Oil and Gas News Briefs
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Citi says oil could drop to $60 next year if OPEC+ doesn't cut back

(Reuters; Sept. 4) - If producer group OPEC+ doesn't reduce its production further, the average price of oil could drop to $60 per barrel in 2025 due to reduced demand and increased supply from non-OPEC countries, Citi analysts said in a note on Sept. 4. The bank said that while a rebound is possible, the market could lose confidence in OPEC+ defending the $70 level if the group doesn't commit to extending output cuts indefinitely.

If Brent prices fall into the $60s, financial flows could drive them down further, possibly to $50 before a potential rebound, the analysts at Citi said. Geopolitical tensions were initially expected to lift oil prices, but each rebound since October 2023 has weakened, Citi said. It added that the market now recognizes that global tensions don't necessarily lead to reduced output or transport issues, making price rallies an opportunity to sell.

Goldman Sachs last week responded to this shifting outlook by cutting its average 2025 Brent forecast and price range by $5 per barrel, citing slower demand in China. In contrast, UBS expects Brent to rise above $80 in the coming months, arguing that the oil market remains undersupplied despite weak Chinese demand, as demand remains strong in other countries.

OPEC+ discussing delay in October production increase

(Reuters; Sept. 4) - OPEC+ is discussing delaying an oil output increase scheduled to start in October after oil prices hit their lowest in nine months, four sources from the producer group told Reuters on Sept. 4. The move comes as oil prices have been falling on concerns about a weak global economy and particularly soft data from China, the world's biggest oil importer.

The Organization of the Petroleum Exporting Countries and allies led by Russia, or OPEC+ as it is known, have been set to proceed with a 180,000 barrels-per-day output hike in October, part of a plan to gradually unwind its most recent cuts. But fragile oil market sentiment over the prospect of more supply from OPEC+ and an end to a dispute halting Libyan exports, coupled with a weakening demand outlook, have raised concern within the group, one of the sources said. A delay to the October output increase is looking "highly possible," another of the four OPEC+ sources said.

Oil prices rose on the possible delay, with global benchmark Brent crude settling at about $73 a barrel, its lowest since December. U.S. benchmark West Texas

Intermediate closed Sept. 4 just under $69. "China's underperformance has dented 2024 growth projections and has continued to trail both 2023 crude import and refinery throughput levels," RBC Capital analyst Helima Croft said in a note. It may be prudent for OPEC+ to wait until December before returning more oil to the market, she added.

Goldman Sachs says AI could boost oil recovery rates, lower prices

(Reuters; Sept. 3) - Artificial intelligence could depress oil prices over the next decade by boosting supply by potentially reducing costs via improved logistics and increasing the amount of profitably recoverable resources, Goldman Sachs said on Sept. 3. The impact of AI on energy and metals has mostly focused on the demand side, given the expected boost to power demand.

"AI could potentially reduce costs via improved logistics and resource allocation ... resulting in a $5/barrel fall in the marginal incentive price, assuming a 25% productivity gain observed for early AI adopters," Goldman Sachs said in a note. Goldman expects a modest potential AI boost to oil demand over the next 10 years.

"We believe that AI would likely be a modest net negative to oil prices in the medium to long term as the negative impact from the cost curve ($5/barrel) … would likely outweigh the demand boost ($2/barrel)," Goldman said. According to its estimates, about 30% of the costs of a new shale well could potentially be reduced by AI. Additionally, an AI-induced 10% to 20% increase in the low-recovery factors of U.S. shale could boost oil reserves by 8% to 20%, or 10 billion to 30 billion barrels.

‘Dark’ fleet of oil tankers serving China present safety risk at sea

(Washington Post; Sept. 2) – An oil tanker traveling from Iran made a delivery to the Chinese city of Ningbo two months ago before heading back toward the Middle East. The Ceres I had made this round trip several times in the past year, according to ship-tracking data. But it didn’t complete this latest voyage. It and another tanker collided off Malaysia in the South China Sea on July 19, causing significant damage to both vessels. Malaysian authorities said the Ceres I had experienced “technical difficulties.”

But shipping and energy analysts say the pattern of the vessel’s movements before the collision suggest another explanation: The Ceres I had been broadcasting a fake location on ship locator channels. Among groups that track ship movements, the Ceres I was widely known to be part of a “dark” fleet of tankers operating outside international regulations to feed China’s appetite for sanctioned crude oil. China, the world’s biggest importer of oil, is one of the few remaining customers of crude from countries such as Iran, Venezuela and Russia, which are subject to heavy sanctions by the United States.

China needs this fuel, which is discounted from international benchmarks, to supply its manufacturers and prop up its flagging refineries. To bypass Western financial systems and shipping services, China relies on aging, substandard tankers that operate illicitly and threaten the safety of international sea lanes, say analysts. A collision of ships like the Ceres I was “not a matter of if but a matter of when,” said Ian Ralby, a senior fellow for maritime governance at the Yokosuka Council on Asia-Pacific Studies. If the Ceres I hadn’t just offloaded its cargo of oil, Ralby said, “we’d be looking at a catastrophe.”

North American LNG export capacity to more than double by 2028

(Oil & Gas Journal; Sept. 3) - North America's LNG export capacity is on track to more than double to 24.4 billion cubic feet per day by 2028 (about 185 million tonnes of LNG) from 11.4 bcf per day in 2023 if projects currently under construction begin operations as planned, according to data from the U.S. Energy Information Administration. “During this period, we anticipate that developers in Mexico and Canada will launch their first LNG export terminals, while the U.S. will expand its existing LNG capacity.”

The increases will come from West and Gulf Coast terminals with capacity to liquefy 800 million cubic feet a day in Mexico, 2.5 bcf a day in Canada and 9.7 bcf a day in the U.S. In the U.S., five projects are under construction on the Gulf Coast: Plaquemines, Louisiana (new, Phase I and Phase II); Corpus Christi, Texas, Stage III; Golden Pass, Texas (new); Rio Grande, Texas, (new, Phase I); and Port Arthur, Texas (new, Phase I). Developers expect the first cargoes from Plaquemines and Corpus Christi by year-end. The four new terminals will bring to 11 the total of U.S. LNG export facilities.

In Canada, three export projects are under construction in British Columbia. Developers of LNG Canada (1.8 bcf per day) plan to start exports in the summer of 2025. Woodfibre LNG (300 million cubic feet per day) targets the start-up of exports in 2027. Cedar LNG — a floating production facility with capacity to handle 400 million cubic feet per day — made a final investment decision in June and expects to start LNG exports in 2028. These projects will be supplied with gas from Western Canada.

U.S. at top of global LNG suppliers ranking but revenues are down

(Reuters; Sept. 3) - The U.S. has remained the largest exporter of liquefied natural gas so far in 2024, but a steep drop in selling prices and a sharp swing in export volumes to key markets is likely testing exporter appetite to stay on top. The U.S. shipped a record 56.9 million tonnes of LNG during the first eight months of 2024, according to Kpler. That surpassed the 54.3 million tonnes from Australia and 53.7 million from Qatar during that period, and marks the second straight year U.S. exports have topped the rankings.

However, a more than 25% drop in average LNG prices during the first half of 2024 from the first half of 2023 dealt a heavy blow to export revenues, which dropped by $4 billion from the opening half of 2023 to $13.2 billion, data from the U.S. Energy Information Administration shows. That was the lowest half-year revenue total since the first half of 2021, and marks a more than $12 billion fall from the second half of 2022 when U.S. export earnings from LNG peaked.

The challenge of sharply falling revenues was compounded by a sharp reconfiguration in export volumes to key markets, which saw U.S. shipments to relatively close markets in Europe drop by more than 20% while sales to more distant Asia rose by over 40%. A key driver behind that slowdown has been a sharp climb in European power generation from renewable energy. Continued muted LNG demand in Europe and further growth in Asia may test the resolve of U.S. exporters to remain the world's largest LNG sellers, as several far-flung Asian markets can be more cheaply supplied by other sellers.

Turkmenistan presents China with option to new Russian gas line

(Eurasianet; Aug. 29) - Buddies in war, Russia and China appear to be frenemies when it comes to energy. As a result, Turkmenistan may be the primary beneficiary of Beijing’s need for more gas. Just a few months ago, Russian and Chinese officials were saying that an agreement to build a new gas line connecting the two countries, dubbed Power of Siberia 2, was imminent. Now it appears the plans are on hold. The line would move up to 4.8 billion cubic feet of gas a day from western Siberia to China via Mongolia.

China has proven an important supporter of Russia, helping the Kremlin surmount economic sanctions imposed by the West. But the hold put on the Power of Siberia 2 project suggests Beijing’s friendship does have boundaries. While China is keeping Russia hanging on energy cooperation, it is tightening ties with Turkmenistan. Radio Free Europe cited a regional expert, Alexey Chigadayev, as saying a new pipeline connecting Turkmenistan with China makes more sense for Beijing. Turkmenistan has plenty of gas to sell, with reserves pegged at more than 400 trillion cubic feet.

China would maintain a far greater degree of control over such a pipeline during both the construction and operational phases. “Negotiating with Turkmenistan’s political leadership is also easier — it has an even higher level of authoritarianism than Russia and a simpler economy,” Chigadayev said. So far in 2024, Turkmenistan is outpacing Russia in supplying gas to China, in terms of revenue.

Pipelines carrying Canadian crude to U.S. deal with new competition

(Reuters; Sept. 3) - Pipelines that historically carry Canadian crude to the U.S. are cutting rates and looking to ship different grades of crude oil due to rising competition from the newly expanded Trans Mountain pipeline. The moves will temporarily cut the cost of transporting some of Canada's heavy crude to the U.S. Midwest and Gulf Coast next month. U.S. imports of Canadian crude hit a record in July as Trans Mountain expansion (TMX) volumes grew.

Shipments on TMX started in May, sending up to 890,000 barrels per day to Canada's Pacific Coast. About 80% of the volumes are contracted, leaving 20% available for spot shipments. With more oil moving on TMX, Canadian pipeline operator Enbridge said in August it will cut its tariffs for September by 11% per barrel on heavy crude moving on its system. The 3-million-barrels-per-day system ships the bulk of Canada's crude exports from Edmonton to the U.S. and is one of the main competitors to TMX.

Pipelines like MPLX's Capline, a key conduit for Canadian heavy crude, will likely transport more light crude from the Bakken oil field in North Dakota to offset the loss of Canadian heavy grades, analysts said. The pipeline, at 1.5 million barrels per day capacity, was once the largest crude oil pipeline in the U.S. before it was reversed in 2021 to carry crude oil from north to south.

Tanker traffic increases in British Columbia, Washington state waters

(KUOW Radio; Seattle; Sept. 3) - A 750-foot-long oil tanker and its escort tug started motoring west from a pipeline terminal near Vancouver, British Columbia. The Liberian-flagged tanker, called the New Activity, was hauling Alberta crude to California. The New Activity exited Vancouver's Inner Harbor, then turned south, crossing the invisible U.S. border. For the next 10 hours, the New Activity traced the zigzagging international border. Just before sunrise the next day, the New Activity reached the mouth of the Strait of Juan de Fuca and headed for California, leaving its escort tug behind.

The activity itself wasn't new — tankers have been ferrying fossil fuels through the island-studded Salish Sea for decades — but the amount of oil is. The New Activity's voyage is part of a surge of tanker traffic in Washington and British Columbia since the Trans Mountain Pipeline from Alberta to the coast nearly tripled its capacity in May. Since June, Trans Mountain has reported delivering Alberta crude to at least 20 tankers per month at its Burnaby terminal, up from an average of four per month from January through April. The company expects to deliver oil to 25 tankers in September.

Few of the tankers are headed to Washington state ports, but all the tankers wind their way at least partly through the state's waters. And any oil spill from a tanker could easily cross the 125-mile-long maritime border between Washington and British Columbia. In British Columbia, environmental advocates and the provincial government, which opposed the pipeline's construction, are urging Transport Canada to boost safety precautions to handle the greater volumes of oil passing over Canadian waters.

And while the Washington Department of Ecology requires oil shippers to prove they have funds or insurance to pay for oil-spill cleanups, environmental groups say the financial requirements are insufficient for major spills. The groups have also long called for an emergency-response boat to be stationed in the northern San Juan Islands.

Russia backs off on requiring permits for Northern Sea Route

(High North News; Sept. 3) - As Russia continues to expand its liquefied natural gas shadow fleet to bypass sanctions, maritime safety in the Arctic is increasingly falling by the wayside. Several aging LNG carriers traveled through the Arctic without applying for or receiving Northern Sea Route permits, likely in an effort to obscure their illegitimate activities. For more than a decade the Northern Sea Route Administration, Russia's regulatory entity in charge of ensuring safety along the route, has issued permits.

Though the softening of ice-class requirements several years ago was criticized by Arctic shipping experts, by and large the government agency seemingly prioritized the safe development of the route. Its officials internally escalated a number of safety violations over the years — including those related to strategically important Arc7 ice-class LNG carriers. It also kept publicly available logs of granted permits and daily shipping activity. Every vessel on the route was required to apply for a permit.

This practice has now seemingly come to an end as multiple carriers of Russia's LNG fleet have traveled to and from the Yamal LNG and Arctic LNG 2 projects without applying for or receiving permits and without having their activity recorded in daily logs. Over the past four weeks, aging LNG carriers Pioneer, Asya Energy and Everest Energy — all close to or older than 20 years — traveled up the Norwegian coastline, passed through the Barents Sea and entered the western Arctic route without holding permits.

LNG tanker buyers wary of China's ability to build the ships

(Financial Times; London; Sept. 2) - Shipowners are racing to tighten scrutiny of China's shipyards as soaring demand for liquefied natural gas carriers forces them to turn to inexperienced manufacturers in the world's second-largest economy. Shipping groups around the world are looking to tighten the reins on the shipyards to ensure they meet global standards for LNG vessels. The shipping groups want to carry out more thorough on-site inspections and demand involvement in the regulatory process to soothe their jitters over Chinese manufacturers' ability to properly build the complex vessels.

The trend highlights shipowners' growing dependence on Chinese shipyards, despite their limited experience in building LNG carriers. Demand for the fuel has left more established shipyards in South Korea unable to meet the need for new vessels, forcing the industry to seek alternatives. The rising demand comes despite the possibility of

Washington imposing tariffs on China’s shipbuilders, which already dominate the production of container vessels and oil tankers.

“We’re in need of more ships than Korean shipyards can build (and) Chinese shipyards saw a great opportunity,” said Panos Mitrou, director of the gas business at Lloyd’s Register, one of the classification societies that regulates the construction of ships globally. But the quality of LNG ships being built at Chinese shipyards is “a likely concern,” Mitrou said, meaning shipowners “believe in the right investment in supervision, in having the right teams there and making sure the quality is there.”

Offshore Mexico LNG project wins OK to export U.S. natural gas

(S&P Global; Sept. 3) - The U.S. Department of Energy has issued a key LNG export permit for New Fortress' Altamira LNG project offshore Mexico's gulf coast, marking the first such authorization by the agency since announcing its pause on approvals in January, the company announced on Sept. 3. The order issued Aug. 31 for the New Fortress project allows the exporter to ship LNG to countries that lack free-trade agreements with the U.S. Those countries make up most of the global market.

The department authorized the exports for a five-year period — stopping short of the approval out to 2050 the developer had sought. While the department concluded the U.S. natural gas market could support the exports for five years and cited energy security benefits during that period, it found greater uncertainty in the longer term about the demand for the exports and energy security benefits.

The New Fortress project off the coast of Altamira, Tamaulipas state, Mexico, can produce 1.4 million tonnes of LNG per year. It requires the U.S. approval because it is supplied by pipeline with U.S. feed gas. New Fortress on Aug. 9 shipped the first partial cargo from the Altamira facility for delivery to an import terminal it operates on Mexico's Pacific Coast. The approval will allow New Fortress to supply LNG from Altamira to gas import facilities it operates in other countries including Brazil and Jamaica.

Canadian Indigenous group plans bond sale to buy stake in gas line

(Bloomberg; Sept. 3) - Funding of a Canadian Indigenous consortium’s planned purchase of ownership in a natural gas pipeline system is expected to consist of $1 billion in 30-year bonds. The deal, by an entity called Aspen Investments, will be split into two $500 million tranches with maturities in 2054, according to people familiar with the matter. The deal is being marketed to only a few potential investors and should be announced in the coming days, they added.

The bonds are expected to be rated AA by DBRS, mirroring the credit profile of Alberta, the people said. The province is providing a guarantee on the purchase from TC Energy through the Alberta Indigenous Opportunities Corp. The bond offering would provide funding for 72 Indigenous communities in Alberta, British Columbia and Saskatchewan to take a minority stake in TC Energy's NGTL system that moves gas from northern British Columbia and Alberta to mainline pipes for delivery in Canada and the U.S.

U.K. oil and gas industry says higher taxes will accelerate decline

(Reuters; Sept. 2) – The U.K.'s plans to increase a windfall tax on North Sea oil and gas producers would lead to a nearly 12-billion-pound ($16 billion) drop in revenue to the government and accelerate a decline in output, an industry group said on Sept. 2. The Labour government, elected in July, has said the changes will help to achieve a ramp-up in renewable power and a shift from oil and gas to reduce carbon emissions and help curb global warming.

Industry group Offshore Energies UK forecast the changes would reduce tax revenue by 12 billion pounds between 2025 and 2029 compared to current tax rates. Capital investment in the sector over the period is expected to fall to 2.3 billion pounds from around 14 billion, OEUK said. The tax changes "will trigger an accelerated decline of domestic (oil and gas) production, and a corresponding reduction in taxes paid, jobs supported and wider economic value generated," OEUK CEO David Whitehouse said.

Production in the mature North Sea basin has declined from a peak of 4.4 million barrels of oil equivalent per day at the start of the millennium to around 1.3 million today. Shortly after its election, Britain's Labour government said it would increase the Energy Profits Levy to 38% from 35% starting Nov. 1, bringing the overall tax rate on oil and gas activities to 78%, among the highest in the world. Its duration was also extended by a year to March 2030. The changes will also include scrapping the levy's 29% investment allowance, which lets companies offset tax from capital that is re-invested.

Africa's newest and largest oil refinery will add gasoline to market

(Bloomberg; Sept. 2) - Africa's largest oil refinery is on the brink of producing significant volumes of gasoline, a landmark moment with the potential to transform the global market for the fuel. Nigeria's giant new Dangote facility near the commercial hub of Lagos is on the verge of producing large amounts of the road fuel, according to two people with knowledge of the matter. The plant will be able to process 650,000 barrels a day of oil when at full capacity, turning more than half of that into gasoline.

The ramp-up is likely to be welcomed within the country, given that the state oil company — Nigeria's main importer of fuel — said its ability to supply gasoline is being disrupted by debt and rising prices. Dangote's production will impact billions of dollars of trade in fuel markets regionally and beyond. Nigeria is a global demand sink for the fuel, receiving almost 250,000 barrels a day in shipments last year, mostly from Europe, according to data from analytics firm Vortexa.

At full rates, the refinery is expected to be able to produce about 330,000 barrels a day of gasoline, according to Randy Hurburun, senior refinery analyst at consultancy Energy Aspects. That's more than 1% of global demand for the fuel, which is about 27 million barrels a day. Still, those volumes are a long way off, with Energy Aspects forecasting about 90,000 barrels a day in the fourth quarter, rising to almost 250,000 in the second half of next year. The refinery has been gradually ramping up after years of delays.

Declining natural gas output costs Egypt billions of dollars

(Financial Times; London; Sept. 1) - When Egypt inaugurated its vast Zohr gas field in 2018, the government hailed the project for helping it achieve its ambitions to become energy self-sufficient and save an annual $2.8 billion in natural gas import costs. But instead of the expected energy bonanza, a gas shortage has left the country mired in daily blackouts this summer that have disrupted economic activity and everyday life for millions of Egyptians and sparked public anger.

Cairo has now been forced to resume LNG imports as declining gas output, surging demand for electricity and a fast-growing population stretch its power generation plants. "I would argue the power outages have caused more damage to the economy than the price of the gas shipments," said an Egyptian businessman with investments across multiple sectors. To ease the crisis, Egypt has allocated $1.2 billion to fund initial energy imports, including 21 LNG cargoes that have begun to arrive, mainly from the U.S.

The blackouts ended at the beginning of August but could resume in mid-September, according to the government. Until recently, Egypt supplied LNG to Europe and had ambitions of becoming a gas hub, exporting its own output as well as gas piped in from Israel and potentially from Cyprus. But it has "temporarily" halted gas exports, officials said. According to Farouk Soussa, Middle East and North Africa economist at Goldman Sachs, Egypt's net oil and gas imports cost $6.3 billion in the year to March, compared with a peak net export surplus of $4.4 billion in 2022. "That's a swing of $10.7 billion."

QatarEnergy plans to double production of urea for fertilizers

(Reuters; Sept. 1) - State-owned QatarEnergy will boost its production of urea to more than 12.4 million tons annually from 6 million tons currently, its CEO said in a press conference on Sept. 1, without giving a timeframe. Saad Al-Kaabi, also Qatar's minister of state for energy affairs, said the construction of four new production lines for urea, a key ingredient in fertilizers, would boost output by 106%. He said the first production line would begin before 2030.

"When we looked at the market for urea in the future, with the growth of humanity today, with 1.5 to 2 billion people that will be joining us in the next 20 to 30 years, the urea requirement for food production will be exponentially increasing," Kaabi said. Urea production uses natural gas as a key feedstock.

He also said construction on a project to expand gas production from the North Field was on schedule. The massive expansion is set to boost QatarEnergy's overall liquefied natural gas production by 85% over current levels. North Field is part of the world's largest natural gas field that Qatar shares with Iran, which calls it South Pars.

Turkey signs 10-year LNG deal with Shell; looks to sell into Europe

(Bloomberg; Sept. 2) - Turkey and Shell signed a 10-year liquefied natural gas supply deal with an option to redirect shipments to Europe, the latest step in Ankara’s push to become a regional hub for the fuel. Shell will sell Turkey’s state-owned Botas the equivalent of around 140 billion cubic feet of gas per year starting in 2027, Energy Minister Alparslan Bayraktar said at a signing ceremony in Ankara. That’s about 8% of the country’s total gas demand in 2023, data from the national energy regulator show.

The contract includes an option for the gas to be delivered to European terminals outside Turkey, Bayraktar said, adding that it will give Botas “critical capabilities” in LNG trade. The announcement hints at plans for a more active international role for the national energy company, which has traditionally imported cargoes for domestic needs.

Turkey aims to become a gas hub and supplier to the European Union and has invested heavily in excess LNG import capacity as well as domestic gas production in the Black Sea. It already exports small volumes to the bloc, but flows are constrained by pipeline capacity at the western border with Bulgaria. Botas buys pipeline gas from Russia, Azerbaijan and Iran, while Algeria and the U.S. dominate its LNG imports. In May, Botas signed a 10-year LNG deal for up to 2.5 million tonnes per year from ExxonMobil.

Houthi rebels target two more oil tankers in Red Sea

(Times of Israel; Sept. 3) - An attack by Yemen’s Houthi rebels targeted a Panama-flagged oil tanker in the Red Sea on Sept. 2, authorities said, as a nearby Saudi-flagged tanker ship was also said by the U.S. Central Command to have come under fire from the group. The attacks are the latest in the Iranian-backed rebels’ campaign that has disrupted the $1 trillion in goods that pass through the sea every year over the Israel-Hamas war and has halted some aid shipments to conflict-ravaged Sudan and Yemen.

The new attacks on oil tankers also come amid efforts to salvage the still-burning Sounion oil tanker hit by the Houthis on Aug. 23, seeking to head off the potential ecological disaster posed by its cargo of 1 million barrels of crude oil. In the first assault on Sept. 2, two ballistic missiles hit the oil tanker Blue Lagoon I and a third exploded near the ship, the multination Joint Maritime Information Center overseen by the U.S. Navy said. “The vessel sustained minimal damage but does not require assistance.”

The Blue Lagoon I is traveling south through the Red Sea to an unlisted destination. The vessel was coming from Russia’s port of Ust-Luga on the Baltic Sea and had been broadcasting that it had Russian-origin cargo on board. In recent months, the Blue Lagoon I traveled to India, which gets more than 40% of its oil imports from Russia despite Moscow’s ongoing war on Ukraine and international sanctions. The U.S. military identified the second vessel attacked Sept. 2 as the Saudi-flagged oil tanker Amjad and blamed the attack on the Houthis. The Amjad carried 2 million barrels of oil.