

LNG cargoes cancelled as virus compounds export glut in US



A buyer of liquefied natural gas has cancelled two cargoes from Cheniere Energy Inc, the biggest US exporter, as a glut pummels prices for the fuel and threatens to shut a key outlet for shale production.

Spanish utility owner Naturgy Energy Group SA has decided not to take delivery of two shipments from Cheniere, according to people with direct knowledge of the matter. The cargoes, one of which was scheduled for April delivery, were rejected by Naturgy's clients Repsol SA and Endesa SA, who had originally purchased the volumes from Naturgy and will now pay a contractual fixed fee, the people said.

Cancellations of US cargoes were closely watched and highly anticipated amid a grim outlook on global prices. It could be an early sign that global oversupply is poised to hammer the US gas market, which is already straining under the weight of a domestic glut. Prices in Europe and Asia collapsed as storage levels rose during a mild winter, making it tougher

for LNG buyers to make a profit reselling US cargoes abroad. The coronavirus outbreak in China is stifling LNG demand from the world's fastest-growing importer. While the Asian nation hasn't directly imported any US cargoes in more than a year amid trade tensions, the virus has contributed to the global price rout.

The virus has wreaked havoc on commodity markets from LNG to copper while disrupting global industrial production, travel and supply chains. As Chinese demand for the fuel declined, PetroChina Co is said to have delayed discharge of multiple cargoes. The world's biggest LNG trader, Royal Dutch Shell Plc, said they're working with customers to reschedule or reroute deliveries. While lower prices are opening up demand in places such as India and Turkey, they're also testing Europe's ability to absorb extra supply in a weak market.

"We are seeing supply reduction before demand maximization in Northwest Europe," said Verena Viskovic, an analyst at BloombergNEF. Even with European benchmark Title Transfer Facility prices crashing more than a fifth since the start of the year, those TTF levels still "are not low enough to fully maximize lignite-to-gas switching," she said.

At current forward prices of US and European gas, the profit margins of delivering US LNG to Europe and to Asia are thin, according to a BloombergNEF noted last week. Exporters of US LNG may be forced to keep gas at home during the next seven months despite the potential demand in the German power sector.

At least two Japanese buyers are also considering cancelling cargoes from the US that they had expected to load before summer, according to traders with knowledge of the matter, adding that no final decisions have been made.

LNG exports have been a relief valve for US gas producers as output from shale basins soars to record highs. In the Permian Basin of West Texas and New Mexico, where gas is extracted as a byproduct of oil drilling, prices have slid below zero amid pipeline bottlenecks; that means producers are paying others to take their supply.

More gas-fired power plants would have to be built in the US and abroad to ease the current supply glut, said Campbell Faulkner, chief data analyst for commodities broker OTC Global Holdings.

Mideast can deliver 8,500bcm gas at \$2.5 per MMBtu average breakeven prices by 2030: Report



The Middle East can deliver approximately 8,500bn cubic metres (bcm) of gas with average breakeven prices of \$2.5 per MMBtu [Million British Thermal Units] by 2030, a new report has shown.

While recent record low gas prices are due in part to oversupply in the global market, low-cost gas reserves are abundant, and the structural cost competitiveness of gas is

improving, a joint report by Boston Consulting Group, Snam and International Gas Union reveals.

The natural gas market in the Middle East is experiencing a substantial growth phase, with its cost of supply remaining competitive in the long-term despite shale revolution. The recent report reveals that the Middle East and Asia-Pacific have demonstrated the strongest growth in gas demand the past ten years – growing at an average of 4.6% per year, double the rate of global primary energy demand.

The potential future for natural gas in the Middle East is strong, but realising it at full will require consistent support and coordinated action by industry, national governments, and the international community.

Although Middle East gas prices are largely subsidised and pricing structures largely regulated, the downward trajectory of gas prices is making gas more competitive with other fuels on a levelised basis. Costs rising above \$2.5 per MMBtu indicate a requirement for subsidies to keep prices low for end users.

The report forecasts that the Middle East could maintain its best-in-class position to 2030 despite an expected rise in production costs. However, infrastructure investment will need to grow faster across gas value chains to meet growth expectations.

Implementing growth levers for gas will require concerted actions from various stakeholders. These include the development of new business models and technologies from gas industry participants, effective policies from governments, and sustained capital commitments from financial institutions.

“The Middle East’s gas market has experienced dramatic growth in the past decade. Our research shows that access to gas and growth faces limitations in terms of local market regulations and infrastructure as well as the scale of investment in cross-border pipelines,” said Pablo Avogadri, partner and associate director at BCG.

“The region could realise enormous benefits through connecting gas reserves with end-use markets at a low cost, infrastructure investment, and policy support and adoption.”

Asian LNG prices rise as buying interest jumps



Asian spot prices for liquefied natural gas (LNG) rose this week after five weeks of declines, as lower prices sparked cargo purchasing interest from various buyers.

The average LNG price for April delivery into northeast Asia was yesterday estimated at around \$3.00 per million British thermal units (mmBtu), some \$0.30 per mmBtu higher than the front-month price last week, which was assessed for March.

“Many players are trying to buy due to low price levels, there are lots of tenders and bids,” an LNG trader said.

Fears that the coronavirus outbreak in China would weigh on demand are receding, two industry sources said, which has also supported the prices.

Indian buyers who have been active in the market over the past several weeks on an LNG price drop to record low levels, continued issuing spot and multi-cargo tenders.

India is estimated to import about 2.36mn tonnes of LNG in February, record monthly volumes for the South Asian nation.

Among companies which sought cargoes for delivery to India were Reliance Industries with a five-cargo tender for April to

June supply, Emirates National Oil Company (ENOC) with April to November delivery eight-cargo tender and Gail India with a swap tender for three cargoes in February to March.

There were single cargo tenders from India's Gujarat State Petroleum Corp (GSPC) who sought a March cargo and Indian Oil who was looking to buy an April cargo.

Prices in some of the tenders were ranging from around \$2.50/mmBtu to just below \$3.00/mmBtu, several market sources said.

Additionally, Qatargas' Al Hamla LNG tanker is currently on route to India's newly commissioned Mundra LNG Terminal to deliver the first commercial cargo at the facility, Kpler said.

Buying interest also came from Jordan's Nepco who was looking for an April cargo, as well as Turkey's Botas who sought three March cargoes.

Botas awarded all three cargoes, three sources said, and prices could be as low as around \$2.50/mmBtu, one of them added.

There was also a tender from Taiwan's CPC in the past fortnight, two sources said, with one adding that the tender was for three cargoes to be delivered from April to June.

The number of bids on S&P Global Platts Market on Close window also grew this week, with some bids reaching \$3.00/mmBtu for late March and early April yesterday.

The global LNG market remains heavily oversupplied, however, with spreads between gas prices globally shrinking and market players expecting production cuts.

Spain's Naturgy has cancelled loading of one LNG cargo in the United States in April amid a slump of global gas prices, with several other companies having considered cancellations as well, sources told Reuters.

In terms of supply offers, Gail India was selling three US cargoes as part of a swap tender to sell and buy cargoes.

Angola LNG closed a tender for mid-March delivery and opened another for late March, a market source said.

Royal Dutch Shell said on Tuesday it had temporarily suspended

production at its Prelude floating LNG facility off northwest Australia following an electrical trip on February 2.

QP affiliate books 3mn tpy throughput capacity in France's LNG terminal



Under the agreement, Qatar Terminal Limited (QTL) – a subsidiary of Qatar Petroleum – will subscribe to the equivalent of almost 3mn tonnes per year (tpy) of the terminal's throughput capacity for the next 15 years.

An affiliate of Qatar Petroleum and the French LNG terminal operator Elengy, a subsidiary of ENGIE Group, have entered into a long-term agreement for LNG receiving, storage and regasification services at the Montoir-de-Bretagne LNG Terminal in France.

Under the agreement, Qatar Terminal Limited (QTL) – a subsidiary of QP – will subscribe to the equivalent of almost 3mn tonnes per year (tpy) of the terminal's throughput capacity for a term up to 2035.

Montoir-de-Bretagne LNG will thereby become a new LNG import terminal position for QP in Europe, facilitating the supply of Qatari and internationally sourced LNG to French and European

customers.

The agreement is the result of a formal “Open Subscription Period” process that was concluded during the second half of 2019 pursuant to the rules of the French Energy Regulatory Commission (CRE).

The agreement was signed at a ceremony held in Paris on Thursday by HE the Minister of State for Energy Affairs Saad bin Sherida al-Kaabi, also the president and CEO of QP, and Sandra Roche-Vu Quang, CEO, Elengy, in the presence of Jean-Baptiste Lemoyne, France’s Minister of State attached to the Minister for Europe and Foreign Affairs.

At the signing ceremony, al-Kaabi said, “By signing this agreement, we are providing France, and Europe as a whole, reliable energy supplies, as well as increased utilisation of gas as a cleaner and more environmentally friendly source of energy.

“We are also taking another step into the future by establishing a long-term partnership with Elengy well into the next decade. And, we look forward to further strengthen this relationship in the future.”

Al-Kaabi also highlighted the strong Qatari-French partnerships in general and especially in the energy sector, as well as QP’s commitment to Europe’s energy security.

“Qatar Petroleum has long invested in and anchored LNG receiving terminal capacity in Europe. We have also played a key role in supporting the development of vital energy network infrastructure in Europe. As the largest LNG producer, we are committed to supporting the advancement of EU energy policy and to strengthening the security, reliability and flexibility of gas supplies into Europe,” al-Kaabi noted.

Roche-Vu Quang said, “Today is a key milestone for Elengy. As pioneers in the LNG industry, we are extremely proud of this

agreement with our Qatari partners, a major step which hopefully will result in an even closer co-operation in the coming years. This contract secures long-term activity at the Montoir-de-Bretagne terminal.

“Our LNG hub for North West Europe offers customers optimum flexibility and an evolving range of services, from historical LNG regasification to small scale LNG, to meet the energy transition needs.”

Located on France’s Atlantic coast, the Montoir-de-Bretagne LNG Terminal was commissioned in 1980 and is fully regulated by the CRE. The terminal currently has 360,000 cubic metres of LNG storage capacity spread across three tanks and an annual throughput capacity of 10bn cubic meters of natural gas.

The terminal is operated by Elengy, which has over 50 years of LNG experience and operates two other terminals in France- Fos Tonkin and Fos Cavaou on the Mediterranean coast.

The ceremony was attended among others by senior executives from QP and Elengy.

Gas demand in transport sector to rise 3.5% annually to 478bcm in 2050: GECF



Gas demand in the transport sector has been forecast to rise at an annual pace of 3.5% over the GECF outlook period (until 2050), much faster than in other sectors, achieving about 478bcm in 2050. Transport utilisation will account for 8% of global gas consumption, Doha-based Gas Exporting Countries Forum (GECF) said in its latest outlook. In 2018, natural gas demand in the transport sector totaled 157bcm, constituting 4% of global gas consumption. Nearly 56% (87bcm) was related to the usage in pipeline transport, 44% to the road (58bcm) and marine (11bcm) segments, GECF said in its 'Global gas outlook 2050' released in Doha recently. GECF forecasts show that this robust gas demand growth rate will be encouraged by important progress in natural gas vehicles (NGVs), partially through policy initiatives aimed at offsetting transportation emissions, which account for more than 24% of global GHG emissions. The International Maritime Organisation (IMO) regulations are also forecast to have an impact on gas demand in transport, as the maritime industry begins to switch to Liquefied natural gas (LNG). "In spite of the growing interest of gas applications in the railway industry, demand volumes in this segment are forecast to develop at a moderate pace, while

road transport will drive consumption," GECF noted. About 214bcm of incremental gas volumes to 2050 are expected to stem from the development of the global NGV market. The use of LNG as a marine bunkering will be another promising area with additional consumption of 76bcm within the forecast horizon. Overall, global gas demand in the land and marine transport segments (excluding gas used in pipeline transport) is projected to rise by about 300bcm, from 70bcm in 2018 to over 370bcm by 2050. It will correspond to a growth rate of 5.4% per year, GECF noted. The increasing availability of natural gas, together with its economic and environmental advantages, make NGVs a very prominent alternative to diesel and gasoline-based engines in road transport. Liquefied petroleum gas (LPG) is also widely used across the world. However, being a mixture of propane and butane it is not as clean as natural gas, whose main chemical component is methane. Over the last decades natural gas, predominantly in the form of compressed natural gas (CNG), has made remarkable progress in various sub-markets – passenger buses, light commercial vehicles (LCVs) as well as heavy-good vehicles (HGVs) and special mining and haulage company trucks. Surging by almost 17% per year, natural gas demand in the road transport segment increased from 4bcm in 2000 to about 58bcm in 2018. Major contributions to this growth came from Asia Pacific (China, India, Pakistan) and the Middle East (particularly, Iran), while Latin America countries (mainly, Argentina and Brazil) experienced moderate rise, staying around the same volumes from 2005 to 2018. In spite of the impressive growth rate, natural gas represents less than 2.5% of the total energy consumed in the global road transport market, which is currently dominated by oil-based products – gasoline and diesel – with a 96% share. As many countries are adjusting legislation to reduce the environmental impact of transportation modes and setting targets to mitigate air pollution, GECF anticipates that the role of methane in this segment will grow over the forecast period, assuming a higher uptake of NGVs and a corresponding level of gas demand. Favourable government policies and

regulatory frameworks are expected to be the forces driving increasing penetration of natural gas in road transport. The natural gas share of energy demand in the global road transport market (estimated to grow from 2,154mn tonnes oil equivalent – Mtoe in 2018 to 2,420Mtoe by 2050) – is forecast to rise from 2.5% in 2018 to 10% by 2050, while petrol and diesel will go down from 96% to 83%. Over the same period, electricity use is projected to increase from 0.3% to 6%, a much more impressive growth. Given that EV penetration into all vehicle classes is underway, they are considered to be a more realistic option for the passenger, public transport and LCV segments, while the potential of NGVs could be much higher in the HGV segment, where transport costs are more vital. Moreover, environmental regulations are set to be stricter, propelling fuel replacement in oil-based products. In this context, GECF noted the future prospects of natural gas will be mostly concentrated in HGVs, driven by anticipated restrictions on the use of diesel trucks in a range of countries. The majority of gas demand is expected to come from LNG powered trucks thanks to their high annual mileage. It is worth mentioning that governments of more than 10 countries in 2017-2019 introduced forward-looking sales bans on new diesel or petrol vehicles for 2025-2040, which represents an additional push for gas usage, GECF said.

Asian LNG prices fall on declining Chinese demand



- * Several cargoes trade below \$3 per mmBtu – sources
- * Four Asia-bound LNG tankers divert destination – sources
- * Fifteen LNG tankers floating cargoes at sea – Kpler (Updates to add graphic)

By Jessica Jaganathan

SINGAPORE, Feb 14 (Reuters) – Falling demand from China drove Asian spot prices for prompt deliveries of liquefied natural gas (LNG) to new lows this week of around \$2.70 per million British thermal units (mmBtu).

China's transport, commercial and industrial sectors have all been affected by the fast-spreading coronavirus outbreak, traders said.

The average LNG price for March delivery into northeast Asia LNG-AS fell to \$2.70 per mmBtu this week, down 25 cents from the previous week, several industry sources said.

Prices for cargoes delivered in April are estimated to be

\$2.80 per mmBtu, they added.

Several cargoes exchanged hands this week at below \$3 per mmBtu, traders said, indicating there was too much supply in the spot market.

Russia's Sakhalin 2 plant has sold a cargo for loading on March 16 to Japan's Mitsui at \$2.70 to \$2.80 per mmBtu, industry sources said.

Gail (India) bought a cargo for delivery into Dabhol, India, on a delivered ex-ship (DES) basis for Feb. 23 to 28 delivery at \$2.40 to \$2.50 per mmBtu, they said.

It separately sold a cargo from the Cove Point plant in the United States on a delivered ex-ship basis into Europe for a February to March delivery, and likely did not award another cargo it had offered for loading in April from Cove Point, one of the sources said.

India's Reliance bought a cargo for delivery into Hazira in March at \$2.50 per mmBtu, the sources added.

India's GSPC bought 7 cargoes for delivery over April to October at prices ranging from \$2.50 to \$3.30 per mmBtu, they said.

The spot deals for February to March are the lowest the cargoes have ever traded, traders said.

The coronavirus outbreak that started in China and has affected more than 60,000 people globally has had a wide impact on LNG demand which had already been depressed from mild weather.

Four LNG tankers, including three Qatari vessels bound for North Asia, have changed destination or diverted after the coronavirus outbreak hit gas demand in China, sources said.

In addition, 15 LNG tankers are also flagged as "floating

storage” globally, with 11 of them scattered across Asia, Rebecca Chia, LNG analyst with data intelligence firm Kpler told Reuters on Thursday.

Traders appear to have shrugged off cargo loading disruptions in Western Australia after a powerful cyclone that swept across parts of the region last weekend.

Supply was still ample with Angola LNG offering a cargo for March delivery, an industry source said. Colombia’s Calamari LNG is seeking late February delivery while Thailand’s PTT is seeking up to 2 cargoes, industry sources said.

France’s Total rejects force majeure notice from Chinese LNG buyer



ABERDEEN/SINGAPORE (Reuters) – French oil major Total rejected a force majeure notice from a liquefied natural gas (LNG) buyer in China, the first global energy supplier to push back publicly against a firm trying to back out of a contract amid the coronavirus outbreak.

The move by the Chinese buyer is likely to increase concerns that Chinese importers, or even exporters of product parts to global firms, could use force majeure certificates to get out of long-term contracts, trade sources said.

Companies invoke force majeure when they cannot meet their contractual obligations because of circumstances beyond their control.

The effect is being felt in the spot crude oil and LNG market as sales have slowed into China, the world's top energy consumer, increasing supplies and depressing energy prices.

Last week, a Chinese international trade promotion agency said it would offer force majeure certificates to companies struggling with the epidemic to give to their overseas

partners.

So far, most of the applications for the certificates had been from Chinese exporters, although there were a few inquiries from importers, a source familiar the matter said.

The outbreak, which has claimed more than 630 lives and infected over 31,000 people, has forced companies to shut factories and stores across China and led to flight cancellations as governments and firms curb travel.

“Some Chinese customers, at least one, are trying to use the coronavirus to say I have force majeure,” Philippe Sauquet, head of Total’s gas, renewables and power segment, said on Thursday.

“We have received one force majeure that we have rejected.”

Sauquet did not disclose the name of the buyer.

Total has about 10 LNG cargoes due to land in China this month and at risk of force majeure, according to a person familiar with the matter. Among 35 LNG tankers scheduled to land this month, Royal Dutch Shell and Qatargas, a unit of Qatar Petroleum, also have large Chinese exposures, the person said.

Total, Shell and Qatargas did not immediately reply to requests for comment on the cargoes at risk.

China National Offshore Oil Corporation (CNOOC), which sources said is among Total’s biggest LNG customers, declared force majeure on some prompt deliveries with at least three suppliers, Reuters reported on Thursday.

CNOOC did not respond to a request for comment.

“This rift has the potential to become quite ugly because of the contractual precedent it threatens to set,” said Ira Joseph, head of global gas and power analytics at S&P Global Platts.

Guangxi Nanguo Copper, a smelter in Southwest China, on Friday also declared force majeure on copper concentrate shipments, two sources briefed on the matter told Reuters.

MISUSE?

Prices of LNG supplied from long-term contracts are currently more than double the cost of spot cargoes.

Chinese companies including CNOOC were offering to resell LNG cargoes in the spot market even before the outbreak, as they struggled to shift high inventory amid weak demand due to a slowing economy and a milder winter.

“There is a strong temptation from some long-term customers to try to play with the force majeure concept,” Total’s Sauquet said. “To say I cannot take my cargo under the long-term contract, but I would like to buy spot is contradictory.”

LNG contracts are typically governed by English law which spell out events constituting a force majeure and some may include the epidemic clause, lawyers told Reuters. Serving the force majeure notice is the first step in a drawn out process, they said.

Also, the onus to demonstrate a force majeure is on buyers to prove that they are not physically able to receive the cargo. For instance, if there are port closures or if workers are unable to get to the ports due to the virus.

“Force majeure is usually aimed at dealing with events such as unforeseen operational outages, rather than changes in broader economic circumstances, such as LNG demand or exchange rates,” said Rob Patterson, partner at law firm Haynes and Boone.

Commodity chaos deepens as China LNG buyer invokes force majeure

SINGAPORE: The turmoil engulfing global commodity markets deepened as China's biggest buyer of liquefied natural gas (LNG) told suppliers it won't honour some contracts because of the coronavirus.

In a dramatic and rare step, China National Offshore Oil Corp (CNOOC) declared what's known as force majeure, meaning it won't take delivery of some LNG cargoes, because the virus is constraining its ability to import the fuel. It's among the first known cases of the legal clause being invoked in commodity contracts as a result of the epidemic.

While global markets bounce back from initial fears over the impact of the virus, CNOOC's move shows the fallout is only deepening in the world of raw materials, which is dominated by China's enormous appetite. Beijing's efforts to contain the disease by shutting down swathes of the country and restricting travel are disrupting supply chains and hammering demand in the world's biggest consumer.

The impact is reverberating around the world. Copper buyers are requesting Chilean miners postpone shipments because of port shutdowns while China's biggest oil refiner, Sinopec Group, is likely to ask Saudi Arabia to reduce supplies of crude oil next month. Soybeans from Brazil and the United States are being held up on arrival in eastern China and Indonesian palm oil shipments are also being delayed.

For LNG, CNOOC's force majeure hurts a market already buffeted by rising US supplies and weak demand after a mild winter in Europe and Asia. Even before Chinese buyers walked away from supply contracts, spot prices have fallen to a record low,

crippling the profitability of energy giants like Royal Dutch Shell Plc and Exxon Mobil Corp.

CNOOC sent the force majeure notice to suppliers including Shell and Total SA, according to people familiar with the matter, who asked not to be identified because the matter is confidential. Shell declined to comment while Total's press office didn't respond to a request for comment. The French company's chief executive said he hadn't received the force majeure notice.

China said last week that it would offer support to companies seeking to declare force majeure on international contracts. The clause allows a company to opt out of obligations without legal recourse because of reasons beyond its control.

CNOOC isn't the only Chinese LNG buyer affected. The country's largest oil and gas firm, PetroChina Co, was forced to delay discharge timings for multiple cargoes because it can't get enough workers to its Rudong, Dalian and Caofeidian LNG terminals to run them at full capacity. The company hasn't invoked force majeure because of the delays. – Bloomberg

US says it has thwarted \$6bn Russia-Germany gas pipeline



Bloomberg/Munich

President Donald Trump's top energy official said he's confident that Russia won't be able to complete the Nord Stream 2 gas pipeline in the Baltic Sea – and signalled that the US will press forward with its opposition to the project.

Asked about Russian efforts to circumvent US sanctions on the pipeline by completing it on its own, US Energy Secretary Dan Brouillette said "they can't" – and dismissed claims that project owner Gazprom PJSC will face only a short delay.

"It's going to be a very long delay, because Russia doesn't have the technology," Brouillette said in an interview at the Munich Security Conference on Saturday. "If they develop it, we'll see what they do. But I don't think it's as easy as saying, well, we're almost there, we're just going to finish it."

The pipeline, which would pump as much as 55bn cubic metres of natural gas annually from fields in Siberia directly to Germany, has become a focus for geopolitical tensions across the Atlantic. Trump has assailed Germany for giving "billions" to Russia for gas while it benefits from US protection.

Nord Stream 2's owners had invested €5.8bn (\$6.3bn) in the project by May 2019, according to company documents.

US sanctions in December forced Switzerland's Allseas Group SA, which was laying the sub-sea pipes, to abandon work, throwing the project into disarray. The US has said Europe should cut its reliance on Russia for gas and instead buy cargoes of the fuel in its liquid form from the US.

"It's distressing to Americans that, you know, Germany in particular and others in Europe would rely upon the Russians to such a great degree," Brouillette said, adding that he is unaware of additional sanctions should Russia move to defy the US.

Even as he spoke, signs emerged that Gazprom's attempts at completion may be underway. A Russian pipe-laying vessel, the Akademik Cherskiy, left the port where it had been stationed in Nakhodka on Russia's Pacific coast last Sunday. Russian Energy Minister Alexander Novak last year mentioned that vessel as an option to complete the pipeline in Denmark's waters. The vessel is now expected to arrive in Singapore on Feb. 22, according to ship-tracking data on Bloomberg.

Akademik Cherskiy pipe-laying vessel started moving, only to indicate Singapore as its next indication.

While Gazprom has said it's looking at options to complete the pipeline, it hasn't given any details on where it will find the ship to do the work. One of the pipeline's financial backers, Austrian gas and oil company OMV AG, has predicted that the Russians will follow through. "From my point of view, they will find a solution," Rainer Seele, OMV's chief executive officer, told Bloomberg on Saturday.

The pipeline was just weeks away from completion, with 94% already constructed, when US sanctions halted work. There's a small section in Denmark's waters that needs to be finished. Before the halt, Nord Stream 2 hoped to finish construction by the end of 2019 or in the first few months of this year. That would allow gas deliveries in time to supply Europe by winter 2020-2021.

Besides OMV, Nord Stream 2's other European backers

Permian poised for 'aggressively negative' gas amid supply swell



Natural gas prices in America's biggest shale basin are going negative again as production surges faster than pipelines can be built to take it away. Gas for March delivery at the Waha hub, located in the Permian Basin of West Texas, has been trading below zero over the past week, Bloomberg Fair Value prices show. The rout is poised to get even worse as supplies swell, according to commodities broker OTC Global Holdings.

Permian gas prices went negative for the first time in the spring of 2019, rebounding when Kinder Morgan Inc's Gulf Coast Express pipeline started up in the fall. History is repeating itself this year as gas output from the basin continues to soar, with the next major conduit not expected to enter service until later in 2020. Permian explorers extract the fuel as a byproduct of oil drilling, making them less responsive to tumbling gas prices.

“We just have an ocean of gas and there is just nowhere to go with it,” said Campbell Faulkner, chief data analyst for OTC. “I think we are going to see aggressively negative spot prices. That just puts a real chill around the gas market.” The dearth of Permian pipelines has contributed to an uptick in flaring, the process of burning gas off instead of capturing it from the well. Flaring, which produces carbon dioxide, has come under increasing scrutiny amid growing concern about climate change. Weaker prices in the basin, though, could be a boon for would-be exporters like Tellurian Inc and NextDecade Corp that plan to tap Permian supply and ship it to Europe and Asia. Gas for next-day delivery at the Waha hub dropped as low as minus \$4.63 per million British thermal units last spring, according to the Bloomberg Natural Gas Composite price.

While spot gas is still in positive territory, trading at \$1.58 on Wednesday, prices for March delivery suggest that won't last long. “The forward curve this time last year wasn't great, but it wasn't as bearish,” Faulkner said. “I'm looking at this and thinking this isn't bearish enough.”