

20 April 2024

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Weekly news roundup (14-18 October 2019)

Publication date: 21 October 2019

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Analysis

The US LNG sector will lose one of its firmest political advocates – one who perhaps advocated too vigorously on its behalf in Ukraine – with the imminent departure of US energy secretary Rick Perry [1], who tendered his resignation last week.

International

ConocoPhillips has struck a deal with Australia's Santos to sell its stake and operatorship of the Darwin LNG plant and Barossa project for USD 1.39 billion [2], improving the outlook for an FID on Barossa and stoking speculation about a major US shale acquisition.

Naturgy and Sonatrach are set to take control of the Medgaz pipeline [3] between Algeria and Spain after agreeing to buy out an Abu Dhabi state fund, but declining production and increasing Algerian demand could threaten flows from 2030, according to the OIES.

The US Treasury Department has sanctioned Turkey's energy and defence ministries [4] following Ankara's invasion of northern Syria, while further EU sanctions appear likely in retaliation to Turkey's Syrian operations and "illegal" drilling in offshore Cyprus.

LNG cargoes with emissions profiles deemed unacceptably high [5] or lacking transparency could find themselves excluded from markets with stringent climate regulations, according to new research by the OIES on the decarbonisation challenge facing the LNG industry.

Shell CEO Ben van Beurden has raised concerns about the "demonisation" of fossil fuels [6] and sought to assuage "unjustified" fears that Shell's business model is unsustainable or that its assets might become stranded in a carbon-constrained world.

Africa

South Africa – South Africans were told to prepare for blackouts after debt-ridden utility Eskom said it would "loadshed" 2000 MW to protect the power system from "total collapse" [7], as the country mulls a transition towards gas and renewables. However, days later, the government released a plan showing coal is set to dominate the [8]national power mix [8] out to 2030.

Europe

EU – The European Investment Bank has postponed a vote on a proposed new lending policy that would ban investment in fossil fuels [9], with reports suggesting the proposal may be watered down following lobbying efforts to include funding for gas projects.

Latin America

Venezuela – Russian oil giant Rosneft has played down reports it is seeking full ownership and control of state oil company PDVSA [10] in exchange for eliminating Caracas' debt with Russia, but remains in line to acquire a sizeable stake in PDVSA's US refining arm Citgo if the struggling NOC defaults on a looming bond payment.

Middle East

Iran – The National Iranian Oil Company has announced the discovery of an onshore reservoir in southern Iran [11] containing an estimated 19 Tcf of gas, but sanctions-hit Tehran might struggle to find a route to market for the molecules.

Iraq – The government has secured another 120-day waiver from the US to import gas and power from neighbouring Iran [12], amid ongoing infrastructure constraints and the long lead time on projects to stop Iraqi gas being flared and deliver it to power plants and cities.

United Arab Emirates – State-owned ADNOC is looking to leverage Lukoil's experience after awarding the company a 5% stake in the Ghasha concession as part of several energy agreements signed during president Vladimir Putin's visit [13] to the UAE last week.

North America

US – New York governor Andrew Cuomo has ordered National Grid to remove [14] a state moratorium on new gas connections [14], despite the utility's protests that it faces supply constraints due to his administration's refusal of new interstate pipelines. In response, National Grid is to utilise CNG supplied by trucks to meet peak demand [15] during New York's coming winter due to pipeline supply bottlenecks.

Shares in Permian driller Parsley Energy crashed more than 10% last week after the company agreed to acquire rival Jagged Peak Energy, continuing the trend of midcap US onshore drilling mergers [16] that have drawn scorn from Wall Street investors.

The gas flaring problem plaguing the Permian basin looks set to worsen after Kinder Morgan confirmed a delay to start-up of the Permian Highway pipeline [17] due to slow progress in obtaining regulatory approvals

The Texas Railroad Commission, the oil and gas regulator that has waved through hundreds of permits for gas flaring in the Lone Star state, is facing an outside challenge to its relaxed approach to disposing of associated gas [18] from a Democrat energy lawyer who is seeking election to the commission's board.

South Asia

Bangladesh – Saudi Aramco is pursuing its ambition to become a leading global LNG player by making its first move into the regasification space, with the firm reportedly teaming up to build one of the largest LNG-to-power projects [19] in Bangladesh.

India – Total is to take a 37.4% stake in India's largest energy conglomerate Adani Group [20], providing expedited access to what the French major hopes will become one of the world's fastest growing gas markets as it expands its LNG portfolio.

Pakistan – Pakistan LNG has pulled the plug on a mammoth 10-year LNG tender [21] seeking 240 cargoes, citing a “lack of firm take-or-pay demand on a long-term basis”, in a move that raises questions over optimistic gas demand forecasts for Pakistan and government plans to hugely expand LNG import capacity.



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