

Il gas del Qatar guarda all'Europa



È l'opinione di Roudi Baroudi, veterano del business energetico, spesso d'aiuto per delineare la policy energetica per aziende, governi, e organismi sovranazionali come l'Unione Europea. Baroudi, attualmente Ceo della Energy and Environment Holding, con sede a Doha, è intervenuto sul tema: «Perché il Qatar è cresciuto così tanto nel business del gas». «Una volta capita l'estensione delle riserve naturali di gas del paese – spiega Baroudi – il governo ha intrapreso studi organici per comprendere le condizioni di mercato e le possibilità di sviluppo, definire le necessità interne, e identificare i migliori partner commerciali. Come risultato di questa immediata scommessa, il Qatar in poco tempo è diventato l'esportatore numero uno di gas liquido. Posizione che detiene tutt'ora». E non solo da un punto di vista interno. Ad esempio Qatar Petroleum è in trattative con vari partner per la costruzione di un nuovo terminale di gas liquido sulla costa tedesca del mare del Nord. E un nuovo impianto di distribuzione verrà implementato nel porto belga di Zeebrugge entro il 2044. Ulteriori sviluppi dipingono il Qatar in prima posizione per quanto riguarda l'aspetto mercantile e finanziario. Nel luglio scorso Qatar Petroleum ha raggiunto la quota del 49 per cento in una joint venture con la Chevron, per lo sviluppo di un imponente complesso petrolifero sulla costa degli Stati Uniti, in prossimità della zona più

interessante per la produzione di «shale gas». E solo qualche settimana fa QatarGas è entrato nella storia, quando una delle sue navi da trasporto per il gas, la Thumama, è riuscita – per prima – a completare il trasferimento di una unità di rigassificazione dal terminal di Moheshkhali, in Bangladesh. «Come si vede, le attività di estrazione, e trasformazione qatariote sono lanciate verso il futuro, e ci si aspettano grandi cose», ha commentato Baroudi.

U.S. shale firms cut budgets, staff as oil-price outlook dim



ODESSA, Texas (Reuters) – Oil producers and their suppliers are cutting budgets, staffs and production goals amid a

growing consensus of forecasts that oil and gas prices will stay low for several years.

The U.S. has 904 working rigs, down 14% from a year ago, and even that is probably too many, estimated Harold Hamm, chief executive of shale producer Continental Resources (CLR.N), which has reduced the number of rigs at work.

Bankruptcy filings by U.S. energy producers through mid-August this year have nearly matched the total for the whole of 2018. A stock index of oil and gas producers hit an all-time low in August, a sign investors are expecting more trouble ahead.

“You’re going to see activity drop across the industry,” Earl Reynolds, CEO of Chaparral Energy (CHAP.N), told Reuters at the EnerCom oil and gas conference last month.

The Oklahoma energy firm has slashed its workforce by nearly a quarter, trimmed its spending plan by 5%, and agreed to sell its headquarters and use some of the proceeds to reduce debt.

Investment bank Cowen & Co estimated last month that oil-and-gas producers spent 56% of their 2019 budgets through June, based on its review of 48 U.S. companies. It expects total spending this year to fall 11% over last year, based on proposed budgets.

The slowdown in drilling is spurring cost-cutting in oilfield services, including staff cuts and restructurings at top firms Schlumberger and Halliburton Co. Schlumberger plans a writedown yet to be determined this quarter, noting its results in North America have been “under significant pressure,” CEO Olivier Le Peuch said on Wednesday.

Halliburton is paring its North American workforce by 8% because of customer spending cuts, and National Oilwell Varco recently offered buyouts to its U.S. workers.

“The service sector I think is going to be flat,” said

Superior Drilling Services CEO Troy Meier, whose firm canceled plans to add new machinery.

Such signs of a downturn come as the shale sector had just started generating the cash flow long demanded by investors, who have grown weary of drilling expansions without returns. Last quarter, a group of 29 top publicly-traded producers generated more in cash – \$26 million – than it spent on drilling and dividends, according to Morningstar (MORN.0) data provided by the Sightline Institute and the Institute for Energy Economics and Financial Analysis. A year earlier, the same group had spent \$2.4 billion more than it generated.

Despite that progress, many small to mid-sized shale firms are now pulling back on production targets amid the gloomy price projections.

A slowing oil industry could weigh on the United States economy. The boom in shale oil output added about 1 percent to U.S. gross domestic product, or 10% of growth, between 2010 to 2015, according to the Federal Reserve Bank of Dallas. In Texas, the center of shale oil production, energy employment dipped 1.8 percent in the first six months of 2019, according to the Dallas Fed. New drilling permits in the state fell 21% in July compared with the same month last year, according to state data.

MAJORS STAY THE COURSE

Any broader economic impact, however, could be limited by the massive investments in shale drilling by some of the world's biggest oil firms – Exxon Mobil (XOM.N), Chevron (CVX.N), Royal Dutch Shell (RDSA.L) and BP PLC (BP.L). Even as small and mid-sized firms dial back, the majors continue to pour billions of dollars into years-long shale drilling plans. They have argued their integrated well-to-refinery networks allow them to control costs enough to withstand a sustained period of low prices.

Spokespeople for Exxon, Chevron and BP declined to comment on the industry downturn but referred to previous statements of their longterm commitment to shale. Shell did not respond to requests for comment.

Chevron has focused much of its production growth plans on shale, and CEO Michael Wirth has called its Permian Basin holdings in West Texas and eastern New Mexico the “highest return use of our dollars.”

Exxon CEO Darren Woods told a Barclays energy conference on Sept. 4 that the company continues to take the long view.

“The way we look at the business is tied to some very basic fundamentals that haven’t changed for decades, if not hundreds of years,” he said, noting it took oil a century to replace coal as the world’s dominant energy source.

Exxon has estimated it can earn a double-digit return in the Permian Basin even if oil falls to \$35 a barrel.

BRACING FOR LOW PRICES

U.S. oil prices largely have traded just above \$50 a barrel since last November, requiring higher output to generate the same profit as when prices were higher. Prices this quarter are about 18% lower than this time last year, according to U.S. government data.

U.S. oil prices are likely to remain below \$55 a barrel for the next three years, said Scott Sheffield, CEO of Pioneer Natural Resources (PXD.N), one of the largest oil producers in the Permian Basin. Lackluster prices will result in a “significant fallback in Permian growth” and probably “no growth for most,” he said on a recent earnings call.

Part of the slowdown comes as the best drilling spots in some areas of the field are being “exhausted at a very quick rate,” Sheffield said.

The severity of the looming downturn is a matter of debate.

Flotek Industries Inc (FTK.N), a supplier of oilfield chemicals, has cut staff twice this year. CEO John Chisholm told Reuters that the industry is just “pumping the brakes” as it grapples with well-design issues.

Matt Sallee, a portfolio manager at energy investors Tortoise Capital, expects a longer industry decline.

“It’s hard to see how this gets any better for several quarters,” he said.

Bearish signal for crude as China closes in on filling oil storage



One of the fascinating tidbits to come to light in the wake of the attacks on Saudi Arabia's crude facilities was China's disclosure that it has enough oil inventories to last 80 days. There isn't too much short-term significance in this, other than to confirm that China probably won't be frantic to find replacements for any loss of imports from Saudi Arabia.

But the information is vitally important from a medium to longer term view of the crude oil markets.

China's strategic petroleum reserve (SPR) is largely shrouded in mystery, with no official disclosure of the actual level of inventories in the world's largest crude importer.

It likely surprised the market, however, that Beijing is quite close to the 90 days of import cover recommended by the International Energy Agency (IEA) as the level of reserves that importing nations should hold.

Earlier this year it was estimated by some analysts that China had around 40 to 50 days of import cover.

The figure of 80 days of crude oil in both commercial and strategic storage was released on Sept. 20 by Li Fulong, the head of development and planning at the National Energy Administration.

While Li didn't disclose the exact amount of stored crude, it is likely to be around 788 million barrels, based on taking the average daily imports of 9.85 million barrels per day (bpd) for the first eight months of 2019.

The last time inventories were officially acknowledged was in December 2017, when it was disclosed that reserves as of end-June 2017 were 277 million barrels.

This implies that from July 2017 to Sept. 20 this year, China added 511 million barrels of crude, about 630,000 bpd.

It would also seem that the rate of stock building has been accelerating in 2019, if the difference between the total crude processed at China's refineries and the amount of crude available from both imports and domestic output is calculated.

Domestic output in the first eight months of 2019 was 3.83 million bpd and imports were 9.85 million bpd, giving a combined total of 13.68 million bpd.

Refinery throughput for the same period was 12.74 million bpd, implying that about 940,000 bpd went into either commercial or strategic stocks.

If China does conclude its stockpiling at 90 days of import cover, the implication is that it has about 98.5 million barrels still to go.

At a 940,000 bpd rate, this further implies that the filling of China's storage could be finished in about 105 days.

There is no guarantee, of course, that China will continue to build inventories at the same clip it has been, or indeed that it will stop at 90 days worth of import cover.

But the risk for the global crude market is that sometime in the next six months, and possibly earlier, China may dial back the amount of crude it is buying for storage.

‘Saudi oil output to recover in two or three weeks after attack’



Reuters London/Dubai

Tuesday, 17 September 2019 09:35 PM

Saudi Arabia sought to calm markets yesterday after an attack on its oil facilities, with sources in the kingdom saying

output was recovering much more quickly than initially forecast and could be fully back in two or three weeks.

International oil companies, fellow members of the Opec oil group and global energy policy makers had heard no updates on the impact of the weekend attack from the Saudis for 48 hours, according to sources with knowledge of the situation. And on Monday, sources briefed on state oil giant Aramco's operations had said it could take months for output to recover.

The attack knocked out half of Saudi Arabia's oil production, or 5% of global output, sending prices soaring when trading resumed on Monday.

So the new prediction of a quick return to normal output sent prices down sharply yesterday.

The kingdom is close to restoring 70% of the 5.7mn barrels per day lost due to the attack, a top Saudi official said, adding that Aramco's output would be fully back online in the next two to three weeks.

Half of lost Saudi oil to remain offline for a month: S&P



DUBAI: Around three million barrels per day of Saudi oil will remain offline for a month, about half the production halted by the weekend's devastating attacks on key crude facilities, S&P Platts said on Tuesday.

The report came as oil prices dipped slightly following record gains Monday as uncertainty prevailed on global markets over when the OPEC kingpin will be able to restore lost production.

Strikes on Abqaiq – the world's largest processing plant – and the Khurais oilfield that the US has blamed on Iran have knocked out 5.7 million barrels per day (mbpd), or six percent of global production.

“At this point, it looks likely that around 3.0m bpd of Saudi Arabian crude supply will be offline for at least a month,” S&P Global Platts said in a report.

The Saudi cabinet chaired by King Salman warned on Tuesday the unprecedented attacks posed a threat to global energy supply.

“The goal of the unprecedented destructive aggression... is to target primarily global energy supplies,” the cabinet said in a statement.

“We urge the international community to take firmer measures to stop these flagrant aggressions,” said the statement, cited by the SPA news agency.

The kingdom stressed that it was “capable of responding to the attacks”, regardless of who the perpetrators were, but did not name any.

But it reiterated earlier claims that the strikes were carried out with Iranian weapons.

Challenging

Riyadh pumps some 9.9m bpd of which around 7.0m bpd are exported, mostly to Asian markets.

“Saudi Arabia will likely say that they can fully supply their customers, although as time goes on this may be challenging. Any indication of delays or supply tightness will lead to further price increases in the weeks/months ahead,” S&P said.

The threat of a prolonged supply outage from Saudi Arabia highlights the lack of spare production capacity in the market, estimated at 2.3m bpd, most of it held by Riyadh, the energy news provider said.

Reports said Monday the kingdom was likely to restore up to 40 per cent of the lost production immediately, but experts had conflicting views on how long it will take to bring production back to pre-strike levels.

The crisis revived fears of a conflict in the tinderbox Gulf region and raised questions about the security of crude fields in the world’s top exporter as well as for other producers.

London-based Capital Economics said global crude stocks,

estimated at around 6.1 billion barrels, should be able to compensate for the lost output.

It said that if Saudi Arabia manages to restore full production by next week, oil prices would quickly come down to around \$60 a barrel.

But if it takes months and tensions persist, benchmark Brent crude prices could hit \$85 a barrel, it said.

Oil prices sink

Oil prices sank five per cent on Tuesday, reversing some of the previous day's gains as analysts predicted Saudi output would recover sooner than expected after weekend drone attacks.

In the space of several minutes in afternoon European trading, North Sea Brent crude oil for delivery in November tumbled from \$67.75 to \$65.00. It fell as low as \$64.24, before recovering somewhat.

The market was already trading in negative territory after the previous day's record gains that were fuelled by attacks on Saudi facilities which wiped out half the kingdom's crude output.

"The markets were once again wrong-footed by the Saudi news," said Forex.com analyst Fawad Razaqzada in reaction to Tuesday's price drop.

"This time prices slumped on reports of sooner-than-expected return for oil production after the attacks.

"Although little details have emerged, speculators are evidently happy to sell now and ask questions later. And who would blame them after that big (price) gap?"

The spike in the oil price had stoked fears that costlier energy and geopolitical instability could weigh on an already

slowing global economy, but a quick recovery in Saudi exports and a return to earlier price levels would alleviate those concerns.

“Arguably Monday’s spike in oil was unsustainable, since oversupply concerns have been the much more dominant theme this year, but the sudden drop came earlier and quicker than expected,” said Chris Beauchamp, chief market analyst at online trading firm IG.

Traders were meanwhile nervously awaiting a further response from the United States after it said Iran was likely to blame.

The crisis revived fears of a conflict in the tinderbox Gulf region and raised questions about the security of crude fields in the world’s top exporter Saudi Arabia as well as other producers.

“Oil’s reversal didn’t do much for the global markets. The indices remain concerned over what happens next between Saudi Arabia and Iran, fears that helped to undermine sentiment,” said Spreadex analyst Connor Campbell.

The attack on Saudi oil facilities also took attention away from the upcoming trade talks between China and the US, as well as a much-anticipated policy meeting of the Federal Reserve, which is expected to cut interest rates Wednesday.

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Oil market gripped by

uncertainty over lost Saudi production



Oil markets are grappling with uncertainty over how long it will take Saudi Arabia to restore output after the devastating attacks that knocked out five per cent of global crude supply.

As state oil giant Saudi Aramco grows less optimistic that there will be a rapid recovery after the strikes that cut the nation's output by half, investors are seeking clarity on just how bad it could be. Initially, it was said significant volumes could begin to return within days, but Saudi officials later told a foreign diplomat they face "severe" disruption measured in weeks and months. Saudi Energy Minister Prince Abdulaziz bin Salman is scheduled to hold a press briefing on Tuesday evening in Jeddah.

"Today's press conference is going to be crucial – we have to wait for that really," said Olivier Jakob, managing director at consultant Petromatrix GmbH in Zug, Switzerland. "We need

to have that update in order to make a proper assessment.”

The worst ever sudden disruption to global oil supplies continues to reverberate as geopolitical risk premiums soar on concern over instability in the Middle East and a potential retaliation against Iran, which the U.S. has blamed for the strikes. Traders may not have fully priced in the impact of the supply losses, according to Citigroup Inc.

The attacks, which damaged one of the Saudis' flagship fields and a key processing complex, triggered one of the wildest bouts of trading seen in oil markets, with Brent futures rising 19 per cent in a matter of seconds at the open on Monday and ending the day up 15 per cent, their biggest single-day advance.

It was a more subdued start to trading on Tuesday, with both Brent and West Texas Intermediate futures edging lower.

Saudi Aramco lost about 5.7 million barrels a day of output on Saturday after 10 unmanned aerial vehicles struck the Abqaiq facility and the kingdom's second-largest oil field in Khurais.

While Aramco is still assessing the state of the Abqaiq site and the scope of repairs, it currently believes less than half of the plant's capacity can be restored quickly, according to people familiar with the matter, who asked not to be identified because the information isn't public.

Saudi Aramco is firing up idle offshore oil fields – part of its cushion of spare capacity – to replace some of the lost production, one person said. Customers are also being supplied using stockpiles, though some are being asked to accept different grades of crude. The kingdom has enough domestic inventories to cover about 26 days of exports, according to consultant Rystad Energy A/S.



Customers are also preparing to tap strategic reserves if needed. U.S. President Donald Trump authorized the release of oil from the U.S. Strategic Petroleum Reserve, while the International Energy Agency, which helps coordinate industrialized countries' emergency fuel stockpiles, said it was monitoring the situation.

The disruption surpasses the loss of Kuwaiti and Iraqi petroleum output in August 1990, when Saddam Hussein invaded his neighbor. It also exceeds the loss of Iranian oil production in 1979 during the Islamic Revolution, according to

the IEA.

Nevertheless, U.S Energy Secretary Rick Perry said Tuesday that the market is well-supplied and a “staggering spike” in prices is unlikely.

Brent futures slipped 83 cents to US\$68.19 a barrel on the ICE Futures Europe exchange as of 2:02 p.m. London time, while WTI dropped 60 cents to US\$62.30 on the New York Mercantile Exchange. Brent is trading at a US\$6.11 premium to WTI for the same month.

“It is still difficult to assess the exact scale of the damage caused by the drone attacks to Saudi infrastructure in the Eastern province, but recent official statements lean toward a longer outage than initially anticipated,” Citigroup Inc. analysts Ed Morse and Francesco Martoccia said in a report.

—With assistance from Shery Ahn and Grant Smith.

Saudi supply disruption puts huge US petroleum stash in play



WASHINGTON – The Trump administration is standing by to deploy the nation’s emergency oil reserves and help stabilize markets if needed after a series of drone attacks in Saudi Arabia knocked out half of the kingdom’s crude output, or about 5% of world supplies.

Energy Secretary Rick Perry is ready to draw down stocks from the 630 million-barrel cache “to offset any disruptions to oil markets as a result of this act of aggression,” his spokeswoman, Shaylyn Hynes, said in a statement late Saturday. Perry also ordered officials to work with the International Energy Agency on possible options for coordinated action.

Whether the Strategic Petroleum Reserve, the world's largest supply of emergency crude, gets used may depend on how quickly the Saudis can resume production from the world's biggest crude-processing facility.

Set up after the Arab oil embargo in the 1970s sent prices skyrocketing, the stockpile has previously been tapped in response to Operation Desert Storm in 1991, Hurricane Katrina in 2005, and Libyan supply disruptions in 2011.

"Until a damage assessment is available, it's not possible to make high confidence odds on the likelihood it will be tapped," said Bob McNally, a former energy adviser to President George W. Bush and president of the consulting firm Rapidan Energy Group. "For now, the administration is reassuring the market that the U.S. and other emergency stockholding partners in the IEA are ready to act."

McNally said showing openness to an SPR release would have an impact.

"I suspect this is just precautionary verbal reassurance, and I am sure they are dusting off their plans," he said. "Unless the damage is extensive, doubt we will see a release."

Saturday's attacks on Saudi Arabia are expected to rattle oil markets when they open. The kingdom's benchmark stock index tumbled as much as 3.1% on Sunday in Riyadh.

"Almost no geopolitical risk is priced into oil markets focused solely on trade wars and macro concerns," said Joe McMonigle, senior energy analyst at Hedgeye Risk Management LLC. "An SPR release, especially if coordinated with IEA action, would mitigate some of the spike in oil prices but would also depend on the ongoing and elevated geopolitical risk."

SALT CAVERNS

The emergency stockpile is stored in huge underground salt caverns along the U.S. Gulf Coast. Although it was originally created as a backup in case of future supply shocks, the reserve has more recently become Congress's go-to piggy bank, used to fund everything from roads to drugs to deficit reduction. About 10 million barrels were sold in the latest of a series of congressionally mandated sales last week.

President Donald Trump proposed selling off half of the emergency stockpile in his 2017 budget request. His administration argued that record domestic oil production made keeping such a large reserve unnecessary. But the "potential long term disruption from critical oil facilities" such as the 5 million barrel per-day Abqaiq processing facility hit on Saturday, "is exactly the type of risk the Strategic Petroleum Reserve was designed to mitigate," McNally said.

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US beats Saudi to become top oil exporter on shale boom



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The U.S. briefly became the world's No. 1 oil exporter as record shale production found its way to global customers, and there are prospects for more.

Surging output from shale helped America ship almost 9 million barrels a day of crude and oil products in June, surpassing Saudi Arabia, the International Energy Agency said in a report, citing gross export figures. There's room to send even more supply overseas as companies add infrastructure to transport the burgeoning production from fields in Texas and New Mexico to the coast.

Gains in U.S. supply are undermining efforts by the Organization of Petroleum Exporting Countries and its allies, whose production cuts are in their third year in a bid to drain stockpiles. The swelling American output, as well as deepening concerns over global demand fueled by a prolonged U.S.-China trade war, have prompted a drop of almost 20% in

benchmark Brent crude from an April high.

The expansion in America's exports in June was helped by a surge in crude-oil shipments to more than 3 million barrels a day, the IEA said. At the time, Saudi Arabia was cutting its exports as part of the OPEC+ agreement, while Russian flows were constrained by the Druzhba pipeline crisis.

The Saudis reclaimed the top exporter's spot in July and August as hurricanes disrupted U.S. production and the trade dispute "made it more difficult for shale shipments to find markets," the IEA said.

The tussle for the No. 1 slot could remain tight in the months ahead. As Saudi Arabia continues to curb production, the IEA said America's crude exports could rise by a further 33% from June levels to as much as 4 million barrels a day as new export infrastructure gets built in the fourth quarter of this year.

Oil prices down 2% on US-China trade doubts, Opec+ talks



NEW YORK (Reuters) – Oil prices fell about 1% on Thursday after a media report cast doubt on the possibility of an interim U.S.-China trade deal and as a meeting of the OPEC+ alliance yielded no decision on deepening crude supply cuts.

Oil was pressured further after the European Central Bank cut its deposit rate to a record low -0.5% from -0.4% and said it will restart bond purchases of 20 billion euros a month from November to prop up euro zone growth.

Brent crude LC0c1 futures settled at \$60.38 a barrel, shedding 43 cents, or 0.71%. WTI crude CLc1 futures settled at \$55.09 a barrel, losing 66 cents, or 1.18%.

Oil futures extended losses after a senior White House official denied a Bloomberg News report that the United States was considering a temporary trade agreement with China, according to CNBC.

Earlier, prices had been supported on news that the world's two largest economies made some concessions in their protracted trade war.

“We had a lot of moving parts. We came in with the ECB, then we saw the U.S was going to reach some kind of interim agreement with China, then they ended up saying they’re not,” said Phillip Streible, senior commodities strategist at RJO Futures in Chicago. “Now we’re just back-pedaling and cautiously waiting for the next development in the market, whether it be from economic data, more verbiage from OPEC, and we’re still going to monitor inventories as a whole.”

Oil prices also stumbled after comments from Saudi Arabia’s new energy minister, Prince Abdulaziz bin Salman, said deeper cuts would not be decided upon before a meeting of the Organization of the Petroleum Exporting Countries planned for December.

A Thursday meeting of the market-monitoring committee formed by the Organization of the Petroleum Exporting Countries and its allies, whose de facto leader is Saudi Arabia, yielded a promise to keep countries within the production quotas they committed to in a global supply deal.

A statement from OPEC and its allies, a grouping known as OPEC+, said oil stocks in industrial countries remained above the five-year average. Oman’s energy minister said “the outlook is not very good for 2020.”

Prince Abdulaziz said Saudi Arabia would keep cutting by more than it pledged in the pact, which has throttled supply from OPEC+ by 1.2 million barrels per day.

Also feeding the bearish sentiment, the International Energy Agency said surging U.S. output would make balancing the market “daunting” in 2020.

“Booming shale production has allowed the U.S. to close in on, and briefly overtake, Saudi Arabia as the world’s top oil exporter ... in June, after crude exports surged above 3 million bpd,” the agency, which advises industrial economies on energy policy, said in its monthly report.

The Paris-based IEA kept its oil demand growth forecasts for this and next year at 1.1 million barrels per day and 1.3 million barrels per day, respectively.

Reporting by Laila Kearney in New York; Additional reporting by Shadia Nasralla in London and Aaron Sheldrick in Tokyo; Editing by Matthew Lewis and Leslie Adler

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China aims to rev up shale gas drive; wean itself off imports amid US trade row



SINGAPORE/BEIJING (Reuters) – China aims to slash its growing dependence on gas imports by boosting domestic projects like

shale fields as the security of its energy supply comes under the spotlight amid a festering trade war with the United States.

The row with Washington has overshadowed China's economy, likely slowing gas demand growth considerably this year, a new government research report shows. But Beijing is funding new efforts to boost domestic production, particularly from so-called unconventional sources like shale gas, as weaning China off its import reliance takes on new importance.

The report, released on Saturday by the oil and gas department at the National Energy Administration (NEA) and a State Council research arm, calls for boosting natural gas production in key resource basins in the southwestern province of Sichuan, the Erdos basin in the north and offshore China.

According to the report, China's gas consumption will rise by about 10% this year to 310 billion cubic meters (bcm), and to continue growing until 2050. Though slowing from last year's 17.5%, 2019's growth still represents an annual addition of 28 bcm, faster than the annual average growth of 19 bcm during 2007-2018, the report said.

While China imposed tariffs on imports of liquefied natural gas (LNG) from the United States starting last year, it remains the world's second-largest buyer of the super-chilled fuel.

"China's reliance oil and gas imports is growing too rapidly, with oil topping 70% and gas moving toward 50%," said Lin Boqiang, Director of the Energy Economics Institute at Xiamen University.

The NEA report calls for building the Sichuan basin into the country's top gas hub due to its rich resource base in both conventional gas fields and unconventional resources, such as shale gas and 'tight gas', a low-permeability gas derived from reservoir rocks and costly to develop.

“Through expanding development of deep-reservoir gas, tight gas and shale gas, Sichuan is likely to account for about a third of the country’s total natural gas output,” the report said, up from 20% currently.

Shale gas in Sichuan, the key region for China’s still fledgling shale gas development, could overtake conventional gas in output, the report added.

SHALE GAS

In a separate report carried by official news agency Xinhua on Saturday, Zhao Wenzhi, an influential researcher at China’s Academy of Engineering forecast that China’s shale gas output could reach 280 bcm, or 23% of the country’s total gas output, by 2035. Zhao also serves as president of Exploration and Production Institute at state giant PetroChina.

China last year produced about 10.9 bcm shale gas, less than 7% of the nation’s total gas output at 161 bcm.

The leap in projected shale gas output would require companies drilling over 500 wells a year between 2019 and 2035, double the 2018 level, Zhao was cited as saying.

Dominant state oil and gas firms have already ramped up drilling activities with near-record spending, in response to a call by President Xi Jinping in August last year to boost domestic energy security.

To expedite the growth, Beijing should consider offering tax sweeteners such as waiving resource tax on the shale gas, Zhao said.

China recently also announced a policy to extend subsidies for another three years on domestic production of unconventional gas, to include also tight gas for the first time.

In a research note last week, Wang Xueke, a consultant at Wood

Mackenzie, raised China's tight gas outlook to 85 bcm by 2040, up from an earlier forecast at 68 bcm.

Despite the lofty forecast and state subsidies, China faces complex geology and a lack of technological breakthroughs to make shale gas a profitable enough business to lure private money.

"The investment is still too small as only a handful state-run companies are exploring it ... Technology progress is not fast enough," said Xiamen University's Lin.

Reporting by Muyu Xu and Chen Aizhu; Editing by Kenneth Maxwell

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