# Oil and Gas News Briefs
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## OPEC alliance agrees to start easing back on production curtailments

(The Wall Street Journal; July 15) - An alliance of crude producers led by Saudi Arabia agreed on July 15 to increase production starting in August, officials in the group said, amid signs that demand is recovering following coronavirus-related lockdowns. Key members of OPEC and its Russia-led allies agreed to loosen existing production caps by about 1.6 million barrels a day, starting to partially reverse draconian output cuts enacted to stem a sharp price decline in the early days of the coronavirus pandemic.

In April, Saudi Arabia, the world's largest oil exporter, led a push among the 23-producer group to cut collective output by 9.7 million barrels a day, as the pandemic led to a collapse of global oil demand. The group agreed to a relaxation of the cuts on July 15. Producers' relative optimism coincides with a July 10 report from the International Energy Agency showing the worst effects of the coronavirus on demand have passed but will continue to echo as the market slowly recovers in the second half of 2020.

The world's largest oil producers are attempting to mop up the global oil glut and stabilize prices. Experts, however, said easing the OPEC+ reductions is a risky bet. "Some of the more errant producers could use the easing as an excuse to revert to past practice, and overall group compliance levels could erode," said Helima Croft, the chief commodities strategist at Canadian broker RBC.

## OPEC forecasts 2021 oil demand will remain below 2019 levels

(Reuters; July 14) - Global oil demand will rise by a record 7 million barrels per day in 2021 as the global economy recovers from the coronavirus crisis but will remain below 2019 levels, OPEC said in its monthly report. It was the first report in which OPEC has assessed next year's oil markets. It said the forecast assumed no further downside risks materialized in 2021 such as U.S.-China trade tensions, high debt levels or a second wave of coronavirus infections.

"This assumes that COVID-19 is contained, especially in major economies, allowing for recovery in private household consumption and investment, supported by the massive stimulus measures undertaken to combat the pandemic," OPEC said. Prices collapsed this year after global demand fell by a third when governments imposed lockdowns to stop the spread of the virus.

OPEC said overall oil demand would drop by 8.95 million barrels per day in 2020, slightly less than in last month's report. In 2021, it expects efficiency gains and remote working to cap demand growth, keeping oil demand below record 2019 levels. Amrita Sen, co-founder of the think-tank Energy Aspects, said she thinks OPEC's demand recovery predictions could prove optimistic. Energy Aspects sees demand bouncing back by about 5 million barrels per day next year, 2 million less than OPEC's forecast.

## OPEC+ wants laggards to make up for missed production targets

(Bloomberg; July 14) - OPEC+ is seeking extra production cuts from members that have missed their targets again in June, potentially tempering the impact of the supply resumption planned by the wider coalition next month. A technical committee that met online on July 14 outlined plans for countries including Iraq, Nigeria, and Kazakhstan to make an additional 842,000 barrels a day of compensatory cuts in August and September, according to delegates.

The proposal will be discussed July 15 by a ministerial monitoring committee led by Saudi Arabia and Russia, the delegates said, asking not to be named because the information isn't public. They're expected to announce that the group's overall curbs of 9.7 million barrels a day — 10% of global supplies — will be relaxed in August as global fuel demand recovers. To prevent the supply increase destabilizing a still-fragile market, Riyadh and Moscow are keen for the cartel's laggards to make up for earlier cheating.

Iraq's state oil-marketing company has told at least four Asian refiners it will supply less crude to them next month as it seeks to comply with its OPEC+ commitment, according to people with knowledge of the matter. "With Iraq, Kazakhstan, Nigeria, and Angola all under-complying in May and June, these guys now need to over-comply to make up for the lost cuts," Amrita Sen, chief oil analyst at consultant Energy Aspects, said in a Bloomberg television interview July 15.

## Universities increasingly turn away from fossil fuel investments

(The Wall Street Journal; July 14) - When the University of Michigan's chief financial officer asked the school's board of regents in December to authorize a new $50 million oil-and-gas investment, they gave an answer he had never heard before: No. The board delivered the news at a meeting packed with student activists, who had spent months pushing the university to stop funding fossil-fuel companies. A few weeks later the school said it was freezing all direct investments in such companies.

U.S. university and college endowments control more than $600 billion of investments, and the movement to divest those funds from fossil fuels is gaining momentum.

Activists say years of alarm about the costs of climate change have unified a broad base of support, including among the alumni that typically fund endowments. Big universities rarely capitulate to such campaigns and fossil fuels seem to be joining a very short list of investments deemed off-limits, such as apartheid-era South Africa and tobacco.

In May, Cornell University swore off new direct investments in oil and gas, and George Washington University decided in late June to divest from the industry entirely following a similar action by Georgetown University in February. Alumni of Harvard University are voting this month on whether to appoint pro-divestment candidates to the board of overseers, which votes on the membership of the corporation that supervises its endowment, the largest in the country at about $40 billion.

Even Yale's rock-star endowment head David Swensen is feeling the pressure. An opponent of divestment, he agreed to meet with the faculty senate and students in February for a public debate on the issue, his first such meeting in 35 years at Yale.

## U.S. oil production in August forecast at lowest in 2 years

(S&P Global Platts; July 13) – U.S. shale oil production will fall to 7.49 million barrels per day in August, down 56,000 from July and the lowest in two years, the U.S. Energy Information Administration said July 13. The EIA cut its estimate for July production by 86,000 barrels per day from last month's outlook to 7.546 million, according to its latest Drilling Productivity Report. Permian Basin oil production is expected to fall to 4.16 million in July, down 103,000 barrels per day from last month's outlook.

Of the seven major U.S. shale oil basins, only the Bakken is set to see higher production in August, according to the EIA. The North Dakota/Montana basin is forecast to pump 1.113 million barrels per day in August, up 18,000 from July. North Dakota regulators said June 12 oil production in the state may have bottomed out in mid-May, when shut-ins topped 500,000 barrels per day.

S&P Global Platts Analytics expects overall U.S. oil output to average 11.74 million barrels a day in 2020, down from 12.24 million in 2019. It sees output falling to 10.17 million in 2021 and rising slightly to 10.37 million in 2022.

## Shale company CEO says best days of U.S. production may be over

(The Financial Times; UK; July 13) - U.S. crude oil production has already peaked, according to one of the country's leading shale executives, as producers battered by the price crash shun new output growth and start trying to become profitable. Matt

Gallagher, CEO of Parsley Energy, one of Texas' biggest independent oil producers, said the record output level struck earlier this year would be the high-water mark.

"I don't think I'll see 13 million (barrels a day) again in my lifetime," the 37-year-old Gallagher told the Financial Times. "It is really dejecting, because drilling our first well in 2009 we saw the wave of energy independence at our fingertips for the U.S., and it was very rewarding … to be a part of it." U.S. oil output fell by as much as 25% this spring as prices crashed in the wake of a Saudi-Russia price war and the COVID-19 outbreak, prompting several operators, including Parsley, to shut wells and cut planned spending.

Soaring shale production helped the U.S. become a net exporter of petroleum in November last year — a stunning reversal for a country that imported more than 10 million barrels per day a decade earlier. Since May, however, that has reversed and net imports have trended upwards. It was "hands down" the worst oil-price crash in recent history, Gallagher said, and it will have a lasting impact on the sector.

## Colorado county extends moratorium on oil and gas development

(Times-Call; Longmont, CO; July 14) - Boulder County, Colorado, commissioners voted unanimously July 14 to extend their moratorium on processing applications for oil and gas development in unincorporated parts of the county through Dec. 31. The current moratorium, originally imposed in June 2019 and extended at least twice since then, was to have expired July 31.

Staff recommended the latest extension to allow more time to complete proposed updates to the county's oil and gas development regulations that would apply some of the broadened local-control authority the state Legislature granted counties and municipalities last year. "I think it's just critical that we do the strongest rules" possible under that state law "to protect people and the environment," Commissioner Matt Jones said. "We need to take the time to do that right."

Commissioner Elise Jones said crafting and holding public hearings on proposed oil and gas regulatory updates was slowed by the COVID-19 pandemic. She said it makes sense to continue the moratorium so the county can adopt "the best and strongest" regulations.

## Tanker load of Alberta crude reaches New Brunswick refinery

(Global News; July 14) - After a nearly 7,500-mile journey from British Columbia through the Panama Canal, the first shipment of Alberta crude oil has arrived on Canada's East Coast. The Cabo De Hornos — loaded with oil from Calgary-based Cenovus Energy —

departed the Trans Mountain Terminal in Burnaby, B.C., on June 18. The vessel's nearly month-long haul to the Irving Oil refinery in Saint John, New Brunswick, was a journey made out of necessity, said industry analysts, as Canada's oil sector works to make do without the canceled Energy East Pipeline project.

"The idea that we would send a tanker from the West Coast all the way down through the Panama Canal back up the East Coast to a refinery in our own country is certainly a clumsy solution," said David Yager, an analyst with Yager Management. Transport Canada in May approved Irving's application to use foreign ships to deliver Canadian oil to its refinery in New Brunswick, a move that surprised many analysts in the oil industry as it suggested the circuitous route through the canal was economically feasible.

Irving Oil had backed the Energy East project, which would have connected their refinery to producers in Western Canada. But the idea was dropped in 2017 after opposition from environmental groups and the governments of Ontario and Quebec.

## Total locks down up to $16 billion in financing for Mozambique LNG

(Bloomberg; July 16) - Total's Mozambique liquefied natural gas project has completed as much as $16 billion in funding involving a score of banks, despite a slowdown in energy investment as the coronavirus hammers the global economy. It is the biggest foreign direct investment in Africa yet, said law firm White & Case, which advised the financiers. Financial close is expected by the end of September, it said. The company reported last fall that it has long-term contracts for 90% of the project's off-take.

The African Development Bank will provide $400 million in senior loans and the Japan Bank for International Cooperation signed a loan agreement for as much as $3 billion for the venture in northern Mozambique, they said July 16 in separate announcements. The total amount raised, which includes a loan from the Export-Import Bank of the U.S., matches the African nation's gross domestic product. Total is joined by partners from Japan, Thailand, India, and Mozambique in development of the offshore gas field and onshore LNG plant at 12.9 million tonnes annual capacity.

The financing achievement underscores the faith being shown in the $23 billion project, known as Mozambique LNG. While crude oil has staged a partial comeback from the worst effects of the pandemic, the gas market continues to face a massive oversupply. Despite this, lenders are betting on the country's location in southern Africa for ease of export, and the sheer size of gas deposits linked to the project. The project, which could be transformational for the country's economy, still faces significant challenges including its location in an area where an Islamist insurgency began in 2017.

## Work nears completion at LNG export terminal in Georgia

(Reuters; July 13) - Kinder Morgan asked U.S. energy regulators on July 13 for permission to put the seventh liquefaction train in service at its $2 billion Elba Island liquefied natural gas export plant in Georgia. Kinder Morgan said Train 8 would be ready for service soon thereafter, according to a filing with the Federal Energy Regulatory Commission. Trains 1-6 are already in service, with Train 1 starting service in October. Each train is capable of liquefying about 0.3 million tonnes per year of LNG.

At full production, the plant will run with 10 liquefaction units. “We are still expecting to place all of the remaining units in service before the end of the summer,” said Katherine Hill, a spokeswoman at Kinder Morgan. The first export cargo from Elba left in December. Elba, however, has not exported a cargo since January as government steps to reduce the spread of coronavirus have cut global energy demand.

The LNG terminal is 51% owned by units of Kinder Morgan and 49% by EIG Global Energy Partners. It is designed to produce about 2.5 million tonnes per year of LNG, or about 350 million cubic feet of natural gas per day. The export facility is built at the site of an underutilized 1970s’ LNG import terminal. It is one of six operating LNG export terminals on the East and Gulf coasts. Shell a 20-year contract to use the facility.

## FERC gives LNG developer a second extension to start work

(Reuters; July 15) - U.S. energy regulators on July 15 granted Delfin LNG a second one-year extension until September 2021 to complete its proposed floating liquefied natural gas export facility off the coast of Louisiana. The Federal Energy Regulatory Commission in September 2017 authorized Delfin to build its project by September 2019. The company in June 2019 asked FERC for a 3½-year extension, but the agency only gave it one more year until September 2020 to finish the project.

Since Delfin still has not started construction, it asked the FERC in June for a second one-year extension, which the agency approved. Delfin would use existing offshore pipelines to supply gas to up to four vessels that could produce up to 13 million tonnes per year of LNG. In the past the company said it planned to make a final investment decision to build the facility in 2020, which should enable it to enter service in mid-2024.

Like most other North American LNG developers, Delfin has delayed reaching an FID as buyers became hesitant to sign long-term agreements needed to finance the billion-dollar projects because global gas prices collapsed due to an oversupplied market and coronavirus demand destruction. In mid-2019, a dozen North American developers planned to make FIDs by the end of the year. None of those projects are under construction and all were delayed until 2020 or later.

## Louisiana LNG developer evaluating construction bids

(S&P Global Platts; July 14) - Energy Transfer is evaluating bids from contractors to build its proposed Lake Charles LNG export facility in Louisiana, according to a regulatory filing. The project continues to be active and viable despite Shell's exit in March as an equity partner, Energy Transfer said in a July 14 monthly status report to the Federal Energy Regulatory Commission.

Global price weakness and a slowdown in new long-term contracts for LNG have forced numerous developers of U.S. liquefaction terminals to delay final investment decisions or stop providing targets for their decisions. Shell cited the market challenges when it pulled out of the project, leaving Energy Transfer on its own. The project received bids from engineering, procurement and construction contractors in response to a tender issued in December 2019. Energy Transfer said the bids are being evaluated, though it did not disclose who the bidders are or when it would make its choice.

The project to add liquefaction facilities at the site of an underused LNG import terminal has had FERC authorization to move forward since 2015. To date, however, it has not disclosed any firm long-term off-take contracts, which are critical to securing financing for the billions of dollars for construction. After the Shell pull-out, Energy Transfer said it was evaluating alternatives at Lake Charles, including bringing in one or more partners and scaling back the project to 11 million tonnes annual capacity from 16.45 million.

## Argentina buys winter LNG at record low price of $2.87

(Natural Gas Intelligence; July 14) - Argentina's state-owned Integración Energética Argentina (Ieasa) has purchased 28 liquefied natural gas cargoes for the southern winter at a record-low price of $2.87 per million Btu on average, the company said on July 13. Despite growing domestic gas production from the Vaca Muerta shale formation and plans to develop large-scale LNG facilities, Argentina continues to import LNG in the winter months to meet seasonal demand.

The prices this season were the lowest ever in the 12-year history of the state firm, and will be of "substantial benefit to the country," Ieasa said. Cargoes this Argentine winter, which runs from about May to October, were ordered principally from Qatar, the United States, and Trinidad and Tobago, the company said. Ieasa said imported LNG supplies about 25% of the country's gas needs during the winter.

Argentina received 26 LNG shipments in 2019 to cover winter demand at an average price of $5.92 per million Btu, and in 2018 purchased 34 cargoes at $8.12, Ieasa said. The country also imports pipeline gas from Bolivia during the winter, while during warmer months it has started exporting surplus domestic gas to nearby Chile.

## Total’s average second-quarter price for all LNG sales was $4.40

(S&P Global Platts; July 15) - France's Total said July 15 its average realized sales price for equity-share liquefied natural gas from projects worldwide in the second quarter of 2020 was $4.40 per million Btu, down by almost $2 from the previous quarter. It is the second time Total has published an average sales price for its LNG, with the major producer saying it is doing so to allow for a "better understanding" of the company's integrated gas business unit performance.

Total said the prices reflected the combination of long-term contracts and spot sales. Because of the higher price earned under term contracts, the second-quarter average of $4.40 was well above the average Japan-Korea Marker spot LNG price in the period, as assessed by S&P Global Platts, of $2.14. A large amount of long-term LNG supply globally is contracted on an oil-indexed basis with a time lag.

Term LNG has been able to secure a better price than spot LNG, which has been under significant pressure due to the oversupplied global market. In 2019, Total's equity LNG sales amounted to 16.3 million tonnes, up 47% from the previous year. The increase was due to the ramp-up of the Yamal LNG facility in Russia and Australia's Ichthys plant, as well as the start-up of the first Cameron LNG train in the Louisiana.

## Refiners go after heavier crudes that make less jet fuel and diesel

(Bloomberg; July 13) - Middle East producers are banking on robust demand from Asia for its more sulfurous and dense crude, boosting prices for the dirtier oil even as OPEC+ considers loosening cuts that would increase supply. Iraq and the U.A.E. — two of the biggest OPEC producers — along with Qatar increased their selling prices of so-called medium-sour varieties for August cargoes from a month earlier. Asia has some of the world’s most sophisticated refineries, tailored to process this type of crude, which has become more popular than lighter grades that yield a lot more jet fuel and diesel.

Medium-sour crude has also faced a supply squeeze, with cuts from OPEC+ adding to curbed volumes from Venezuela and Iran. While there’s greater supply of less sulfurous grades, there’s also less demand for these distillates-rich varieties due to the crash in consumption, particularly for jet fuel. “In a low demand and weaker margin environment, refiners will be especially value-driven on feedstock selection and less inclined to run lighter grades,” said John Driscoll, chief strategist at JTD Energy Services in Singapore.