Oil and Gas News Briefs
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White House decides to expand review of LNG exports

(Reuters; Jan. 24) - The Biden administration is delaying a decision on a Louisiana liquefied natural gas export project that would be among the largest in the U.S., but which has raised the ire of environmentalists, the New York Times reported on Jan. 24. With an export capacity of around 20 million tonnes per year, Venture Global LNG's Calcasieu Pass 2 (CP2) project would be twice the size of the company's existing CP plant. If built, it would make Venture Global one of the world's larger LNG producers.

The White House is directing the Department of Energy, which decides whether LNG exports are in the "public interest," to expand a review of LNG export projects to include more climate-change criteria, the Times said, citing three unnamed sources familiar with the matter. The expanded review could lead to delays of an additional 16 proposed LNG export projects, it said. Press officials at the White House and DOE did not have an immediate comment on the report.

Climate activists say LNG projects lock in global reliance on fossil fuels for decades, and lead to emissions not just from burning gas but also from leaks of the powerful greenhouse gas methane. A delay of a decision on CP2 until after the presidential election could spare the White House from criticism from environmentalists, who form a big part of President Joe Biden's base. Venture Global said the news is worrying. "Such an action would shock the global energy market … and send a devastating signal to our allies that they can no longer rely on the U.S.," said a company spokesperson.

Overseas buyers nervous about potential delays in new U.S. LNG

(Houston Chronicle; Jan. 24) - European and Asian gas buyers are growing increasingly nervous the Biden administration is going to halt permitting for new LNG export terminals amid increasing pressure from environmental groups. With reports that the Department of Energy is considering an overhaul of how it evaluates liquefied natural gas export projects in light of climate change, energy customers abroad that rely on U.S. gas are increasing pressure on the administration not to act too hastily.

"Europe is as dependent on gas for heat as many places in the U.S.," Fred Hutchinson, president of LNG Allies, a trade group that connects U.S. LNG companies with foreign governments, said at an event Jan. 23. "We're supposed to double export capacity in the next four or five years. And without that gas, those countries are going to be in trouble." Eurogas, which represents dozens of energy companies in Europe, issued a statement last week calling the potential halt in U.S. LNG permitting "alarming" and potentially threatened efforts there to reduce dependence on Russian gas.

The Asia Natural Gas and Energy Association, which represents buyers, told Energy Secretary Jennifer Granholm earlier this month that without new U.S. gas supplies Asian nations would be forced to turn to Russia. With the presidential election in November, the Biden administration is unlikely to issue any new LNG permits this year, consulting firm Rapidan Energy wrote in a note to clients this month. The Department of Energy review “serves to placate the green lobby while also justifying a pause in issuing any new permits until the policy review is complete, which the administration wants to do to avoid political blowback ahead of this year’s election," Rapidan analysts wrote.

Japan’s LNG imports down again last year; lowest since 2009

(LNG Prime; Jan. 24) - Japan’s liquefied natural gas imports dropped 8.1% in 2023 and the country lost its position as the world’s top LNG importer to China. It was the lowest volume since 2009, preliminary data from the Ministry of Finance showed, following nuclear power restarts and increased use of renewable energy. According to the data, Japan imported 66.15 million tonnes of LNG last year. This compares to 71.99 million tonnes in 2022, which marked a decline from 2021.

Japan paid about $44.2 billion for LNG imports in 2023, a decrease of 22.6% compared to 2022. LNG shipments going to Japan in 2023 from Asia-region suppliers, including Australia, decreased 10.2% to 16.1 million tonnes, the ministry’s data shows. Mideast shipments fell 11.7% to 5.95 million tonnes in 2023. Shipments from Russia dropped 10.7% to 6.13 million tonnes, while U.S. supplies grew 33.6% to 5.52 million tonnes in 2023. The data includes only contract cargoes; it does not include spot volumes. Japan’s LNG buyers obtain the vast majority of their supplies under term contracts.

LNG prices cooling, despite winter and Red Sea tensions

(Wall Street Journal; Jan. 23) - Winter is warmer than usual in Northeast Asia and the Chinese economy is cooler. One result: Prices of LNG are cooling quickly and will probably remain muted. Unlike 2022, when shipping and gas pipeline disruptions thrust Europe into an energy crisis, high inventories and muted Asian demand in 2024 make a repeat unlikely. That is despite escalating Red Sea tensions bottling up global shipping. Qatar, one of the major LNG suppliers in the region, has decided to avoid the Red Sea.

Asian LNG prices have fallen over 40% to $9.41 per million Btu in the past two months, according to Refinitiv. Over the past year they have more than halved. Prices in Europe initially jumped in October when the Houthi attacks began but have also since retreated back to around $9 — roughly where they sat last summer. Apart from the mild winter and high LNG inventories, demand for LNG in 2024 will probably be limited by competition from Russian piped gas in Asia and abundant coal supplies. A halting recovery in China's energy-intensive heavy industry will also help keep a lid on prices.

China and Japan are the world's largest LNG importers. Qatar is a major supplier and sends more than 80% of its LNG to Asia, according to Rystad Energy, but not via the Suez Canal. Qatari supplies will have more trouble reaching Europe, but with the U.S. now a significant LNG exporter — and European inventories still ample — that is less of a problem than it might have been in the past.

Qatar diverts some Europe-bound LNG around southern Africa

(Bloomberg; Jan. 24) - Qatar, one of the world's biggest liquefied natural gas exporters, is delaying some shipments to Europe as the crisis in the Red Sea forces longer travel times. The Middle East country informed some European buyers of delays and rescheduled shipments, according to traders with knowledge of the matter. It's reshuffling global supply to meet contractual obligations, diverting deliveries from elsewhere and swapping for available cargoes near Europe, the traders said.

Since Jan. 15, Qatar has diverted at least six shipments destined for Europe around the Cape of Good Hope in southern Africa, instead of the shorter route through the Red Sea and the Suez Canal, according to tracking data compiled by Bloomberg. The detours tie up vessels for longer periods, curbing how many are then available for subsequent cargoes. Circumnavigating Africa adds about two weeks to the journey to Europe.

QatarEnergy said the Red Sea situation "may impact the scheduling of some deliveries as they take alternative routes," but added that production continued uninterrupted. The gas market has, so far, largely shrugged off disruptions in the Red Sea, where missile and drone attacks by Yemen's Houthi militants have forced many merchant ships to avoid the area. European gas futures are near a six-month low amid high inventories, strong renewables output, subdued industrial demand and lots of other LNG supplies.

Russia's Far East LNG plant wants to raise prices

(Bloomberg; Jan. 23) - Sakhalin Energy, which operates a liquefied natural gas export plant in Russia's Far East and is majority owned by Gazprom, wants to raise its long-term contract prices, threatening to push up energy costs in Japan and South Korea. The discussions with customers began late last year as part of a regular price review conducted every five years, according to people with knowledge of the matter. While Sakhalin Energy sees a tighter gas market now compared to when the previous review was held, buyers haven't accepted the proposal for higher rates, said the sources.

The move bucks a wider trend of falling prices in long-term LNG contracts. The market is expected to be oversupplied as soon as next year with the start of new projects in the U.S. and Qatar, prompting suppliers to cut rates to lock in customers. The Sakhalin-2 LNG export plant is the closest to North Asia, home to the world's top buyers. The facility supplied nearly 10% of Japan's LNG needs last year, and hasn't been targeted by Western sanctions due in part to the need to ensure Japan's energy security.

Sakhalin Energy is requesting long-term LNG prices in the range of a 14% link to Brent crude, according to sources. The value of the gas is determined as a percentage of a barrel of oil, a common practice for LNG contracts. Prices are currently in the 13% range, the people added. More than half of Sakhalin-2's exports went to Japan last year, according to ship-tracking data. Sakhalin Energy has supply contracts that last into the early-2030s with Japanese importers including Tokyo Gas and Kyushu Electric Power.

Production modules on their way from China for Russian LNG project

(High North News; Jan. 23) - The final module for the second production line of Russian gas producer Novatek's Arctic LNG-2 project departed from China last week. In February, the company will integrate the last three modules at its construction yard near Murmansk ahead of towing the assembled production unit to the project site on the Gydan Peninsula this summer. While U.S. sanctions have not yet halted construction, it remains to be seen how much LNG Novatek will be able to sell.

Despite a months-long work stoppage by Chinese builders following Western sanctions in 2022, Novatek ultimately managed to secure all of the necessary modules for the second production unit, including replacing Western turbines with Chinese imports. Novatek has started production from its first unit at the terminal, with a third liquefaction line planned for next year.

While the delivery of the final modules for the second liquefaction unit will represent a significant step toward completion, the project's overall future has become increasingly uncertain following U.S. sanctions. The latest round of sanctions bar the purchase and transport of LNG from the project, and questions are mounting over who Novatek will sell its LNG to and aboard which vessels it will deliver the fuel. France's TotalEnergies announced last week that it will not take receipt of any LNG from the project in 2024. Novatek may try to sell its LNG at a discount on the spot market to buyers in Asia.

Germany close to deal for new gas-fired power plants

(Reuters; Jan. 22) - German stakeholders are set to agree on a much-anticipated road map for construction of several new gas-fired power plants this week, government and industry sources said on Jan. 22. The move is part of Germany's push to close a power-generation gap expected to occur due to the phase-out of coal, with round-the-clock gas plants offering a better temporary solution than intermittent renewables.

A top-level meeting between the Economy and Finance ministries as well as the chancellor's office is scheduled for this week to reach an agreement, the people said. The news followed months of criticism from the country's top utility firms — RWE, Uniper and EnBW — which have called for specific regulation to build the new power stations, which would require state support to be economical.

Germany wants to use 24 gigawatts of hydrogen and gas-fired power plants to cover gaps in wind and solar supply, but has been at odds with Brussels on public funding for them. Berlin last year agreed with the European Commission that Germany would seek bids for 8.8 GW of new hydrogen plants, and up to 15 GW to run initially on natural gas before being connected to the hydrogen grid by 2035 at the latest. The tender process for 10 GW of the gas and hydrogen-ready plants would take place by 2026.

Japanese city gas suppliers look to get e-methane from UAE

(LNG Prime; Jan. 23) - Japan’s city gas suppliers and liquefied natural gas importers Tokyo Gas and Osaka Gas have joined forces with compatriot Inpex and the United Arab Emirates’ Masdar to work on establishing an e-methane supply chain from the UAE to Japan. The firms have signed an agreement to conduct a joint feasibility study on e-methane production in Abu Dhabi in the UAE, according to a joint statement.

Masdar and Ichthys LNG operator Inpex have been conducting a joint study to produce e-methane utilizing renewable energy in Abu Dhabi based on an agreement signed in July 2023. E-methane is synthetic methane produced from carbon dioxide and green hydrogen. Tokyo Gas and Osaka Gas have newly joined this initiative. The two firms are aiming to introduce e-methane to cover 1% of their respective annual city gas demand by 2030 and further increase the volume toward 2050, the statement said.

The four partners will evaluate the economics of producing and procuring feedstocks, such as green hydrogen and CO_2, as well as the production and transportation of e-methane. E-methane is compatible with existing LNG infrastructure such as LNG tankers and terminals as well as city gas infrastructure including pipelines and consumer gas equipment, the partners noted.

U.S. Southeast relies heavily on gas to meet power demand

(Politico; Jan. 22) - President Joe Biden wants to eliminate carbon pollution from the power grid by 2035, and his administration is pouring many billions of dollars into clean energy sources like solar and wind. But one of the year’s biggest trends in the power world is a growing clamor for a fossil fuel — natural gas. And nowhere is that more clear than in the Southeast U.S. The region's population is surging, electric cars and trucks are crowding onto the roads, and all the while grid operators have to keep the lights on.

Renewables are coming online, but key electric utilities — including the country's largest public power provider — want gas to be a bedrock fuel. That could complicate Biden's climate targets. A big build-out could threaten the fight to cut climate-warming emissions, even if gas is a less potent pollution source than coal. The Tennessee Valley Authority, Duke Energy and Georgia Power are eyeing record gas-power additions — totaling more than 12,000 megawatts — to replace coal-fired generation. In comparison, the U.S. added an estimated 8,600 megawatts of new gas-fired generation last year.

Simon Mahan, executive director of the Southern Renewable Energy Association, has reviewed utilities' resource planning processes in the region for over a decade. "They've never done anything like this," he said of the gas-power additions. Georgia Power CEO Kim Greene said the shift is so pronounced because new industries are coming to the state — creating "large electrical demands at both a record scale and velocity." Gas is the main resource Georgia Power thinks it can get online fast enough to meet demand projections, said Bryan Jacob, the Southern Alliance for Clean Energy's solar director.

Trinidad and Tobago closer to deal with Venezuela to feed LNG plant

(Bloomberg; Jan. 23) - Trinidad and Tobago sees more deals to import Venezuelan natural gas to feed its own declining supply for its liquefaction plant following a recent license to tap a former oil giant field. There is an "open door" for the countries to develop more offshore gas fields that sit on mutual territories after Venezuelan President Nicolas Maduro issued a license so that Shell and Trinidad and Tobago can import from the Dragon project, Mark Loquan, president of Trinidad and Tobago's national gas company, said in the sidelines of a conference in Port of Spain.

As its gas reserves decline, Trinidad and Tobago is rushing to secure more gas to meet demand for LNG. It is looking within its own waters and those shared with its neighbors. The Dragon deal, which could see gas exports by 2027, involves transporting gas to Trinidad and Tobago's Atlantic LNG plant via a Shell-owned offshore platform and could start with output of 175 million cubic feet per day and ramp up to 350 million cubic feet.

"There is not only Dragon. There are other fields that are joined in Trinidad and Venezuela which can be taken further," including Manekin-Cocuina and a PDVSA gas-capturing project to use the gas rather than burn it off, Loquan said. He said the license Venezuela granted will be published soon, offering the first public details of the project. Currently the countries are evaluating plans to inspect wells and build a 13-mile pipeline to Shell's Hibiscus offshore platform in Trinidad's territory. In 2023, Trinidad and Tobago exported 8.4 million tonnes of LNG, 1% less than the previous year.

Suriname asked to provide incentives for oil and gas development

(Reuters; Jan. 23) - Suriname should boost incentives for energy companies looking to develop oil and gas, said Zamri Baseri, head of Malaysia's Petronas in the South American country. Baseri did not specify the incentives his company is looking for, but lower royalties and taxes or commercial incentives often hasten investment decisions by energy companies. Petronas would like to export gas from Suriname's Block 52 using floating liquefied natural gas production facilities, Baseri said.

Suriname expects that TotalEnergies and APA Corp. will make a final investment decision this year to proceed with its most promising offshore area, Block 58. The $9 billion oil project could be followed by neighboring areas, including Block 52 operated by Petronas and ExxonMobil, where additional discoveries have been made. In December, Petronas signed production-sharing contracts with Suriname's state company Staatsolie for offshore Blocks 63 and 64, after winning the areas in a bidding round.

"We need to speak to Staatsolie on what kind of fiscal arrangements we can have, the commercial models we can have to make the project fly," Baseri said Jan. 23 on the sidelines of an energy conference in Trinidad and Tobago. He said any project faces headwinds, including Suriname's lack of offshore infrastructure. Block 52, north of the coast of capital Paramaribo, is in the prospective Suriname-Guyana basin, where Exxon has confirmed more than 11 billion barrels of recoverable oil and gas on Guyana's side.

Canadian line to West Coast expected to start taking oil within weeks

(Calgary Herald columnist; Jan. 23) - It's gone through more peaks and valleys than the terrain it is traversing, but the Trans Mountain oil pipeline expansion project is now 98% complete and targeting to begin operating in the coming weeks. Following a crucial ruling by the Canada Energy Regulator this month, allowing a pipeline construction variance to deal with hard rock in the path, work is resuming on the final stretch of construction, in British Columbia's Fraser Valley between Chilliwack and Hope.

"Upon mechanical completion of the expansion project, we have several regulatory steps . . . and then we will begin line-fill and then in-service," officials with the federal Crown corporation that owns the pipeline said in a statement. "We are working toward our in-service date planned for the near end of (the first quarter) 2024." After construction wraps up, the line will be filled with about 4.5 million barrels of oil.

The project will move crude and refined products from Alberta to a terminal in Burnaby, B.C. The 713-mile project will almost triple the existing capacity of the pipeline, moving 890,000 barrels per day to the coast for export. Completing the expansion is seen as key to getting more Canadian oil to export markets after years of pipeline bottlenecks. The initial regulatory application for the project was made in 2013. Since then, the cost has jumped to C$30.9 billion from C$5.4 billion. In 2018, the federal government bought the pipeline from Kinder Morgan for $4.4 billion, planning eventually to sell the line.

Chinese firm will start design work on floating LNG units for Nigeria

(Upstream; Jan. 23) - China's Wison New Energies, formerly Wison Offshore & Marine, has started pre-front-end engineering and design work for two floating liquefied natural gas projects in Nigeria. Wison on Jan. 22 confirmed it has initiated the design validation and pre-FEED phase for the projects. The two floating liquefaction units, each planned for annual production capacity of 3 million tonnes, will be owned by Nigerian company Ace Gas and FLNG, and by Nigerian company Transoceanic Gas & Power.

Transoceanic's project would be located offshore Pennington and is designed to supply LNG to the international market and deliver volumes of associated liquid petroleum gas (LPG) and condensate to the domestic market. The Ace Gas and FLNG project is located offshore Escravos and is also designed to supply LNG to overseas customers and LPG to the local market.

Nigeria has been producing LNG from onshore facilities for 25 years. Its multiple liquefaction units are capable of producing more than 20 million tonnes of the fuel per year. Shell, TotalEnergies and Eni are stakeholders in the onshore operations, along with the Nigeria National Petroleum Corp.

Russia's 2023 discoveries fully replace oil and gas production

(Reuters; Jan. 24) - Russia, the world's second-largest oil exporter after Saudi Arabia, fully replaced its oil and gas reserves in 2023, helped by ample new discoveries, the state commission on subsoil reserves said on Jan. 24. Newly registered oil and gas condensate reserves totaled 550 million tonnes last year, about 4 billion barrels, it said, while production stood at 523 million tonnes (10.46 million barrels per day, or 3.82 barrels for the year).

New reserves of natural gas totaled almost 25 trillion cubic feet last year, the commission said, compared to output of about 22.6 tcf. According to the Ministry of Natural Resources and Environment, cited by the Vedomosti newspaper, as of early 2023 total oil reserves in Russia stood at around 19 billion tonnes, almost 140 billion barrels. Russia's reserves of natural gas, the world's largest, stood at around 1,553 tcf.

Ukraine opens new front with attacks on Russia’s energy industry

(Bloomberg; Jan. 22) - A new front opened in Russia’s war on Ukraine that highlights the vulnerability of oil exports from the nation’s western ports after reports of drone attacks against facilities on the Baltic coast. Last week, the first ever Ukrainian drone reached Russia’s Leningrad region, some 620 miles from the border. That aircraft was downed over the privately owned Petersburg Oil Terminal without causing damage, according to Russian authorities.

A second drone attack on Jan. 21, which an official said was organized by Ukraine’s secret services, was more disruptive. It caused a fire that shut down a Novatek gas-condensate plant in port of Ust-Luga that supplied fuel to the Russian army, according to the official who spoke on condition of anonymity. The facility is near some of Russia’s most important oil export terminals. As the war in Ukraine again enters a phase of attrition targeting energy infrastructure, these attacks are worrying oil-market watchers.

“Regular attacks or heavier drones may disrupt Baltic port operations and cause reductions of export volumes,” said Sergey Vakulenko, an industry veteran who spent 10 years of his 25-year career as an executive at a Russian oil producer. If that happened, “Russia would not have many viable alternatives.” Keeping Russia’s oil exports steady is crucial for the Kremlin, which receives some 30% of budget revenues from the nation’s energy industry. The flow of petrodollars is helping to finance the war, while also funding domestic spending in the run-up to presidential elections in March.