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## Analysis

European carbon prices sank to their lowest level since November 2018 last week, after coronavirus sparked a wave of selling – raising fears that the economic merit order might tip from gas to coal [1] in the power mix. But a closer look suggests cheap gas will price coal out of EU power markets, at least for the time being.

As European governments close borders and lock down cities, EU gas demand is set to fall just as spot LNG prices firm up in Asian markets [2]. The Asian premium, while still relatively minor, could see some LNG cargoes redirected eastwards.

## International

Countries that rely on crude exports to provide public services face severe socio-economic repercussions as they contend with a global health emergency, energy sector leaders have warned as they face what could be the deepest price crash in living memory [3].

Around 20% of Europe's mid- and small-sized field service firms are set to go bankrupt [4] as oil and gas companies slash spending in response to the Covid-19 coronavirus outbreak and accelerating oil price crash, according to new research by Rystad Energy.

The coronavirus pandemic presents an “historic opportunity” to accelerate the clean energy transition [5], according to IEA executive director Fatih Birol, who has urged world leaders to design “sustainable stimulus packages” to help shift away from fossil fuels.

## Africa

**South Africa** – Energy and petchems firm Sasol plans to issue up to USD 2 billion in shares in the hope of raising USD 6 billion by the end of FY2021 [6], in a bid to survive the “unprecedented” threats of plummeting commodity prices and the Covid-19 pandemic.

## Asia Pacific

**Japan** – Japan's LNG imports fell 9.6% in February [7] compared to the year-ago period, with imports also 11% lower than in January, according to provisional data released by the country's Ministry of Finance.

## Australasia

**Australia** – Victoria state will lift its temporary ban on conventional onshore drilling from 2021, amid pressure from the federal government to get “more gas in the system”, but will entirely ban fracking and coal seam gas exploration [8] in the undersupplied state.

## **Europe**

**Norway** – Equinor has halted development work on the Martin Linge field [9] and will withdraw most of the 776 workers on the project after a worker tested positive for the coronavirus last week.

**UK** – The North Sea industry’s financial health is “paper thin” [10] with supply chains unable to absorb further pressure by operators slashing spending in response to the oil price plunge and coronavirus pandemic, industry body OGUK has warned.

BP has warned of potential capex reductions and salary “adjustments” [11] as a result of the Covid-19 pandemic and freefalling oil prices, but new CEO Bernard Looney insists the British major – whose stock has crashed 45% in recent weeks – can weather the crisis and stick to its 2050 net-zero climate emissions pledge.

## **Middle East**

**Israel** – Delek Group has obtained a temporary injunction for protection against international banking group Citi, which is demanding immediate repayment of a USD 57 million loan [12] that is supported by a 15% shareholding in Delek Drilling as collateral.

## **North America**

**Canada** – The Saudi-Russia oil price war and plummeting demand due to the coronavirus pandemic will send Canada’s oil and gas producing provinces into recession [13] in 2020, according to a bearish new report from the Royal Bank of Canada.

The Shell-led LNG Canada project has become the first liquefaction project to publicly announce that it is halving staffing levels and deferring some non-essential work [14] in response to the Covid-19 pandemic.

**US** – The Trump administration has tried to offer some relief to distressed US shale players [15] by directing the Department of Energy to expedite domestic crude purchases to fill the nation’s Strategic Petroleum Reserve “right to the top”.

Top US gas producer EQT Corporation has become the latest American shale firm to slash 2020 capital expenditure [16] in response the crude price plunge, but claimed this will not impact production.

US shale oil production shows no sign of slowing [17] despite many operators announcing capex cuts and immediate rig withdrawals in response to plummeting crude prices, with the EIA expecting unconventional production to rise 18,000 barrels/d in April.

ExxonMobil is to “significantly” cut spending due to the Covid-19 pandemic [18] and crashing commodity prices, the firm said last week as S&P Global slashed its credit rating and warned a further downgrade could occur due to cashflow and leverage issues.

ConocoPhillips joined the growing ranks of US oil and gas companies to cut 2020 budgets by taking emergency cash-saving measures [19] to shore up its balance sheet in the face of the “unprecedented” challenge of “simultaneous [oil] supply and demand shocks”.

The latest Gulf of Mexico lease sale brought in USD 93 million in bids last week, the lowest since gulf-wide sales began [20] in 2017, as 22 firms placed 84 bids on 71 blocks – a significant drop in total revenue since the most recent US gulf auction in August 2019.

The Federal Energy Regulatory Commission has performed an about-turn to grant construction approval for the Jordan Cove LNG project [21], only a month after it refused permission on the grounds that state regulators in Oregon are yet to issue permits.

Waha gas hub prices have rocketed this month [22] since the price of crude started to plummet, amid market expectations that the low price environment will curtail associated gas production from the Permian shale play, which dictates pricing at Waha.



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