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Analysis

European oil majors are scrambling to protect dividends [1] in the face of collapsing revenues, including new multi-billion-dollar loans to cover cash distributions to shareholders, but there is growing sentiment among market observers that dividend cuts are inevitable.

Oil continued rallying last Friday, with Brent breaking into the USD 30/barrel range [2] for a second day on the hope that the US, Russia and Saudi Arabia will broker a deal to cut production, but scepticism abounds as the US appears to be pushing to keep pumping.

International

Gazprom's proposed Power of Siberia 2 pipeline will travel via Mongolia [3] into China, rather than through the troubled region of Xinjiang, after Russian president Vladimir Putin gave the all-clear for pre-investment studies on this route, which is strongly preferred by Beijing.

No bottom is in sight for the freefalling price of oil [4], which is facing an unprecedented squeeze on demand that could knock more than 5% off global consumption this year, Morgan Stanley said in a research note last week that also questioned whether demand will ever return to pre-coronavirus levels.

Brent crude was set to post record-setting gains last week after US president Donald Trump said Saudi Arabia and Russia were poised to announce a 10-15 million barrel cut [5], potentially ending the price war that has brought the US shale sector to its knees.

Asia Pacific

China – The country's LNG demand [6]is showing signs of a tentative recovery [6] after imports during the last week of March increased above the 2019 weekly average fort the first time in more than a month, according to Bloomberg.

Europe

EU – Eurogas, the lobby group representing European distributors and retailers, has called for cooperation among EU [7]states to ensure security of supply [7] and called for removal of "bureaucratic barriers" that prevent rapid responses to crises caused by Covid-19.

Poland – Gazprom has lost a high-stakes pricing dispute and has been ordered to repay Poland's PGNiG almost USD 1.5 billion [8] in backdated overpayments under a new pricing formula linked to western European benchmarks.

Mediterranean

Cyprus – Hoegh LNG is seeking permission to develop and operate a new [9]FLNG import terminal [9] next to Cyprus' main power station next year, in a move that seems to challenge government plans to hire a China-backed consortium to build a competing facility.

The Republic of Cyprus had planned to see a busy year for drilling in its exclusive economic zone, but the coronavirus pandemic and the collapse of oil prices is expected to bring a prolonged delay to the island's plans [10].

North America

Canada – A worker at the Shell-led LNG Canada project [11] in British Columbia has tested positive for Covid-19, sparking calls to shut down the site to reduce the risk of contagion.

US – The national rig count recorded its largest weekly fall [12] since April 2015 as US shale firms cut 44 rigs, with more extreme cuts expected in a few weeks as the price of crude continues to decline – falling to fresh multi-decade lows.

Shell has given up its 50% stake in [13]the 16.45 mtpa Lake Charles LNG [13] export project in Louisiana due to "current market conditions", leaving partner Energy Transfer openly discussing the possibility of culling one of three planned liquefaction trains.

Two of the largest shale players in Texas have officially requested the Texas Railroad Commission to cap oil production [14], after oil shippers called on upstream producers to dial back production in the face of brimming oil storage levels.

The US' largest LNG producer Cheniere has tendered to purchase six cargoes for delivery into Europe [15], and days later bought [16]four o [16]f them [16], fuelling speculation that the company will shut in production and supply long-term customers with spot cargoes.

The crude price plunge has claimed its firs [17]t US shale major [17], with Denver-based Whiting Petroleum filing for Chapter 11 bankruptcy last week and agreeing in principle that creditors would take 97% of the reorganised outfit.

American E&P firms are increasingly pessimistic about the availab [18]ility of credit [18] lines following the crude price rout, according to a survey by law firm Haynes and Boone LLP, which also found that leading banks have slashed their price decks for reserve-based lending.

Moody's has downgraded ExxonMobil and left the supermajor on negative outlook, citing its strategy to borrow money to bridge the gap between free cashflow and generous dividends, marking the first Big Oil downgrade since the oil price crash [19] of early March.

South Asia

India – The price of domestically-produced gas been slashed to its lowest rate since the government introduced a pricing formula in 2014, in a move will hurt gas producers but could make domestic gas cheaper than LNG [20] imported under long-term, oil-indexed deals.

Pakistan – Qatargas has agreed to reduce monthly LNG deliveries [21] to Pakistan State Oil by 40% due to downstream demand disruption caused by Covid-19, according to reports, apparently to avoid state-owned PSO declaring force majeure.

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