Oil and Gas News Briefs
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U.S. LNG exports set new record in December

(Reuters; Jan. 2) - U.S. liquefied natural gas exports hit monthly and annual record highs in December, tanker-tracking data showed, with analysts saying it positioned the United States to leapfrog Qatar and Australia to become the largest exporter of LNG in 2023. The U.S. was the standout in global LNG supply growth in 2023, Alex Munton, director of global gas and LNG research at consulting firm Rapidan Energy Group, said of the rise to 8.6 million tonnes leaving U.S. terminals in December.

"U.S. record production (in 2023) was driven by two factors: the return of Freeport LNG to full service (after a 2022 fire) … and the full-year output of Venture Global LNG's Calcasieu Pass facility (Louisiana)," Munton said. Full-year exports from the U.S. rose 14.7% to 88.9 million tonnes in 2023, LSEG data showed. That compares to 77.5 million tonnes in 2022, the data from the financial information provider showed. Additional new supply from U.S. terminals is set to come online in 2024 and 2025.

Europe remained the main destination for U.S. LNG in December with 5.43 million tonnes, or just over 61%. In November, 68% of U.S. LNG went to Europe, LSEG data showed. Asia was the second-largest export market for U.S. LNG in December, taking 2.29 million tonnes, or 26.6%, up from 18.5% in November. U.S. LNG to Latin America totaled half a million tonnes, or just under 6% of total exports, LSEG ship tracking data showed. Gas flows to the seven big U.S. LNG plants climbed to an average 14.7 billion cubic feet per day in December — a record — representing 14% of U.S. gas output.

Shell joins BP in asking FERC to intervene in LNG contract dispute

(Bloomberg; Jan. 3) - Shell is joining BP in escalating a feud with Venture Global LNG, asking U.S. energy regulators to intervene in their contractual dispute with the natural gas exporter. The Federal Energy Regulatory Commission should start proceedings to disclose privileged documents that would reveal more about why Venture Global has delayed full commercial start-up of its export plant in Louisiana and deliveries to Shell, the company said in a filing dated Jan. 3. BP has lodged a similar complaint with FERC.

The companies, along with other Venture Global customers, previously filed arbitration cases against the gas supplier in New York and London. Although Venture Global started up its Calcasieu Pass liquefied natural gas plant in Louisiana almost two years ago, it has yet to send a single cargo under long-term contracts. Instead, the company has been selling LNG on the spot market, citing operational issues that have prevented full service. Shell and BP have both said in filings that Venture Global has made more than $18 billion on cargoes that should have been sold to customers under contract.

BP and Shell's actions constitute "unseemly behavior," and the regulatory process was not meant to exert commercial pressure on a contractual matter, a Venture Global spokeswoman said Jan. 3. Shell's filing also included a comparison of commissioning cargoes shipped from U.S. LNG facilities since 2016, alleging that Venture Global has exported more commissioning cargoes than any other U.S. plant by almost a factor of ten. Calcasieu Pass has loaded 239 cargoes, according to data compiled by Bloomberg.

Exxon reports first cargoes from Texas LNG project expected in 2025

(LNG Prime; Jan. 2) - Energy giants QatarEnergy and ExxonMobil have released the latest construction update for their Golden Pass LNG export terminal on the Gulf Coast near Sabine Pass, Texas. State-owned QatarEnergy owns a 70% stake in the development with a capacity of more than 18 million tonnes per year and will offtake 70% of the capacity, while ExxonMobil has a 30% share. A joint venture of Chiyoda, McDermott and Zachry is building the three liquefaction trains worth about $10 billion next to the existing and underused LNG import terminal.

The Federal Energy Regulatory Commission said in an inspection report in November that the anticipated timing for completion of the first Golden Pass train is the second half of 2024, with the second and third trains following after that. ExxonMobil's senior vice president and chief financial officer Kathryn Mikellss recently said, "Train 1 mechanical completion is expected at the end of 2024 with first LNG in first half of 2025."

Problems stack up for Russia's Arctic LNG-2 project

(The Maritime Executive; Jan. 1) - U.S. sanctions are having an effect on Novatek's Arctic LNG-2 project. The venture is dependent on Western components and foreign investment, and both may be at risk. The U.S. has blacklisted dozens of Russian companies, including some that are critical to Novatek's plans. The list includes Arctic Transshipment, a Russian shipping company that will operate two floating storage units to support the Arctic LNG-2 project. Without the floating storage and transshipment units, the project's export cargoes will have a much harder time getting to market.

The U.S. has also sanctioned JSC Energies, Nova Energies and Abu Dhabi-based Green Energy Solutions for providing engineering services and technology for the project. Kommersant, a leading Russian news outlet, reports that all of the project's foreign shareholders — TotalEnergies, CNPC, CNOOC and a joint-venture investment vehicle backed by Mitsui and JOGMEC — have declared force majeure on participation in Arctic LNG-2. This means that they will not be receiving their contracted deliveries. Novatek has also reportedly sent notices that it is declaring force majeure on deliveries.

The declarations threaten the project's financing, Kommersant reported. Construction loans require contracted volumes as an underlying guaranteed revenue stream, and it is unclear whether Novatek has locked down all of its $10 billion in needed loans. Inflation has also increased project costs by nearly 20%. If outside investors are unwilling to help carry the expense, Novatek will have to pick up the cost in another manner. Novatek also faces problems in securing adequate tonnage to carry its exports to market — it needs specialized icebreaking LNG carriers, but sanctions have delayed construction.

OPEC+ caught in 'balancing act' to maintain prices

(Bloomberg; Jan. 3) - Supply is back in the driver's seat for global oil markets. At issue is rising crude production from non-OPEC+ nations including the U.S., which could outstrip global demand that's still growing but at a slower pace. The oil cartel's response has been to pledge deeper output cuts, but traders are skeptical they'll be sufficiently implemented to fully eliminate a surplus.

The combination already pushed crude in 2023 to its first annual decline since 2020, upending expectations of higher prices stemming from a post-pandemic recovery. Looking ahead "further than a quarter seems very difficult to me," said Trevor Woods, chief investment officer of commodities fund Northern Trace Capital. "This year coming up is a tricky, tricky year." Oil is relying heavily on OPEC and allies for support, and a collapse in the group's agreement to curb supply could send prices crashing, he said.

The cartel faces a "balancing act," said Parsley Ong, head of Asia energy and chemicals research at JPMorgan Chase. It "revolves around the fact that U.S. producers are fundamentally price sensitive," he said. "The higher OPEC+ keeps oil prices by reducing production, the more traditional oil producers and U.S. shale production will respond to that and boost supply." In the U.S., weekly crude production hit a record 13.3 million barrels a day last month, as drillers from the Permian Basin to the Bakken Shale ramped up oil production well beyond what analysts foresaw.

OPEC+ market monitoring committee will meet in February

(Bloomberg; Jan. 2) - OPEC+ will resume its regular oil market monitoring meetings with an online session early next month, delegates said. The Joint Ministerial Monitoring Committee, which includes group leaders Saudi Arabia and Russia, will convene in the first week of February, said the delegates, who asked not to be identified because the information is private. One person said the meeting has been scheduled for Feb. 1.

The Organization of the Petroleum Exporting Countries and its allies began a new round of production cutbacks this month in a bid to avert a global supply surplus during the first quarter and defend crude prices. Oil slumped almost 20% in the fourth quarter as record supplies from the U.S. and elsewhere countered the effect of supply constraints by OPEC+. Oil consumption growth is forecast to slow down sharply this year, prompting predictions of an oversupply.

OPEC+ agreed at its last meeting in November to deepen existing supply cuts this quarter by around 900,000 barrels a day. Yet the price impact has been muted as crude traders are skeptical of how much will actually be implemented, with several key members struggling to further dial back their output. The OPEC+ committee typically meets every two months to review oil market conditions on behalf of ministers. The full 22-nation coalition is next due to gather on June 1 in Vienna.

Russia exported more crude in December than in November

(Bloomberg; Jan. 2) - Russia's seaborne crude exports ended the year on a strong note, as four-week average shipments climbed to the highest since early November and weekly flows jumped to the most since July. About 3.46 million barrels a day of oil were shipped from Russian ports in the four weeks to Dec. 31, tanker-tracking data monitored by Bloomberg show. That was up 230,000 barrels a day from the four weeks to Dec. 24.

Though December's exports were higher than November, the four-week average crude shipments were about 120,000 barrels a day below their May-June level — the baseline used by Moscow for the reduction in combined crude and refined product exports it has pledged to its partners in OPEC+. Russia has said it will further deepen its export cuts to 500,000 barrels a day below the May-June average during the first quarter of 2024, after Saudi Arabia said it would prolong its unilateral one-million-barrel-a-day reduction and several other OPEC+ members agreed to make further cuts.

Russia's first-quarter export cutback will be shared between crude shipments, which will be reduced by 300,000 barrels a day, and refined products for the balance, according to Deputy Prime Minister Alexander Novak.

Exxon completes exit from Iraq, turns over oil field to PetroChina

(Reuters; Jan. 1) - U.S. energy giant ExxonMobil has formally exited the West Qurna 1 oil field in southern Iraq and handed over its operations to PetroChina as lead contractor, a deputy oil minister told Reuters on Jan. 1. Senior Iraqi oil officials met with executives from ExxonMobil, PetroChina and Basra Oil Co. at the West Qurna 1 field near Basra to mark Exxon's complete exit and handover of its operations to PetroChina.

"We are meeting today to bid farewell to ExxonMobil, and at the same time we congratulate PetroChina for becoming the lead contractor," Basim Mohammed, deputy oil minister for upstream affairs, told Reuters in an interview at the field. PetroChina holds the largest stake in the field after the departure of Exxon. Last year Iraq signed a sale agreement to acquire 22.7% of ExxonMobil's stake in West Qurna 1 by Iraq's state-run Basra Oil Co. (BOC), while Indonesia's state-owned Pertamina bought the remaining 10% of Exxon’s stake, increasing its share to 20%.

West Qurna 1 currently produces around 550,000 barrels per day. It is one of the world's largest oil fields, with recoverable reserves estimated at more than 20 billion barrels. Iraq and PetroChina plan to boost production to 600,000 barrels per day by the end of 2024, the head of BOC said. Following its exit from West Qurna 1, Exxon will have no presence in Iraq's energy sector, BOC officials said.

India buys Saudi oil to make up for decline in Russian crude

(Reuters; Jan. 2) - India increased its imports of Saudi oil in December as payment problems drove its Russian oil buys to an 11-month low, with at least five cargoes of the sweet Sokol variant heading to other locations, data from vessel-tracking agencies showed. Indian Oil Corp. (IOC), which was set to get the Sokol oil, had to withdraw from its inventory and buy from the Mideast to make up the shortfall, sources told Reuters.

Top refiner IOC is the only state-run firm with an annual deal to buy a variety of Russian grades, including Sokol, from Russian oil major Rosneft. India's oil imports from Russia in December declined between 16% and 22%, according to Reuters calculation on the basis of data from flow-tracking agencies Vortexa, Kpler and LSEG. Its imports of Saudi oil, however, rose by about 4%, data from Kpler and Vortexa showed.

LSEG data shows India's monthly Russian oil imports declining by 22% to 1.21 million barrels per day in December. "Perhaps it's still too early to write off India's appetite for the Sakhalin grade (Sokol)," said Viktor Katona, lead crude analyst at Kpler, adding that three new Sokol cargoes were heading for India. But until the payment problems are resolved, "China appears to be the final solution for some cargoes," said Katona.

Wood Mackenzie issues energy predictions for 2024

(Offshore Energy; Jan. 1) – Analysts at Wood Mackenzie have come up with predictions for the energy industry in 2024, which hint at a downturn in natural gas, LNG and solar projects while spotlighting the rise in blue hydrogen, nuclear and new developments in carbon capture technologies, along with some other forecasts for the year ahead.

While consumption of fossil fuels has been growing and hit new record highs in 2023, renewable energy has also been booming. Total global solar capacity is expected to keep growing rapidly over the coming decade, but Michelle Davis, Wood Mackenzie's head of global solar, is convinced that the pace of growth in annual installations will start to slow in 2024 compared to the rates seen in recent years.

Kristy Kramer, Wood Mackenzie's head of gas and LNG consulting, highlighted that COP28 had added new uncertainty to the outlook for gas. As the most widely accepted "transitional fuel," it will have a role to play in providing energy security for some time. But she predicts that the evolving balance between decarbonization and the security of supply will act as a brake on final investment decisions for gas and LNG projects.

Julian Kettle, Wood Mackenzie's vice chair for metals and mining, underscores that nuclear is set to win widespread support as a key solution to the energy crisis for the first time in over half a century. Nuclear power is still being bombarded with challenges of public acceptance and economic competitiveness against renewables and fossil fuel. Yet Kettle is adamant that nuclear is "the only reliable, dispatchable, small physical-and-material footprint, plug-and-play zero-carbon solution" for power generation.

While the ambitions for low-carbon hydrogen skew to green hydrogen — made from electrolyzing water using renewable energy — Melany Vargas, Wood Mackenzie's head of hydrogen consulting, said project development will remain slow as developers try to overcome cost obstacles. This will ensure that hydrogen projects will continue to skew blue, sequestering the carbon produced to make power used in the electrolysis process.

Santos completes sale of small share of Papua New Guinea LNG

(Offshore Energy; Jan. 3) - Kumul Petroleum, the national oil and gas company of Papua New Guinea, has secured funding to buy a 2.6% stake in the 10-year-old PNG liquefied natural gas project from Australian energy company Santos. According to Santos, Kumul paid approximately $250 million into escrow as partial payment of the purchase price and executed binding funding arrangements for the remainder of the consideration, which will be paid by Jan. 31. The deal was struck in 2022-2023.

The total purchase price is $576 million cash, with Kumul taking on $160 million of project finance debt. Papua New Guinea Prime Minister James Marape has said the purchase supports the government's objectives to have a greater equity interest in the development of the country's natural resources. The $19 billion PNG LNG project, operated by ExxonMobil, started exports in 2014, with capacity to produce more than 8.3 million tonnes of LNG per year.

The project's co-venturers include ExxonMobil, Kumul, Santos, JX Nippon Oil & Gas Exploration and Mineral Resources Development Co. The sale of a 2.6% stake Kumul will reduce Santos' stake to 39.9% and boost Kumul's share to 19.4%. The deal with

Santos also gives Kumul the option to purchase an additional 2.4% stake in 2024, at $524 million plus a proportionate share of project finance debt.

China’s shipyards focus on building cleaner-fuel vessels

(Bloomberg; Dec. 29) - China wants to extend its lead in global shipbuilding to a new generation of vessels that burn cleaner fuels. The nation is targeting building more than half of global vessels powered by lower-carbon fuels including liquefied natural gas and green methanol by 2025, according to a joint statement released by the Ministry of Industry and Information Technology and four other departments.

The goal is in line with Beijing’s plans to future-proof its massive industrial complex by focusing on sectors that will gain prominence as the world tries to reduce emissions over the next few decades. China’s shipyards built more than 50% of the world’s ships over the first 11 months of 2023. But shipbuilding is on the cusp of a massive transformation, with fleet owners beginning to replace oil-powered vessels with ones that burn cleaner fuels as they try to reach an International Maritime Organization pledge of zeroing out emissions by 2050.

Last year, orders for ships powered by cleaner LNG jumped to near 40% of the total, from about 15% in 2019, according to BloombergNEF. Green methanol, a fuel with little to no lifetime emissions, has seen orders more than double this year, BNEF said. In addition to targeting such vessels, China also plans to speed up research and design of new types of ships powered by liquefied ammonia, hydrogen and even carbon dioxide. A unit of China State Shipbuilding Co. has secured more than $1 billion in contracts to build methanol container ships for Moller-Maersk, local media reported in December.