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## Analysis

With crude poised to close last week with the largest weekly oil price decline since 2008 [1], many energy firms – particularly US shale players – have tried to assuage investor fears by revealing their hand by divulging hedging strategies for 2020. But even the best hedged shale firms are positioned only to break even with crude in the low USD 40/barrel range, and some forecasts now see crude sliding well below USD 30/barrel.

## International

Beleaguered US shale producers are in for a bumpy ride after Saudi Arabia initiated an oil price war following Russia's refusal to implement production cuts proposed by OPEC, which contributed to crude prices plummeting to four-year lows [2] last week.

The escalating price war gained pace last week with Saudi Aramco unveiling plans to further flood the oil market [3] beyond its recent supply hike, while Abu Dhabi and Russia threatened to do the same, heaping further pressure on Brent crude.

A wave of US and Canadian E&P firms have slashed capex, amid grim forecasts that Brent could soon trade below USD 20/barrel [4] or in single dollar digits on rampant oversupply and evisceration of demand from coronavirus travel restrictions.

World power sector CO2 emissions fell at the fastest rate in 30 years [5] in 2019 owing to weaker coal-fired generation, but further coal reductions needed to limit global warming to 1.5 degrees are still "extremely difficult", according to think tank Ember.

The world should adopt a standard for measuring methane emissions [6] and publish data on companies' efforts to limit them to incentivise real reductions, according to a new report from US thinktank the Rocky Mountain Institute.

## Africa

**Mozambique** – The Total-led Mozambique LNG project was buoyed [7] last week, with key engineer McDermott raising hopes it could emerge from bankruptcy proceedings imminently and Air Products signalling that it will supply heat exchangers to the plant. But this was tempered by reports of a Covid-19 outbreak among workers in the Cabo Delgado province that will host the liquefaction plant.

## Asia Pacific

**China** – Gazprom’s decision to close the recently-launched Power of Siberia pipeline [8] is not linked to coronavirus, but is part of “routine preventative maintenance” scheduled to be carried out twice a year, the Russian state-run company said last week.

**Philippines** – Power producer First Gen subsidiary FGEN LNG has indicated that its maiden LNG terminal will start up a year later than planned [9] after submitting an application to the country’s energy department seeking a construction permit for the project.

## **Australasia**

**Australia** – Santos has taken a major step towards securing additional supply for the Darwin LNG export plant [10] after agreeing a farmout deal for the facility and its feedgas field, with South Korea’s SK E&S to take 25% in both assets.

## **Europe**

**EU** – Romanian TSO Transgaz has avoided a fine of up to 10% of global revenue after agreeing legally-binding commitments with the European Commission to increase pipeline export capacities [11] to neighbours Bulgaria and Hungary.

The EU should classify activities compatible with its climate change strategy [12] into tiers, including a category for activities that neither harm nor contribute to climate objectives, according to an industry group assisting the European Commission.

**Bulgaria / Greece** – State-owned Bulgargaz will book capacity with the new Greek LNG terminal [13] at Alexandroupolis amounting to 500 MMcm/year over 10 years, as Bulgaria advances its strategy to diversify supply and carve out a role as a regional hub.

**UK** – New chancellor of the exchequer Rishi Sunak has announced plans to decarbonise [14] the UK power, industry and heat sectors [14], while the country’s oil and gas regulator OGA confirmed there will be no upstream licencing round this year.

North Sea offshore platforms will be placed in immediate “lockdown” [15] if a worker tests positive for coronavirus, industry body OGUK has said, with the announcement coming a day after Equinor responded to suspected coronavirus case at a platform east of the Shetland Isles.

Premier Oil has hit back at its largest creditor, which had called for it to abandon USD 871 million in proposed North Sea acquisitions [16] in light of the deteriorating market environment, stating it retains “significant liquidity” and has hedged 30% of its 2020 production.

## **North America**

**US** – Some of the largest US shale producers have seen their stock surge on the assumption that associated [17] gas production may be curtailed [17] in response to a sustained crude price plunge after Saudi Arabia initiated an oil price war.

The Trump administration could rescue debt-laden US shale players by offering low-interest loans [18], according to reports, with the news coming after shale producers tightened their purse strings amid the oil price war initiated by Saudi Arabia.

The US state of Utah has hired a Mitsubishi subsidiary to supply two CCGTs to convert a coal-fired plant

in Delta to run on gas, then become the country's first 100% hydrogen-fuelled generation unit [19] by 2045.

Activist investor Carl Icahn has pounced to acquire “undervalued” shares in Occidental Petroleum [20] that fell off a cliff last week, boosting his holding to almost 10% in the company. But Occidental hit back by implementing a poison pill to deter any future “coercive takeover”.

#### **Russia & CIS**

**Uzbekistan** – The Ministry of Energy has signed three strategic energy agreements with Saudi Arabia's ACWA [21] worth ~USD 2.5 billion that cover a new CCGT, new wind power plants and training programmes at Uzbek colleges.



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