “Every petition to extend is not a reopening of the certification process,” she said. “That seems really unwieldy and not required at all.” Judge Karen Henderson asked FERC attorney Matthew Glover whether the commission had ever denied a certificate extension. Glover pointed to one case.

Europe looks to Algeria, Azerbaijan and elsewhere for gas

(Wall Street Journal; Sept. 19) - Once-obscure corners of the energy world, from offshore Congo to Azerbaijan, are booming as Europe finds new sources of natural gas to replace the Russian supplies that once powered the continent. The shift is redrawing the world's energy map at a rapid clip. In Bir Rebaa, deep in the Sahara, the Italian energy company Eni and Algeria's state-owned energy company are drilling dozens of wells, producing gas from previously untapped fields in a matter of months.

Three pipelines beneath the Mediterranean Sea connect Algeria's vast gas reserves to Europe. For much of the past decade, Russian gas giant Gazprom had kept prices low, pushing suppliers like Algeria out of the European market. That is changing, as Europe is boosting its buys from Algeria and elsewhere. Algeria, however, has long had a strong alliance with Russia, buying large amounts of weapons from Moscow. Europe's sudden thirst for Algerian natural gas is challenging that relationship. "We have friendship and political ties, but business is business," Mohamed Arkab, Algeria's energy minister, said.

Algerian officials are negotiating gas deals with buyers in Germany, the Netherlands and elsewhere in Europe. Italy's Eni is making major investments in Algerian production. The Algerian government is in talks with Chevron and ExxonMobil on deals that would enable the companies to produce gas in the country for the first time. A consortium led by BP is boosting gas production in Azerbaijan, the former Soviet republic in the Caucasus. A 2,100-mile string of pipelines connects Azerbaijan to Italy. Azeri officials say they are ahead of schedule on a pledge to double gas deliveries to Europe by 2027.

All the activity is redirecting the flow of gas around the world. Gas once flowed primarily from Russia toward the Mediterranean. Now Europe is preparing to boost imports from Africa, with gas flowing up through Italy to Austria and other countries. Global exports of LNG surged to a record high, fueled by a sharp increase in U.S. shipments to Europe.

Louisiana LNG plant owner playing the market with early cargoes

(Reuters; Sept. 19) - U.S. liquefied natural gas company Venture Global sold over 200 cargoes worth about $18.2 billion since its Louisiana export plant started operations in March 2022, according to vessel data and Reuters price calculations. Those shipments have become a flashpoint for buyers and marketers who insist they should have received some of the supplies under long-term contracts for Venture Global's Calcasieu Pass plant. There have been at least four contract arbitration cases brought this year.

The dispute has put a spotlight on what constitutes a proper commissioning period. Shell, BP, Edison and Repsol claim to have been unfairly deprived of cargoes sold to others. Venture Global maintains equipment failures tied to onsite power generation have made its roughly 11 cargoes per month "pre-commission cargoes," not bound by those contracts. In an April filing with the U.S. Federal Energy Regulatory Commission, Venture Global said it expects commercial operations to begin the first quarter of 2024.

The issue of when a plant is officially commissioned has led other LNG developers to specify their commissioning periods. New plants typically set a two- to three-month period in which "pre-commercial" cargoes could be sold on the open market before long-term contracts kick in. About two-thirds of Venture Global's pre-commission cargoes were sold for around $13.6 billion in Europe, while 30 or so were sold in Asia and roughly 40 went to Central and South America and the Caribbean. The company has earned a higher price on its cargoes than if it delivered on its long-term contracts.

Another buyer goes to international arbitration over U.S. LNG dispute

(Reuters; Sept. 20) - Repsol has asked an international tribunal to require U.S. gas exporter Venture Global LNG to fulfill its contract for liquefied natural gas or compensate the Spanish company, according to two people familiar with the matter. It is the fourth European customer to pursue an arbitration case against the developer over its failure to supply cargoes from a Louisiana plant that has been running for 18 months. Venture Global LNG has said the plant is not fully operational due to faulty power equipment.

But Venture Global LNG has sold more than 200 cargoes into the spot market at higher prices than it would have earned had it delivered under its long-term contracts with BP, Shell, Repsol, Edison and others. The customers claim the firm has used the equipment problems to capitalize on the rally in global gas markets since Russia's invasion of Ukraine. Venture Global has told Repsol that it will not be able to provide it with cargoes before the end of 2024 or even early 2025, the person familiar with the matter said.

Repsol's arbitration case was accepted by the International Chamber of Commerce earlier this month and a three-member panel was named to consider the dispute. Repsol wants Venture Global to provide cargoes or pay more than $100 million for fuel not delivered, one of people familiar with the matter said. An attorney familiar with the U.S. company's contracts said the cases face an uphill battle. The firm's contracts give it sole discretion to determine the start of commercial operations, the person said.

Mitsui says it will comply with U.S. sanctions at Russian LNG project

(Reuters; Sept. 16) - Japan's Mitsui said on Sept. 16 it is committed to complying with restrictions in the wake of fresh U.S. sanctions related to Russia's Arctic LNG-2 liquefied natural gas project — in which it holds a small equity stake. "We are aware of the additional U.S. sanctions and we remain committed to complying with international sanctions," Mitsui told Reuters in emailed comments, adding it was in touch with its project partners, the Japanese government and other parties "to discuss next steps."

The sanctions do not apply to the project itself nor to its shareholders, but rather are directed at limiting technology and equipment suppliers. However, a Japan government source said they could complicate how Mitsui and another Japanese shareholder, JOGMEC, provide support for the project and could also delay production from Arctic

LNG-2. The U.S. sanctions apply to a number of Russian companies and one United Arab Emirates firm providing architecture, construction and engineering services.

They also apply to a Russian ship construction company that will operate two floating storage units for Arctic LNG transshipments via the Northern Sea Route. The Arctic LNG-2 project is operated by Russian company Novatek, while Mitsui and fellow Japanese firm JOGMEC hold a combined 10% stake. Novatek plans to launch its first production train at the project toward the end of the year. Mitsui and JOGMEC are set to receive a combined 2 million tonnes of LNG per year. Arctic LNG-2 is designed to run three liquefaction lines with an annual production capacity of 19.8 million tonnes.

Chevron, unions draw close to settling strike at Australia LNG plants

(Bloomberg; Sept. 21) - Chevron and unions are close to a deal that would end strikes at liquefied natural gas plants in Australia that have roiled global markets, with the nation's labor regulator putting forward new proposals to resolve remaining disputes. "The parties are on the precipice of achieving historical first enterprise agreements," the Fair Work Commission said in a statement dated Sept. 21. "A large number of issues have been settled. However, a failure to settle all of the outstanding issues will result in those agreed provisions simply evaporating."

Walkouts at Chevron-operated Wheatstone and Gorgon LNG export facilities could potentially end as soon as Sept. 22, as the commission has set a deadline of 9 a.m. Sydney time for the two parties to respond to its suggestions. Recommendations from the regulator touch "on some key bargaining claims," and workers will meet Sept. 21 evening to review the details, Brad Gandy, Western Australia Secretary for the Australian Workers' Union, said in a statement. "We will take direction from our members in how we respond." Chevron is also reviewing the recommendations.

If the sides reject the commission's proposals, which include revised terms on pay, travel and expenses, a hearing will be held to decide on so-called intractable bargaining declarations — meaning the regulator would be able to end the dispute by setting new terms and conditions of employment. Union members at Chevron's projects started ramping up strikes last week, including with a series of 24-hour stoppages, threatening to reduce exports from one of the world's biggest LNG suppliers.

German official defends reliance on LNG imports

(Reuters; Sept. 19) - Germany must strengthen rather than abandon the liquefied natural gas import capability built last year to retain its energy diversity in the face of continued fragility of supply, a senior economy ministry official told an industry event on Sept. 19. Three floating storage and reception units at the Wilhelmshaven, Brunsbuettel and Lubmin terminals served to attract much-needed LNG shipments to supplement pipeline deliveries from the rest of Europe after Russia turned off the gas taps last year.

Berlin has since had to defend their continued use and full utilization even as gas price declines and lower demand highlight the risk of the import facilities becoming stranded fossil fuel investments unsuitable for a carbon-free future. "It is not easy to make that clear when the feeling of a crisis is no longer existent," Philipp Steinberg, head of the economic stabilization and energy security unit in the ministry, said at a Handelsblatt newspaper industry conference.

"But we are not where we should be with the terminals," he added, referring to unfilled capacity at two of the FSRUs. Steinberg emphasized that the terminals are considered an integral part of Germany's diversified energy strategy. "It is self-understood that we also pursue energy efficiency, expanding renewables, diversification, expansion of hydrogen economies," Steinberg said. Once the LNG terminals are no longer needed, they can be sent to other destinations, hopefully at a profit, he added.

Canada’s Enbridge buys 3 U.S. gas distribution utilities

(Argus Media; Sept. 15) - As moratoria on new natural gas hookups are passed in municipalities across the U.S., Enbridge is betting big that gas utilities in places that are friendlier to the fuel will continue to provide profits for the foreseeable future. The Canadian midstream company has agreed to buy three U.S. gas distribution companies from Dominion Energy in a transaction worth $14 billion. Upon closing, Enbridge's delivery capacity to customers in the U.S. and Canada will total 9.3 billion cubic feet per day, making its gas utility business the largest by volume in North America.

The location of the three companies to be acquired by Enbridge may signal a new fault line in the industry — between areas looking to phase out gas, and everywhere else. The companies — East Ohio Gas, Questar Gas and the Public Service Co. of North Carolina — serve 3 million customers in Ohio, Utah, Wyoming, Idaho and North Carolina. Those five states, along with about 20 others, have passed preemptive bans on gas limits, preventing local governments from restricting gas use in buildings.

"These are red and purple states,” Enbridge CEO Greg Ebel said in an interview on CNBC. Jurisdictions trying to phase out gas include Massachusetts and New York state, some California cities and other communities. The push is to prohibit gas connections in newly constructed buildings. While not exactly "bans" on gas, the moratoria could limit growth in the gas utility business, which has been a pillar of the industry's investment thesis. Even if the efforts do little to restrict gas consumption, some in the industry fear the specter of a hostile regulatory environment could scare away growth opportunities.

Canada files in U.S. court in support of cross-border pipeline

(The Canadian Press; Sept. 18) - Shutting down Enbridge's Line 5, a cross-border oil and gas pipeline, would cause Canada "grave harm" and violate its treaty rights, Canadian government lawyers argued Sept. 18 as Ottawa rejoined the legal fray over the controversial pipeline. An amicus brief filed with the 7th U.S. Circuit Court of Appeals marked the Canadian federal government first foray into the ongoing legal dispute in Wisconsin, and its second since Michigan mounted a similar challenge in 2020.

A Wisconsin court order issued in June gave Calgary-based Enbridge just three years — and not a day more — to reroute the pipeline around territory belonging to the Bad River Band of Lake Superior Chippewa. Enbridge's operations on Bad River territory "must cease" on June 16, 2026, regardless of whether the 40-mile detour around the reserve is complete, the Wisconsin judge ruled. Both sides are appealing that decision. Canada has long argued that any court-ordered shutdown would violate a 1977 treaty with the U.S. designed to ensure uninterrupted flow of energy across the border.

Enbridge needs multiple regulatory approvals to build the detour. But it likely needs more time, the Canadian brief argues, adding that it disagrees with the Wisconsin court that three years would be enough time for the marketplace to adapt to any potential shutdown. The Bad River Band has been fighting Enbridge in court since 2019, saying the company lost permission to operate on the reservation in 2013. Enbridge insists a 1992 agreement with the band allows it to operate. Line 5 carries 540,000 barrels of oil and gas liquids daily across Wisconsin and Michigan to refineries in Sarnia, Ontario.

China oversupplied with coal, holding down prices

(Bloomberg; Sept. 14) - This time last year, Chinese coal prices were soaring as power plants scrambled for supplies after a historic drought caused hydropower output to collapse. The market for China's mainstay fuel today is far more sedate. Although prices have crept higher in recent weeks, record imports and the impact of a fragile economy on consumption are likely to cap costs heading into the next period of peak demand over the winter. But that's not to say pressure points on supply won't emerge.

The lessons learned from the drought and loss of hydropower have framed the market's trajectory over the past year. Fearful that its exit from COVID-zero would cause demand for coal to surge, Beijing pushed miners and importers to ensure supplies were more than sufficient to cope. That allowed China to avoid the power outages that have crippled the economy in recent years, particularly over the scorching summer period when demand for air conditioning spikes.

The coal market now looks relatively oversupplied heading into the colder months as another year of record domestic production beckons, and as foreign coal is pouring into China's ports and hydro's contribution to power generation is recovering. Both Daiwa

Capital Markets and Morgan Stanley have pointed to weak coal consumption as limiting any further increases in price, according to notes from analysts this week.