Oil and Gas News Briefs
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S&P analysts forecast peak U.S. gas demand for power plants in 2024

(S&P Global; May 24) – Power-sector gas demand in the U.S. is expected to peak in 2024 thanks to a massive build-out of renewables that will offset rising power demand, including from data centers, S&P Global Commodity Insights analysts wrote in their May 23 short-term gas outlook. "Even though net on-grid electricity demand is anticipated to grow robustly over 2023-2029, gas-fired generation is expected to decline as the Inflation Reduction Act promotes a surge in renewable capacity build," analysts wrote.

Coal could also claw back some market share from gas from 2025 as higher gas prices "lead to a reversal of the coal-to-gas switching happening in 2023-24," the outlook said. S&P Commodity Insights is forecasting a sharp increase in U.S. benchmark Henry Hub natural gas prices in 2025 and 2026 as a swift growth in feed gas demand for liquefied natural gas exports will keep inventories "mostly below the five-year average, with production growth chasing the feed gas escalation pace."

Midstream gas companies including Kinder Morgan and TC Energy were confident of continued growth in demand from power plants during their first-quarter earnings calls, often citing demand from data centers. Commodity Insights analysts are less bullish. Growth from data centers is expected to be "substantial, but below utility forecasts owing to significant data center electric energy efficiency gains," analysts wrote April 24. Companies driving the data center build-out, like Microsoft, Alphabet and Amazon, "have strong incentives to improve efficiency and minimize environmental impacts."

Hawaii governor favors LNG as bridge fuel to renewables

(Honolulu Civil Beat; May 24) - Liquefied natural gas imports must be considered as Hawaii works to meet its clean-energy goal of being completely renewable by 2045, Gov. Josh Green said this week at the Hawaii Energy Conference. The state had been open to LNG under a previous administration, and Hawaiian Electric was even pursuing its development, but the administration of Gov. David Ige, 2014-2022, flatly opposed it, and the utility scrapped its plans to import gas for power generation.

Speaking May 22 at the conference, Green said LNG must be part of the mix as the state considers ways to lower energy costs, build energy resilience and lower its carbon footprint. He has asked his chief energy officer to conduct a full-scale analysis of every possible energy source, except nuclear, that can speed Hawaii’s transition away from fossil fuels. “Can I be blunt? One of those ways is LNG, and that gives a lot of people hives. I get it. I do. But if the goal is to use less carbon and get there sooner so that we are actually renewable, we have to have everything on the table," the governor said.

Green acknowledged that importing LNG would constitute an about-face in state policy. In 2015, then-Gov. Ige came out strongly against LNG, saying it would only prolong Hawaii's dependence on fossil fuels and cause strife among residents over the location of LNG terminals. Hawaii has gone back and forth on whether to invest in LNG. Former Gov. Neil Abercrombie in 2012 directed Hawaiian Electric to look into pursuing natural gas as a fuel source for its generators. The utility wasn't surprised by Green's latest LNG position and is neutral about the possibility, according to a spokesman.

European banks retreat from bond issues for oil and gas companies

(Financial Times; London; May 24) - Two of Europe's leading banks have retreated from oil and gas bond deals, eschewing a type of financing on which big fossil fuel companies have become increasingly reliant. BNP Paribas and Crédit Agricole, the second- and third-largest banks in Europe by assets, have told shareholders that they will no longer underwrite bond issues for the oil-and-gas sector unless they include green restrictions, in a clarification of their existing policies.

HSBC, the biggest European bank, agreed earlier this year to start disclosing its carbon footprint linked to such issuance but has not yet applied it to general-purpose debt deals. Pressure on banks to make their lending and underwriting portfolios more climate-sensitive is particularly high in France. Senior bosses, including the chief executives of BNP and Crédit Agricole, have appeared at hearings held by the Paris Senate into the activities of oil and gas major TotalEnergies, including its climate impact.

Global banks have generally reduced financing for oil, gas and coal projects since pledging at the U.N. COP26 climate summit in Glasgow in 2021 to limit lending for fossil fuel expansion. But they have been slow to extend their policies to other core activities such as general-purpose loans to oil and gas companies, or the underwriting and facilitation of bond deals. In January, Crédit Agricole took part in a €1 billion bond deal for Italian oil and gas company Eni. "This kind of bond deal cannot happen in the future as a consequence of our strategy," the bank told the Financial Times on May 23

Equinor and partners will boost production at North Sea gas field

(Reuters; May 24) - Equinor and its partners in the North Sea Troll gas field, Europe's largest, will invest 12 billion Norwegian crowns ($1.13 billion) to further boost production, the Norwegian energy company said on May 24. Norway is already Europe's largest supplier of natural gas after a sharp reduction in Russian deliveries since the start of the war in Ukraine in 2022.

"The gas from Troll alone meets around 10% of Europe's demands," Equinor's head of exploration and production in Norway, Kjetil Hove, said in a statement. "This is a highly profitable project that will secure high gas production from the Troll field," Equinor's head of projects, drilling and procurement Geir Tungesvik said in the statement. The new infrastructure will accelerate production at Troll to almost 2 trillion cubic feet of gas per year, and at its peak the annual contribution from the additional development will amount to around 240 billion cubic feet per year, Equinor said.

Norway's full-year export of pipeline gas to Europe in 2023 stood at more than 3.8 tcf. The new investment, known as the second stage of the Troll Phase 3 project, includes eight new wells with a new gas flowline to the Troll A platform, with the first wells scheduled to come on stream at the end of 2026, Equinor said. Operator Equinor holds a 30.58% stake in Troll while Norwegian state firm Petoro owns 56%, Shell has 8.10%, TotalEnergies 3.69% and ConocoPhillips 1.62%.

UAE on course to reach higher oil production capacity target

(Bloomberg; May 26) - The United Arab Emirates is on course to achieve its full oil capacity target more than a year earlier than expected. Abu Dhabi National Oil Co. is likely to reach its goal of 5 million barrels per day by the end of next year or early 2026, ahead of the 2027 goal the company had set, according to people with knowledge of the operations. The higher capacity will be a potential source of tension as OPEC and its allies deliberate new production quotas later this year.

OPEC and its partners have been restricting production for years to shore up the market and raise prices. The UAE — which said this month that it had raised capacity from last year's level — has been eager to use some of its spare volumes. The country has occasionally clashed with OPEC's de-facto leader Saudi Arabia on the issue, risking a split among the group three years ago before a compromise was found.

Abu Dhabi is currently producing at about two-thirds of its capability. Its economy is arguably among the most diversified in the Gulf and it faces less pressure to keep oil prices high, though crude remains key to the emirate. OPEC+ is scheduled to review members' existing capacity levels later this year and use that to set production baseline levels — the starting point from which cuts are calculated — for 2025. "The UAE is not doing this to generate spare capacity, they're investing to produce this stuff," said Ben Cahill, senior fellow in the Center for Strategic and International Studies in Washington.

Russia reports it exceeded OPEC+ production quota in April

(Reuters; May 23) - Russia, in a rare admission of oil overproduction, said it exceeded its OPEC+ production quota in April for "technical reasons," a surprise move that analysts and industry sources say shows Moscow faces challenges in curbing output. Russia, Saudi Arabia, as well as some other members of OPEC+ group of leading oil producers, have pledged extra oil output cuts on top of what had already been agreed in order to support prices, reducing a key generator of revenues for their budgets.

The Russian Energy Ministry said in a midnight statement that the country had maintained production below the OPEC+ quotas through the first quarter of 2024. But it said that April overproduction was attributable to "technical particularities of reducing production by a significant amount." The ministry did not reply to a request for additional comment. The statement was issued as OPEC+ prepares to meet the first week of June to discuss further production policy.

Independent analyst Alexei Kokin said one of the reasons Russia struggled to cut output in April was that the month accounted for almost three quarters of all the cutbacks the country had pledged for the second quarter. "I think this is what is meant by 'technical peculiarities of reducing production.' It is impossible to reduce production so quickly," he said. Ronald Smith, an analyst at Moscow-based BCS World of Investments, said the "technical reasons" of overproduction could be the fact that oil fields, especially older ones, cannot be simply "turned off" without potentially damaging production capacity.

CNOOC economist says China’s gas demand could grow 70% by 2040

(Argus Media; May 23) - China's state-controlled CNOOC expects annual domestic natural gas consumption to peak at close to 25 trillion cubic feet in 2040, almost a 70% gain from this year, CNOOC senior economist Xie Xuguang said at a liquefied fuel shipping conference in Chongqing. CNOOC estimated China's gas consumption will hit almost 15 tcf in 2024. These most recent projections are aligned with earlier estimates from fellow state-controlled CNPC's economic and technology research institute.

International Gas Union President Li Yalan expects gas consumption in China to hit almost 18 tcf in 2030 and 23 tcf in 2040. The growth scenarios could be stronger if gas prices remain at "reasonable" levels, she said. She did not expand on the definition of "reasonable,” but recent buying interest from mostly second-tier buyers in China hinted that the ideal target price acceptable to LNG buyers could be no higher than $9 to $9.50 per million Btu. In addition to producing a lot of gas domestically and importing gas by pipeline from Russia and Central Asia, China is a growing importer LNG.

Current spot prices are still considered way out of reach for Chinese importers, running about $11.525. Factors such as higher-than-average temperatures in northeast Asia, southeast Asia, south Europe and the U.S., and some remaining concerns over LNG production outages in the Atlantic and Pacific basins, have resulted in European gas hub prices strengthening and Asian spot prices also jumping higher as a result.

FERC gives developer 5 more years for Mississippi LNG project

(Reuters; May 23) - U.S. energy regulators approved Gulf LNG's request for five more years, until 2029, to build a proposed liquefied natural gas export plant at the site of an existing LNG import plant in Mississippi, according to a federal filing on May 23. Gulf LNG is one of more than three dozen export plants under development in the U.S., Mexico and Canada, some of which have been under development for many years. Even with some projects delayed, the U.S. is the biggest global LNG exporter.

The Federal Energy Regulatory Commission approved construction of the Gulf LNG project in July 2019, with a production capacity of almost 11 million tonnes per year. FERC gave the company until July 2024 to build the facility and place it into service. In February, Gulf LNG requested five more years to complete the project. FERC approved that request. The decision to grant more time to the project underscored efforts among energy companies to keep pushing for more time to build out U.S. gas infrastructure.

Gulf LNG is half-owned by units of U.S. pipeline company Kinder Morgan, with the other half owned by units of several investors, including Blackstone, Warburg Pincus, Kelso and Chatham Asset Management, according to the Gulf LNG website. Gulf LNG said in its FERC filing that its involvement in litigation with existing import facility customers has hampered its ability to execute offtake contracts needed to proceed with financing and construction of the export venture. The company anticipates a resolution this year.

Shell sees LNG demand growth in South and Southeast Asia

(Reuters; May 22) - Shell expects its Australian supplies of liquefied natural gas to help meet demand from emerging markets in South and Southeast Asia, which are tipped to absorb some of the pickup in global supplies toward the end of this decade. "That combination of decarbonization and declining domestic production (will drive LNG demand growth)," Cecile Wake, country chair at Shell Australia told Reuters on the sidelines of the Australian Energy Producers Conference on May 22.

Wake expects the Philippines, Thailand, Vietnam and Bangladesh to be key growth markets. "We describe it as latent demand in South and Southeast Asia," he said. Wake said Shell's internal assessment of demand prospects in Asia was why it was deeply committed to Australian LNG production. "We see ourselves competitively positioned to Asian markets. It is about maintaining that supply position, ensuring that we've got high utilization, high reliability of our LNG assets here," she said.

[Russia could turn to ‘dark fleet’ of older LNG carriers as it did for oil]

(The Maritime Executive; May 23) - Russia is likely in the early stages of assembling a new "dark fleet" of LNG carriers in order to sanction-proof its liquefied natural gas exports, according to Oystein Kalleklev, CEO of Norwegian shipping company Flex LNG. Russia's pipeline gas exports to Europe have largely shut down, but it is still a significant supplier of LNG to European Union nations and to Asia. So far, that trade has not faced the same Western restrictions as Russia's oil exports.

The G7 price cap limits Western companies' ability to carry or insure Russian crude, restricting their involvement to cargoes priced under $60 per barrel. Widespread evasion tactics have rendered the cap largely moot, according to analysts. As Western enforcement ramps up, Russia has maintained its export volume by using non-Western ships and insurance. The formation of a Russia-focused "dark fleet" has driven up the price of older ships; these tankers with obscure ownership now number in the hundreds. That gray-zone operating model may be coming soon to Russia's LNG sector too.

A flotilla of aging LNG carriers could help keep Russian export volumes expanding, said Kalleklev. "We do think the Russians are planning to do something similar to what we've seen on the oil and petroleum side," he said in an earnings call May 23. "They may be soaking up some of the (steam-propulsion) tonnage that would otherwise be scrapped." Russia's Arctic LNG 2 export terminal has been delayed by sanctions — including the loss of LNG carriers ordered from South Korean shipyards — and by the withdrawal of Western technology, but Flex believes the project will eventually be completed.

[Indian steel company strikes lower-priced LNG deal with Shell]

(S&P Global; May 23) - Arcelor Mittal Nippon Steel India has signed a deal with Shell for the supply of 500,000 tonnes per year of LNG starting from 2027 for 10 years, at an 11.5% slope to crude oil, sources told S&P Global Commodity Insights on May 23. This marks the first deal priced below a 12% slope since Europe switched to consuming LNG after reducing pipeline gas from Russia following its invasion of Ukraine. Slope is the price for LNG determined as a percentage of the cost of a barrel of oil.

After Russia's invasion of Ukraine, the LNG market has focused on energy security. As global markets adjusted to the change and spot prices eased from the record high in 2022, affordability has become an important component of energy security for South Asia and Southeast Asia buyers. A Singapore-based source said the news was big because, with this deal, it seemed that the market has dropped below a 12% slope. For example, a 12% slope at $80 oil would price LNG at $9.60 per million Btu.

LNG buyers have been negotiating hard to reduce oil-linked price slopes for long-term contracts as market participants expect additional volumes from the U.S. and Qatar to be made available later this decade. The expectation of additional supply being available from 2025 onward has put pressure on long-term pricing slopes, especially as LNG spot prices have eased from the elevated levels seen in 2022 and early 2023.

Japanese LNG buyer wants Australia to support carbon capture

(Reuters; May 23) - Japan's top power generator JERA warned on May 23 it could consider fuel purchases and investments in Asia, the Middle East and the United States if Australia does not provide sufficient financial support. Australia now accounts for about 40% of all energy imports by Japan, which has doubled down on its investments there after a fallout with key supplier Russia over the Ukraine war. JERA, jointly owned by Tokyo Electric and Chubu Electric, agreed to buy a 15.1% stake in Woodside Energy's Scarborough project in Australia, as it races to secure long-term LNG supplies.

However, federal budgetary support for carbon capture and storage is "very small" and "disappointing," Gaku Takagi, JERA's chief executive in Australia, said on May 23. It was very difficult to produce price-competitive LNG without state support for CCS, he added. "JERA is now investing in five Australian LNG projects, and some projects require CCS," Takagi told the Australian Energy Producers Conference.

With the highest per-capita emissions of any major economy outside the Middle East, Australian has faced criticism from environmentalists for its commitment to gas drilling, despite a pledge to hasten decarbonization. "If Australia provides low-cost CCS projects, JERA will be happy to do such CCS," Takagi said, adding that if that did not happen, other countries, such as Malaysia and Indonesia, could prove competitive. "If the Australian government will not give much more financial support to hydrogen and ammonia in Australia, we need to purchase hydrogen and ammonia from other places."

Canadian government takes step toward selling oil pipeline

(Financial Post; Canada; May 23) - Ottawa is implementing changes to make it easier to sell the Trans Mountain oil pipeline system, according to a notice published in the federal government's official newspaper. The government-owned Canada Development Investment Corp. (CDEV) and its subsidiaries, which include Trans Mountain Corp., will not have to seek authorization from the Governor in Council (GIC) to conduct certain transactions linked with the purpose of operating or divesting the line, the notice said.

"Seeking GIC approval each time … would significantly slow down CDEV," the notice said. "Exempting (them) from this requirement would allow them to organize themselves in a way that allows Trans Mountain to compete effectively in the sector and facilitate Indigenous economic participation in Trans Mountain." The federal government purchased the Trans Mountain pipeline in 2018 with the goal of expanding oil pipeline capacity from Alberta to British Columbia, providing the country's producers with access to better prices and new markets. The pipeline began filling on May 1.

The government's goal is to sell the pipeline and facilitate some kind of Indigenous ownership. In the recent budget, the government earmarked C$5 billion in loan guarantees for First Nations to ensure they "benefit from new opportunities." The cost to build the line was initially estimated in 2017 at C$7.4 billion. It ballooned to about C$34 billion, leading to some criticism from the industry, shippers and pipeline opponents.