Oil and Gas News Briefs
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January 2, 2020

Renewable energy popularity runs into unpopular power lines

(Wall Street Journal; Dec. 30) – In La Grande, Oregon, renewable energy is widely popular. But the power lines needed to transmit it are not. It's one of many communities nationwide fighting against lines to keep up with a surge in clean-power generation. "We need to develop more renewable energy, of course, but it shouldn't come at the cost of damage to our last remaining wild places," Brian Kelly, who helps lead a green group in eastern Oregon, said of a transmission line that would run through a nearby forest.

Utilities are under pressure to put up more power lines because many clean-energy plants are being built far from major cities. There were about 2,500 planned or newly completed electrical transmission projects in the U.S. last year, according to the Energy Information Administration. Meanwhile, about 900 new power projects, most of which produce renewable energy, were proposed last year, compared with 300 in 2004, said Glenn McGrath, an analyst with the federal agency.

"Regardless of where you go, there's always some issues — whether it's bats, whether it's birds, whether it's wealthy landowners who don't want their view interrupted," said Dan Shreve, wind-energy research director at consulting firm Wood Mackenzie. "As a consequence, you see these initiatives drag on forever." Idaho Power's proposed line in Oregon would connect an eastern Washington hub of largely hydropower and solar energy to the fast-growing Idaho market. The project would cost up to $1.2 billion. In November, opponents filed suit to block the line, pending more environmental analysis.

B.C. Supreme Court issues injunction against gas line opponents

(The Canadian Press; Dec. 31) - The British Columbia Supreme Court has granted Coastal GasLink an interlocutory injunction against members of a First Nation and others who oppose the gas pipeline from northeastern B.C. to the C$40 billion LNG Canada coastal export terminal in Kitimat. The company says it has signed agreements with all 20 elected First Nation councils along the 415-mile route but hereditary chiefs in the Wet'suwet'en First Nation say the project has no authority without their consent.

The court granted the company an interim injunction last December against pipeline opponents. In her ruling Dec. 30, Justice Marguerite Church said Coastal GasLink has the permits and authorizations for the project and has satisfied the requirements for an interlocutory injunction. She said there is evidence to indicate that the defendants have engaged in deliberate and unlawful conduct for the purpose of causing harm to the plaintiff and preventing it from constructing the pipeline.

"There is a public interest in upholding the rule of law and restraining illegal behavior and protecting of the right of the public, including the plaintiff, to access on Crown roads," the judge wrote. "The defendants may genuinely believe in their rights under indigenous law to prevent the plaintiff from entering Dark House territory, but the law does not recognize any right to blockade and obstruct the plaintiff from pursuing lawfully authorized activities."

China playing the long game for Arctic, Antarctic resources

(Chicago Tribune editorial; Dec. 30) - The top and bottom of the world no longer are barren expanses of ice visited every so often by explorers on snowshoes. They're untapped El Dorados, troves of hidden energy and mineral resources coveted by both East and West. Who's doing the coveting? For some time, the primary players have been the U.S. and Russia. But another global power has sidled its way into the game in both the Arctic and Antarctic: China.

China has been creeping into the Arctic conversation, even though it doesn't have the same say as the eight countries that border the Arctic. But that hasn't dampened China's Arctic ambitions. Beijing's overall investment in the Arctic rounds out to about $90 billion. China has been building icebreakers, established polar research outposts in Europe, and invested heavily in mines in Greenland and Canada and in a liquefied natural gas plant in Russia's northern Siberia.

China's polar fascination isn't limited to the Arctic. In Antarctica, China has set up four research stations and is building a fifth. It has established a permanent airfield, readied its second icebreaker there, and dramatically ramped up its Antarctic tourism industry. Anne-Marie Brady, a leading Antarctica scholar, views Beijing's approach to the continent and its resources as "first come, first served." Those resources, which include coal, copper, uranium, diamonds, and oil, are safely locked away for now. Ice two miles thick makes mining impractical. But China has always played the long game.

Russia hits record in 2019 for oil, gas condensate production

(Reuters; Jan. 2) - Russian oil and gas condensate production hit a record-high 11.25 million barrels per day in 2019, beating the previous record of 11.16 million set a year earlier, Energy Ministry data showed Jan. 2. The figures show Russia continues to ramp up its oil and its gas condensate production despite the impact in Europe of a tainted oil crisis earlier in the year which constrained output, as well as voluntary production cuts under a global deal to prop up prices.

The ministry did not separate out figures for crude oil production and gas condensate production, which was excluded from output reduction quotas under Russia's deal with the Organization of the Petroleum Exporting Countries. Russian oil production has been rising for the past decade thanks to the start-up of new fields and the introduction of new technologies at mature deposits. Russia is No. 2 in the world in oil production, behind the U.S. which is averaging about 12.5 million barrels per day.

In December, Russia's total oil and gas condensate stood at 11.262 million barrels per day, up from 11.244 million in November. Russian Energy Minister Alexander Novak said he expects Russian oil and condensate production in 2020 of between 11.12 million and 11.32 million barrels per day. OPEC and its producer allies have been capping their collective output since 2017 and Novak last week said the OPEC+ nations might consider ending their oil output curbs in 2020.

Low prices, weakened demand hits U.S. LNG developers

(Reuters; Dec. 29) - U.S. exporters of liquefied natural gas head into 2020 after a record year that saw exports soar by more than 60%, but growing concerns about weakened demand and heavy competition could act as headwinds in the coming year. Four new liquefaction trains entered service this year in the United States, and the country is on track to become the biggest global LNG exporter by 2024. In particular, LNG is seen as a cleaner alternative for Asian countries that have relied on coal-fired power plants.

The fickle nature of the market was apparent early this year, however, when a warm winter in Asia cut heating demand and prompted Asian importers to divert LNG cargoes to Europe. "It's likely that LNG prices will stay somewhat depressed in 2020, unless we get a cold winter across the pond and in the Far East," said James Mick, managing director and energy portfolio manager at energy investment manager Tortoise. Prices in Europe and Asia are down by around 40% so far in 2019 to their lowest in years.

Analysts at Morgan Stanley and Energy Aspects said some U.S. LNG export terminals could shut temporarily in 2020 due to a lack of demand. In addition, lower prices and weak demand could endanger the myriad of LNG projects still in development. Several LNG developers have put off making final investment decisions as a result. The market headwinds are making it difficult for some developers to sign enough long-term customer agreements needed to finance their export projects.

International analysts predict oil prices could drop 10% in 2020

(Forbes contributor; Dec. 30) – Oil traders should look out below for the next 12 months. Next year, the energy market faces a double whammy of a supply glut and lackluster demand that could send prices for crude oil down more than 10% from current levels.

"The oil market continues to see robust crude oil production from the U.S., Canada, and Brazil, which could lead to a supply glut in 2020," said a recent report from the Washington, D.C., think tank the Institute of International Finance.

The report, led by Garbis Iradian, IIF chief economist for the Middle East and North Africa, forecasts world oil production to expand by 1.9 million barrels a day in 2020 from 2019. More than half that total will come from the U.S. While that increase in supply is a little less than 2% of the global total, the oil market is always finely balanced, so seemingly small changes in supply or demand can have a significant impact on prices. IIF also said the increase in supply will not be met by an equivalent jump in demand.

"Slower global growth, even with an agreement on de-escalation of the trade war between the U.S. and China, could mean slower oil demand in 2020," the IIF report said. As a result, Iradian and his team see prices for Brent crude, the European benchmark price, averaging $60 a barrel in 2020. That's down 12.9% from the recent futures price of $68.71, according to Bloomberg data.

Non-OPEC oil supply growth strongest in 15 years

(OilPrice.com; Dec. 29) - Just as the U.S. shale industry is slowing down, oil production in other non-OPEC countries is on the rise. For the past few years, global supply balances often centered on the pace of demand growth versus the pace of U.S. shale growth. Chronic supply surpluses occurred because shale oil production grew much faster than consumers could digest it. OPEC+ felt compelled to cut back several times — and on an ongoing basis — in order to try to balance out the difference.

Going into 2020, however, other countries are joining the supply growth mix, just as U.S. shale taps the brakes. “On the one hand, mature areas have seen small- and large-scale project additions, leading to multi-year highs in the Norwegian North Sea, Gulf of Mexico and Brazil,” JBC Energy analysts wrote in a note. Oil companies continue to funnel money into Norway and the Gulf of Mexico because they have cut costs, while Brazil’s new pre-salt fields come online.

In addition, ExxonMobil has started up its Liza field in Guyana, adding 120,000 barrels per day. That is expected to ramp up to 750,000 in the coming years. Altogether, 2020 could turn out to be the largest supply increase from non-OPEC countries outside of the U.S. in 15 years at 820,000 barrels per day, JBC said. “In the meantime, U.S. shale growth has seemingly hit its boundaries in 2019.” JBC still sees the U.S. adding 850,000 barrels per day in 2020, sharply lower than in the past few years.

Russia adopts development plan for Northern Sea Route

(Barents Observer; Norway; Dec. 31) – Russian Prime Minister Dmitry Medvedev on Dec. 21 signed a new development plan for the Northern Sea Route. The document builds on President Vladimir Putin’s 2018 decrees and targets a boost in shipments on the northern route to 80 million tonnes a year by 2024. The plan covers a wide range of priorities, including infrastructure development, building new ships, mapping natural resources and launching new satellites and meteorological equipment.

The first of the priorities are set for completion in early 2020 with a regional geological exploration program. Then by June, key decisions are planned for development of a railway line to Sabetta, the seaport and LNG terminal in the northern coast of the Yamal Peninsula. A large-scale expansion of natural resource development is needed for Russian to meet its cargo-carrying ambitions on the Arctic route.

Several of the country’s biggest oil and gas and mining companies are involved. By 2035, about 40 new vessels are to be built, including nuclear icebreakers. In addition, at least 13 new hydrographical ships will be built, along with at least 16 support and rescue ships. The plan comes as the government is completing a new law governing its Arctic region, including major incentives for natural resource developers. According to government estimates, proposed tax preferences will lead to as much as 15 trillion rubles (US$240 billion) of investments in the Russian Arctic over the next 15 years.

Russia hit by climate change, but still targets more oil and gas

(Eurasia Review; Dec. 29) - When it wasn’t burning, Siberia was flooding, its permafrost was melting, and arctic ice kept breaking up. But as a year that underscored the troubles in store for Russia from global warming comes to a close, Moscow is making plans to adapt — and profit — from climate change. At his annual press conference, President Vladimir Putin said Dec. 19 that climate change poses “very serious” challenges for Russia. “We have entire cities above the Arctic Circle that are built on permafrost. If it begins to melt, just imagine what consequences may arise here for us. Very serious.”

But rather than fret during a late December meeting in Murmansk on the grounds of Atomflot, the subsidiary of state nuclear company Rosatom that maintains the world’s only fleet of nuclear-powered icebreakers, the Russian Arctic Commission looked for ways to cash in. During the meeting with government officials and the heads of state companies, the main topic of discussion was meeting the goals of a proposed new Arctic strategy to plot Russia’s course through 2035.

“One of the main tasks,” said Deputy Prime Minister Yury Trutnev, “is to fulfill the order to increase the transport of goods along the Northern Sea Route to the amount of 80 million tonnes by 2024.” That amount would be more than double the cargo currently being shipped through the 3,500-mile east-west Arctic route. To move that much cargo, new infrastructure must be in place to boost production and export cargoes of oil and gas. And to help power offshore oil rigs in the Far Eastern region of Chukotka, across from Alaska, Russia has launched its first floating nuclear power station.

New marine fuel standards could diminish value of oil sands crude

(The Canadian Press; Dec. 28) - A new wave of cold water is about to hit Canada's oil sands industry, but its affect is unknown. Tighter pollution rules from the International Maritime Organization are set to take effect Jan. 1, limiting the sulfur content of bunker fuel on ships to 0.5 percent, down from the current 3.5 percent. The change is expected to knock down prices for high-sulfur oil, such as raw bitumen from the Alberta oil sands. Bitumen comprises about half of Canada's 4.6 million barrels per day of crude.

The discount on Western Canadian Select (WCS) bitumen blend prices versus the U.S. benchmark low-sulfur West Texas Intermediate (WTI) could jump by $10 per barrel or more in January, said Alan Gelder, vice president for refining at consultancy Wood Mackenzie. "In October, we've got the WTI-WCS differential at about US$16 per barrel. And we've got that widening out to the high-$20s in January," he said. The differential should moderate to about US$23 or $24 by mid-2020, he said.

The difference between WTI and WCS dictates oil sands profitability. When the spread widened to as much as US$52 a barrel at the end of 2018 — a crisis blamed on pipeline capacity failing to keep up with oil sands growth — the Alberta government ordered production cutbacks in a successful bid to narrow the spread. The new pollution rules' impact on high-sulfur crude will be softened by disruptions in the flow of competing heavy oil from Venezuela and Mexico, as well as new petrochemical projects in Asia that need heavy oil as feedstock, said analyst Phil Skolnick, of Eight Capital in Calgary.

Iron ore miner reviewing bids for LNG-fueled bulk carriers

(Sydney Morning Herald; Dec. 30) - Australian miner BHP could award a landmark contract as early as March for the world's first fleet of bulk ships fueled by liquefied natural gas after reviewing 17 bids from gas producers, shipbuilders, and financial institutions. As the shipping industry braces for its biggest overhaul in decades with new international rules slashing sulfur levels in maritime fuel starting Jan. 1, BHP, the world's largest bulk-carrier charterer, said it is close to deciding the winner to design and supply LNG-powered ships to transport up to 27 million tonnes of its iron ore exports to Asia.

BHP maritime vice president Rashpal Bhatti said the introduction of bulk carriers running off LNG rather than diesel would eliminate nitrogen oxide and sulfur oxide emissions as well reduce carbon dioxide emissions by up to 25 percent. Bhatti said BHP was evaluating the detailed submissions before progressing to a "clarification stage" with the companies in January and subsequent negotiations in February.

As well as shipping companies, some of Australia's major gas producers including Woodside, Shell, and Pavilion were among the companies to have participated in the tender, according to Bhatti. BHP, the world's biggest miner, has welcomed the U.N. International Maritime Organization's new rules taking effect from next week requiring all ships to use fuel containing no more than 0.5 percent sulfur, down from 3.5 percent.

Spending cuts help Saudis keep breakeven oil price below $83.60

(S&P Global Platts; Dec. 30) – The oil price which Saudi Arabia needs to balance its budget is expected to dip below $83.60 per barrel as the world's biggest oil exporter signals an end to its expansionary fiscal policy through spending cuts, an International Monetary Fund official told S&P Global Platts. In October, the IMF reported that Saudi Arabia needed oil at $85.60 in 2019 and $83.60 in 2020 to cover its spending plans.

But with spending cuts, the 2020 breakeven number is expected to be lower, Tim Callen, Saudi Arabia mission chief to the IMF, said Dec. 19. Saudi Arabia needs high oil prices to help balance its budget as it seeks to create jobs, use oil money to prop up the private sector, and maintain its foreign oil reserves. Since 2015, when the fiscal deficit reached a record Riyals 367 billion ($98 billion), the government had dipped into its reserves and tapped domestic and international debt markets to finance its budgets.

Saudi Arabia, however, is now forecasting its 2020 expenditure to decline 2.6% to Riyals 1.02 trillion ($272 billion) following a record Riyals 1.048 trillion budget for 2019 aimed at boosting growth. Saudi Arabia wants to wean itself off oil income to propel private-sector growth and has adopted a roadmap for incentivizing non-oil growth.

India expects to import 90 U.S. LNG cargoes next year

(S&P Global Platts; Dec. 30) - Indian state-owned gas utility GAIL plans to import 90 LNG cargoes — about 5.8 million tonnes of liquefied natural gas — from the U.S. in the fiscal year ending March 31, 2021, almost the same volume as it expects to import in the current fiscal year, company officials said Dec. 30. That’s up from the 75 cargoes the gas utility had planned to import with the additional gas mostly intended to meet the needs of fertilizer manufacturers.

Comparatively, GAIL imported 62 cargoes of U.S. LNG in the past fiscal year, running April 2018 to March 2019. Overall, in fiscal year 2020-21, GAIL expects to import 250 LNG cargoes globally with the U.S. accounting for about 36% of India's total LNG imports. India has long-term LNG supply contracts with Qatar, Australia, the U.S., and Russia. India, the third-biggest energy consumer after the U.S. and China, is targeting gas to supply 15% of its total energy mix by 2030, up from current levels of about 6%.

Exxon secures leases on 1.7 million acres offshore Egypt

(Houston Chronicle; Dec. 30) – ExxonMobil has secured a large position to explore offshore of Egypt while Shell has opted to exit the Haynesville shale in East Texas and Louisiana. ExxonMobil is building a larger gas presence in the Eastern Mediterranean, where it made a large discovery offshore of Cyprus just 10 months ago. Exxon said Dec. 30 it received leases to explore 1.7 million acres off the coast of Egypt, including 1.2 million acres in the North Marakia block about five miles from Egypt's northern coast and 543,000 acres in the North East El Amriya block in the Nile Delta.

Operations, including the acquisition of seismic data, are scheduled to begin next year. In February, ExxonMobil made one of the largest gas discoveries of the past few years and the biggest in Cyprus' history, according to the Cypriot government. Exxon said the field tapped by its exploration well could hold 5 trillion to 8 trillion cubic feet of gas.

Shell, meanwhile, is choosing to focus its money on more profitable shale plays that have crude oil, including West Texas' booming Permian Basin, Canada and Argentina. Oil is more profitable than gas. Shell is moving out of the Haynesville shale after selling its last package of acreage to a private Houston firm. The Haynesville primarily produces gas. “The divestment is part of Shell's ongoing strategy to optimize its shale portfolio and direct capital toward developing our high-margin assets,” Shell said.