Oil and Gas News Briefs
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Sempra gives go-ahead for West Coast LNG export terminal

(San Diego Union-Tribune; Nov. 17) – San Diego-based Sempra Energy is getting its much-desired liquefied natural gas export facility on the Pacific Coast of Mexico. The company announced Nov. 17 that a pair of its subsidiaries will add an export component to an existing LNG import facility on the coast of Baja California. The Energía Costa Azul terminal near Ensenada will send gas to energy-hungry markets in Asia. The plant is planned at 2.5 million tonnes of LNG a year, at an estimated capital cost of $2 billion.

Sempra LNG CEO Justin Bird said the announcement comes a day after the company received the final permit needed from the Mexican government — which took about one year to obtain. Last week Mexican President Andres Manuel Lopez Obrador said the permit would be granted, provided Sempra helps the government take excess natural gas off its hands — the region's utility has committed to buy more gas than it needs.

Bird said the permit did not come with conditions to buy gas, but added, "If there is an opportunity to buy gas from CFE (Mexico's state-owned electric utility) or transmission capacity that they're under-utilizing and that can help support the ECA (Energia Costa Azul) project, we'll definitely do it." Costa Azul could become the first LNG export terminal on the West Coast of North America if it starts up as planned in 2024.

Total of France will take 1.7 million tonnes of LNG; Mitsui of Japan will take 0.8 million tonnes. A West Coast export facility has an advantage over U.S. Gulf Coast LNG terminals that have to send tankers through the Panama Canal to reach customers in Asia. Costa Azul is the first LNG project in the world this year to reach final investment decision as global demand for gas has slowed due to the economic hit of COVID-19.

LNG Canada says it's on target for first cargoes mid-decade

(Vancouver Sun; Nov. 16) - LNG Canada says it remains committed to delivering its first liquefied natural gas shipments in the middle of the decade despite setbacks from the coronavirus pandemic. The Shell-led project will liquefy gas from northeastern British Columbia at a plant at Kitimat on the West Coast, loading the fuel on ships for delivery to Asian markets. It is the only LNG project that has moved to construction of several proposed in British Columbia to tap into growing demand for energy in Asia.

The major players backing the C$40 billion project include Shell, Malaysian state-owned Petronas, state-owned PetroChina, Mitsubishi in Japan and Korea Gas. LNG Canada says major work is well underway, including advanced site preparation, pile driving, dredging, and construction of the marine terminal. The project's first phase will have a capacity of almost 14 million tonnes per year of LNG. During the summer LNG Canada opened a major housing camp in Kitimat that can accommodate up to 4,500 workers.

In the spring, the project cut in half its 1,500 workforce because of concerns over the coronavirus pandemic. With safety measures now in place, Canada LNG says there are more than 3,200 workers on the job. However, one of the engineering, procurement and construction contractors, Texas-based Fluor, said in an earnings call in September that the project was behind schedule due to the pandemic. Fluor CEO Carlos Hernandez told analysts that the company was talking with LNG Canada about the timeline. "At this point, things are as well as they could be under the circumstances," Hernandez said.

Developer delays start of work on Louisiana LNG terminal until 2021

(Reuters; Nov. 18) - Sempra Energy's Costa Azul liquefied natural gas plant in Mexico will be the only North American LNG export project to go forward this year now that Venture Global has delayed its plan to start work on its proposed Plaquemines project in Louisiana until 2021. Last year saw a record level of approvals for new LNG export plants, but investment in new energy infrastructure dried up in 2020 after oil and gas prices collapsed due to coronavirus-inflicted demand destruction.

At the start of 2020, a dozen or so North American developers said they planned to make FIDs by the end of this year. But all were delayed until 2021 or later. On its website, Venture Global said it plans to start building Plaquemines in mid-2021 and put it into operation in 2024. In September, the website said the company planned an FID in late 2020 with commercial service starting in 2023-2024.

Plaquemines is designed to produce up to 20 million tonnes per year of LNG. Analysts estimate the plant will cost $8.5 billion. In addition to Plaquemines, Venture Global is building Calcasieu Pass LNG in Louisiana, at 10 million tonnes annual capacity, which is expected to cost $4.5 billion and enter service in fall 2022. It is also developing Delta LNG in Louisiana. The company said it hopes to start construction on Delta in the second half of 2021 with the first phase entering service in the second half of 2024.

Oil Search will focus on Total-led LNG project in Papua New Guinea

(Reuters; Nov. 19) - Oil Search said on Nov. 19 its long-running plan to expand liquefied natural gas output in Papua New Guinea would now focus on the Papua LNG project, led by Total, in a sharp change of tack amid political ructions in the Pacific nation. France's Total had previously pushed to work with ExxonMobil to double liquefied natural gas exports from the country through a twinned $13 billion expansion of Exxon's 6-year-old PNG LNG plant and development of Total's new Papua LNG project.

Oil Search is a partner in both projects and had insisted it would only go ahead together by adding new liquefaction trains at the PNG LNG site, which has been producing almost 8 million tonnes per year. But talks have been stalled by Prime Minister James Marape's push for a bigger take for the country from the Exxon-led project. Oil Search said it now sees Total's Papua LNG moving on its own with two trains initially.

"There is significant interest from all parties to simplify LNG expansion in Papua New Guinea and focus on Papua LNG's two trains," Oil Search CEO Keiran Wulff told investors. His comments come as Marape faces a threat to his leadership, with several members of his government switching to the opposition on Nov. 13. "Whilst PNG is certainly the land of the unexpected, recent events in PNG are worth following closely," Wulff said. Exxon said talks with the government on its P'nyang gas field, which was to feed a third train at its LNG terminal, are ongoing. It declined to comment on Oil Search.

China's natural gas production up 11.6% in October; imports down

(S&P Global Platts; Nov. 16) - China recorded 575 billion cubic feet of domestic natural gas production in October, its second-highest monthly total ever as the nation continues to boost investment in its upstream sector and cut its dependence on imports, according to official data. Production in October was 11.6% higher than September and up 11.9% from a year ago, data released Nov. 16 by the National Bureau of Statistics showed.

In October, the country imported 7.53 million tonnes, or 366 billion cubic feet of gas, including liquefied natural gas and piped gas, down 13.1% on the month, data from the General Administration of Customs showed. It's expected that the reduction in imported gas will make available more space for storage of domestically produced gas, market participants said. Over January-October, China produced 5.415 trillion cubic feet of natural gas, up 9% year on year, the statistics bureau data showed.

In particular, China is trying to build its shale gas production. Sinopec's Fuling shale gas field reached a daily production of 727 million cubic feet on Oct. 31, its highest daily production from a shale gas field, the state-owned oil and gas major said in a recent update. Another state-owned oil and gas major, PetroChina, also reported daily shale gas production of almost 730 million cubic feet from the Changning block, in the southwest gas field, on Oct. 10, the company said in its latest operational update.

Chinese LNG terminal owner plans large boost in storage capacity

(Reuters; Nov. 17) - China's biggest offshore oil and gas producer CNOOC Group will add enough additional liquefied natural gas storage capacity at its Binhai terminal in the eastern province of Jiangsu to store cargoes from more than 10 conventional LNG carriers. The expansion will consist of six tanks and construction is expected to be completed in 2023, according to a Nov. 18 statement from state-owned Assets Supervision and Administration Commission of the State Council.

The government of Henan, a province in central China, will invest in two of the tanks but CNOOC will operate them in order to meet gas demand from both Henan and Jiangsu. The cooperation between CNOOC and the Henan government is the first time in China that a local government has invested in LNG infrastructure outside its administrative region, according to the commission statement. The first phase of the Binhai terminal is designed to receive 3 million tonnes of LNG a year and to start operations in 2021.

First Nations' group strikes deal to invest in Keystone XL pipeline

(S&P Global Platts; Nov. 17) - A First Nations group in Canada will invest up to US$764 million in the controversial Keystone XL pipeline as TC Energy continues its effort to win over the incoming Biden administration that has pledged to stop the line. The decade-in-the-making oil pipeline was rejected under President Barack Obama before being resuscitated by President Donald Trump. Now President-elect Joe Biden has said he would deny the project, but TC Energy is building a case with more Indigenous support.

The latest deal announced Nov. 17 involves the indigenous peoples-owned Natural Law Energy agreeing to acquire an investment stake of up to $764 million in the project. The deal is contingent on NLE securing the financing, and the first phase of the transaction wouldn't close until the third quarter of 2021. Ethan Bellamy, an energy analyst with East Daley Capital, called the deal a savvy maneuver by TC Energy, especially as Native American tribes play a bigger role in fighting new pipeline construction.

While the odds are still against the project, building a broad coalition of support is the only viable path forward, Bellamy said. The fight to expand the flow from Alberta's oil sands to U.S. Gulf Coast refineries still faces U.S. regulatory and legal hurdles. The $8 billion pipeline would move up to 830,000 barrels per day. Construction is completed on the Canadian side of the border, as well as preliminary work in Montana. TC Energy had delayed its planned completion date to 2023, factoring in legal delays.

Natural Law will earn a percentage of the profits and raising the investment will not be a problem, said CEO Travis Meguinis. Terms of the deal are confidential, said Bevin Wirzba, TC's executive vice president for liquids. "I see it as a divide-and-conquer tactic," said Matthew Campbell, staff attorney at Native American Rights Fund, which represents communities in a lawsuit against the U.S. government and TC.

[Growing number of U.S. cities, states sue over climate change]

(Bloomberg Law analysis; Nov. 16) - A growing number of cities and states are suing oil majors and other oil industry participants for the damage of climate change. Rising seas, increasingly severe weather, and the escalating infrastructure costs to adapt have driven the lawsuits across the country, largely via state common law claims. Recent cases now number in the dozens. For oil majors already seeing significant challenges from the global pandemic and economic downturn, the impacts could be seismic.

Similar to other novel climate-change cases, procedural questions of standing and jurisdiction may be the biggest obstacles for these cases to reach trial. One such question — whether state or federal court is the proper forum — in a lawsuit filed by the City of Baltimore has reached the U.S. Supreme Court and will be argued in the coming term. The outcome of this case is sure to impact the entire landscape of these mounting state-based climate cases. Proving fault for climate change is no easy task, but the most important goal for plaintiffs at this point is to keep the cases in state courts.

The lawsuits recently brought by cities and states alleging liability for climate change involve a variety of state-based claims, including nuisance, trespass, failure to warn, damage to property, consumer protection, and deceptive trade practices. The cases are coming from every corner of the country, from Delaware to Washington and from Maine to California. Cases have been filed by large cities, like San Francisco and New York, and smaller cities like Boulder, Colorado, and Hoboken, New Jersey.

[Explorers finding a lot of oil and gas, but will not develop all of it]

(Houston Chronicle; Nov. 16) - Oil companies are on track to discover 10 billion barrels this year, despite the coronavirus pandemic temporarily halting exploration activity this spring. More than 8 billion barrels of crude and associated natural gas have been discovered so far this year, up from a decades-low 7.7 billion discovered in 2019 during the last oil bust, according to Rystad Energy, an Oslo-based energy research firm.

Oil exploration has remained resilient this year despite concerns the global pandemic would drive down crude discoveries to their lowest level in decades. Companies have been drilling in mature oil fields such as Brazil and Norway as well as in promising new prospects in Suriname, Guyana, South Africa, and Turkey. Most of the oil discoveries were found in Russia with 1.5 billion barrels, followed by Suriname with 1.4 billion barrels and the United Arab Emirates at 1.1 billion, Rystad said.

Companies that have made the most discoveries so far this year include Russia’s Gazprom, French major Total, and Houston-based Apache, which has found about 700 million barrels of oil and gas this year, mainly off the coast of Suriname, according to Rystad. Despite the prolific discoveries, less than half of the oil and gas discovered this year will be extracted by 2040 because companies are scrutinizing projects more closely than before as the pandemic has squeezed their bottom lines. Only the prospects with the highest chance for success will likely be drilled, Rystad said.

Extending OPEC+ cutbacks would further reduce oil inventories

(Reuters; Nov. 17) - OPEC and its allies see global oil inventories declining further in 2021 should producers extend their supply curbs an additional three months or more, a confidential document seen by Reuters shows, supporting the case for a tighter policy on crude output next year. The OPEC+ producer group, for now, is due to raise output by 2 million barrels per day in January, or about 2% of global consumption, as part of an earlier agreement to steadily ease record supply cuts that were implemented this year.

But weakening demand has prompted OPEC to consider delaying the increase. The report by the Joint Technical Committee said the rebound in global oil demand next year would be less than previously thought as the coronavirus second wave continues. Oil stocks in developed countries declined in September but still stood 212 million barrels above the five-year average, according to OPEC. According to one scenario in the report, if the current oil-production cuts were extended to the end of March, commercial inventories will decline in 2021 to 73 million barrels above the five-year average.

If the pact to reduce OPEC+ oil production is further extended to the end of June, stocks would fall and stand at only 21 million barrels above the five-year average next year, according to another scenario. OPEC+ sources said Nov. 16 that one option gaining support was to keep existing curbs of 7.7 million barrels per day for a further three to six months, rather than tapering the cut as scheduled to 5.7 million in January.

OPEC+ members give no hints on production decision

(S&P Global Platts; Nov. 17) - OPEC and its allies will keep the market guessing for a few weeks on whether they will maintain deep production cuts past January, as traders largely expect and as ministers themselves have hinted. A key monitoring committee led by Saudi Arabia and Russia met Nov. 17 without making any recommendations, delegates told S&P Global Platts, despite reviewing proposals to postpone by three to six months the alliance's scheduled plan to add 2 million barrels per day of production.

The 22-country bloc will announce its decision when it convenes online Nov. 30-Dec. 1, still ample time for market fundamentals to shift, delegates said, warranting a cautious approach. Analysts and traders have said that if production increases as planned, the fragile oil market would likely not be able to absorb the additional supplies — along with Libya's resurgent crude output — without tanking prices, particularly with the first quarter traditionally a low-demand season. Front-month Brent prices have rallied over the past week but remain under $44, far below what OPEC+ members view as ideal.

The monitoring committee, tasked with assessing market conditions and tracking member compliance, will meet again Dec. 17 to review any new deal, as well as maintain pressure on countries to stick to their agreed production levels. The current deal has OPEC+ members cutting 7.7 million barrels per day of crude production from November 2018 levels, tapering down from January 2021 to April 2022.

Saudis tell OPEC+ not to give markets any reason to 'react negatively'

(Reuters; Nov. 17) - Saudi Arabia called on fellow OPEC+ members on Nov. 17 to be flexible in responding to oil market needs as it builds the case for a tighter oil production policy in 2021 to tackle weaker demand amid a new wave of the coronavirus pandemic. OPEC+, which groups together the Organization of the Petroleum Exporting Countries, Russia and others, is considering delaying a plan to boost output by 2 million barrels per day, or 2% of global demand, in January to support the market.

"We as a group do not want to give the markets any excuse to react negatively," Saudi Energy Minister Prince Abdulaziz bin Salman said at a virtual meeting of an OPEC+ panel, the Joint Ministerial Monitoring Committee. Saudi Arabia, the world's biggest oil exporter, has indicated it wants a tighter policy in 2021 to draw down global crude inventories still bulging since demand tumbled this year. But other big producers, such as Iraq, have failed to deliver fully on promised cuts and have signaled they want some leeway to produce more oil next year.

"The markets will not be kind to those who do not stick to agreements. This is why we must be prepared to act according to the requirements of the market. I recently said we must be ready to tweak the terms of our agreement if need be," the Saudi minister said. OPEC+, which holds a full ministerial meeting on Nov. 30 and Dec. 1 to discuss policy, agreed to record oil cuts earlier this year as global lockdown measures aimed at preventing the virus from spreading drove down fuel demand.

North Dakota oil production recovers to 1.22 million barrels per day

(Minneapolis Star Tribune; Nov. 17) - North Dakota posted a solid hike in petroleum output in September while the industry races to start new wells before President Donald Trump leaves office. Still the outlook in North Dakota — and the U.S. — is murky as oil prices remain depressed and COVID-19 continues to sap the economy. September output was up 5% on the oil side, Lynn Helms, director of North Dakota's Department of Mineral Resources, said Nov. 17. "This might be as good as it gets for a while."

North Dakota, the nation's second-largest oil and gas producer, churned out 1.22 million barrels of oil per day in September, up from 1.17 million the previous month. Natural gas production jumped 7% during the same time. North Dakota's oil output hit a sevenyear low in May of 858,400 barrels per day before rallying over the summer. It had been close to 1.5 million barrels per day at the start of the year.

The recovery, though, was driven by the reopening of wells that had been shut-in when oil hit historic lows. It has now largely played out, Helms said. For output to keep rising, companies must frack new wells to offset old wells in decline. But oil prices are too low to spur such activity anytime soon, though the state has seen a steady rise in permits for new wells. "That is attributed to (concerns) over changing federal policy," Helms said, not economics. President-elect Joe Biden has proposed limiting drilling on federal lands. Almost 25% of the state's oil lands could be "severely impacted," Helms said.

China continues adding low-priced oil to storage

(Reuters; Nov. 18) - China's commercial oil stockpiling sector, which emerged as a key swing buyer of crude as prices plunged earlier this year, is setting plans to grow again in 2021, supporting a further boost in imports. Private tank farm operators, refiners and traders pumped an extra 310 million to 600 million barrels of oil into storage in China this year, far more than double 2019 levels, according to a survey of five analysts. That represents more than a month's usage in the world's second-largest oil consumer.

The buying helped prop up global oil markets as the coronavirus slashed demand, and delivered big profits for operators, traders and refiners that were able to stock up cheaply. While oil prices have partly recovered, they remain below historical levels. "Given how lucrative the storage business is in 2020, everyone will try to boost their storage capacity," said Liu Yuntao, China analyst with Energy Aspects.

Private refiners and storage operators will put about another 100 million barrels of new tanks to use in 2021, according to interviews with six top storage operators and data from company and Chinese media reports. With Chinese demand a key factor for crude markets, more storage can potentially boost flows into the country. China's oil storage has traditionally been driven by state-owned companies and the country's Strategic Petroleum Reserve, but private firms have taken an increasing role over the past four years after small, independent refiners were allowed to import oil.