Oil and Gas News Briefs
Compiled by Larry Persily
November 9, 2020

Norway's Supreme Court hears lawsuit against Arctic leases

(The New York Times; Nov. 5) - The Norwegian Constitution declares that all citizens have the right to a healthy environment. But Norway's economy is built around an oil and gas industry that accounts for more than half of the nation's exports. Now the country's Supreme Court is being asked to confront this apparent paradox, as it hears a challenge by environmental groups seeking to invalidate 2016 licenses for oil exploration in the Arctic on constitutional grounds.

The case, which began Nov. 4 before a bench of 15 voting Supreme Court judges — a procedure reserved for the most significant issues — is the first climate-change litigation to be brought under the Constitution's environmental provisions, which were passed in 2014, and experts say it is unclear how the judges will rule. It is among the high-profile cases in several climate-change lawsuits brought by activists in Europe and elsewhere — one that Norwegian news outlets have described as "the case of the century."

A victory for the environmental groups, said Hans Petter Graver, a law professor at the University of Oslo, could force Norway to phase out activities like oil exploration, a cornerstone of its economy. The litigants, which include Greenpeace and Nature and Youth Norway, say they are also suing on behalf of future generations, arguing that approving oil exploration violates human rights conventions because of its contribution to higher carbon emissions. Lower courts declined to toss out the exploration licenses.

EU wants LNG sellers to reduce greenhouse gas footprint

(Bloomberg; Nov. 5) – The European Union is looking at ways to put pressure on global exporters of liquefied natural gas to reduce their greenhouse gas footprint, part of the continent's effort to slash fossil fuel pollution. Officials at the European Commission, the EU's executive arm, are assessing ways to reduce pollution from gaseous fuels as part of the Green Deal, an environmental cleanup of the entire economy. The goal is to step up reductions of carbon dioxide and methane emissions as the 27-nations bloc tightens it climate goals and looks to scale up innovative energy technologies such as hydrogen.

"LNG trade and gas will remain the main topic of our cooperation with the U.S. in the years to come," Anne-Charlotte Bournoville, head of the international relations and enlargement unit at the EC's energy directorate, said on a webinar on Nov. 5. "At the same time, you see the direction of EU energy and climate policy. We need to achieve our 2050 ambition of climate neutrality."

The number of U.S. LNG cargoes arriving in Europe has surged in the past two years. At the same time natural gas and LNG, once touted as bridge fuels to smooth the transition away from coal, have come under increased scrutiny as governments chase more ambitious climate targets. Last month French power company Engie shelved plans to buy LNG from U.S. export terminal developer NextDecade, handing a victory to an environmental group that had urged the utility to drop the deal on pollution concerns.

Trump demotes FERC chairman after climate-related comments

(Argus Media; Nov. 6) - President Donald Trump has demoted Federal Energy Regulatory Commission Chairman Neil Chatterjee and handed the top job at the agency to fellow Republican Commissioner James Danly. Chatterjee said he would serve out the rest of his term through June. FERC is responsible for approving natural gas pipelines, LNG export terminals and hydroelectric projects. It also regulates rates for interstate oil and gas pipelines and oversees regional electric grids.

The abrupt leadership shake-up at FERC comes after Chatterjee supported a rule to make it easier for rooftop solar and other "distributed" energy resources to be integrated into the grid. Chatterjee also backed a bipartisan policy last month saying the agency is open to letting electric grids incorporate state-determined carbon prices. Danly opposed both measures. Those two climate-related policies appear to have left Chatterjee in hot water with the White House. Both Danly and Chatterjee are Trump appointees to FERC.

Chatterjee's acknowledgement of the need to address climate change "cost him his chairmanship, but it also set him apart and cemented his standing as one of FERC's great leaders," the conservative climate group the Alliance for Market Solutions' executive director Alex Flint said. The White House declined to comment. Because only three commissioners are now serving on the five-member panel, Danly will need support from Chatterjee or Democratic Commissioner Richard Glick to advance any orders. FERC is at risk of losing its voting quorum if any of its members resign.

Shell will close 240,000-barrel-a-day Louisiana refinery

(The Advocate; Baton Rouge, LA; Nov. 5) - After failing to find a buyer for its refinery in Convent, Louisiana, Shell is shutting down the plant which can process 240,000 barrels of crude per day and employs 700 company workers and 400 contract workers. The shutdown process is expected to begin mid-November and run through December as the company consolidates its international refinery portfolio from 14 sites to six by 2025. Shell will continue trying to sell the idled refinery, which sits midway between Baton Rouge and New Orleans. "Despite efforts to sell the asset, a viable buyer was never identified," said Curtis Smith, spokesperson for Shell. "After looking at all aspects of our business, including financial performance, we made the difficult decision to shut down the site." Gov. John Bel Edwards called the announcement “very sobering,” noting that the company’s move is part of an international shift to renewable energy resources.

Shell said the goal is for its refineries to be more integrated with chemical complexes to produce more biofuels, hydrogen and synthetic fuels as Shell positions itself for a transition from fossil fuels to a low-carbon future because customers are asking for lower-carbon products. Other refineries under review for potential sale or closure include Puget Sound, Washington, and Mobile, Alabama, along with plants in Canada and Denmark. Decisions on those refineries have not been made, according to Shell.

OPEC’s December meeting could be tense

(Bloomberg; Nov. 8) - This was supposed to be a time when things were getting closer to normal for OPEC. A recovery in oil demand after the pandemic’s first wave, coupled with a deep slump in U.S. oil production, was meant to leave the world needing more of its members’ crude. But it isn’t turning out that way. Two things have conspired against OPEC. The coronavirus outbreak is threatening to put an already stalling recovery in oil demand into reverse, and supply is rising from sources over which it has no control.

The world’s failure to deal effectively with the pandemic has seen countries across Europe impose a fresh round of restrictions on their populations, including measures such as closing bars, restaurants, and non-essential shops and limiting travel. There are concerns, too, that virus cases could spike again in the U.S. after a frenzy of election rallies and post-poll protests, prompting more stay-at-home orders and further sapping oil demand. Even in Asia, where economic activity and oil demand is returning more quickly to pre-pandemic levels, producers are still waiting to see the full benefit.

Meanwhile, OPEC producers are facing unexpected competition. U.S. oil production is expected to pick up in the short term as drilling rates rise and hurricanes abate. What’s more, U.S. oil exporters are making big inroads into one of OPEC’s core markets — China. In September, China imported more oil from the U.S. than from anywhere else other than Saudi Arabia and Russia. With OPEC members already chafing at output restrictions, the group’s next meeting in early December is likely to be a tense affair.

Libyan oil production back up to 1 million barrels per day

(S&P Global Platts; Nov. 7) - Libya is producing more than 1 million barrels per day of oil, an increase of almost 500,000 in just over two weeks, after its two rival-warring factions agreed to a peace deal on Oct. 23., state-owned National Oil Corp. said Nov. 7. The North African producer had seen its output fall to less than 100,000 barrels per day in recent months as an eight-month oil blockade temporarily crippled its oil sector.

The sudden surge in Libyan output comes at a very tricky time for the oil market, which is coping with a fragile demand outlook amid a second wave of coronavirus infections. The extra Libyan supply means OPEC+ will have to make some difficult choices as it heads to its next formal meeting on Nov 30 - Dec. 1. The coalition was looking to trim its output cuts in 2021 but fading demand growth along with Libya's resurgence are likely to thwart its initial plans.

Libya reached the coveted 1 million figure even faster than it had initially expected. The national oil company, however, said it may struggle to sustain these production levels if political and financial stability are not maintained. Libya's oil production had fallen to as low as 70,000 barrels per day in recent months from around 1.1 million before the blockade in January. Libya holds Africa's largest proven reserves of oil.

Calgary-based Enbridge sets net-zero emissions target by 2050

(Bloomberg; Nov. 6) - Enbridge became the largest company in the North American oil industry to set a goal of eliminating all net emissions from its operations by 2050, joining major European producers in providing climate-conscious investors with a plan to tackle global warming. The pipeline giant also established an interim target of reducing the intensity of greenhouse-gas emissions from its operations by 35% by 2030, according to environmental, social and corporate governance, or ESG, targets it outlined Nov. 6.

It follows similar or tougher pledges by Shell, BP, Total, and Repsol, while top U.S. producers ExxonMobil and Chevron have made clear they are not following suit. “It’s a very public demonstration of our level of commitment to making progress on these important criteria and issues that matter to society and to our stakeholders,” Peter Sheffield, Enbridge’s chief sustainability officer, said in an interview.

The oil and gas industry, which has long been the target of environmental groups, is under increasing pressure from shareholders managing trillions of dollars to address greenhouse-gas emissions such as methane. Those investors include Alliance Bernstein Holding and California State Teachers’ Retirement System. Enbridge’s plan doesn’t include a net-zero target for so-called Scope 3 emissions from buyers’ combustion of fossil fuels by cars, airplanes, homes and factories. For now the Calgary-based company said it will help suppliers and customers to cut emissions.

Alberta power company will stop burning coal by 2022

(Calgary Herald; Nov. 4) - TransAlta says it will stop mining coal at its Highvale mine near Edmonton by the end of 2021 and will no longer use coal to generate power in Canada effective Jan. 1, 2022. In a Nov. 4 report of its third-quarter financial results, TransAlta said it was closing the mine, located south of Lake Wabamun, about 45 miles west of Edmonton, four years ahead of schedule in an effort to accelerate its environmental, social and corporate governance goals.

The Highvale mine, which has been in operation since 1970, is one of three TransAlta-owned surface coal mines and Canada's largest surface strip coal mine, covering more than 31,000 acres, according to the Calgary-based company's website. TransAlta CEO Dawn Farrell said in a conference call that the company is on track to reduce its greenhouse gas emissions by almost 70% from 2005 levels by the end of 2022.

TransAlta's Keephills Unit 1 and Sundance Unit 4 generating stations will stop firing with coal and will only burn gas, reducing their maximum capacity to 70 megawatts and 113 megawatts, respectively. "It's really related to overall the economics of producing power in Alberta on coal with the carbon tax. If you look at Alberta, we've currently got a C$30 (per tonne) carbon tax, it's be C$40 by next year, C$50 the year after. Coal plants get less economic and they're less flexible in a merchant market," Farrell said. TransAlta operates more than 70 power plants in Canada, the United States and Australia.

Malaysia's Petronas commits to net-zero emissions by 2050

(Agence-France Presse; Nov. 5) - Malaysian state energy giant Petronas on Nov. 5 set a target of net-zero carbon emissions by 2050, the latest major oil company to step up efforts to combat climate change. The firm, a significant contributor to Malaysia's government revenues, said it would aim to slash emissions by steps such as improving the energy efficiency of its operations and focusing more on renewables.

The energy industry has long been criticized for inaction on climate change but several companies are responding to the growing pressure. Petronas — Malaysia's only Fortune 500 company — has set a target that is in line with commitments by BP and Shell. Governments have also been pledging to slash emissions. Japan last month set a 2050 deadline to become carbon neutral, putting it on the same timeline as Europe and Britain and a decade ahead of China, which recently set a 2060 goal.

German company finds insufficient market interest in LNG terminal

(The Associated Press; Nov. 6) - A German company said it is re-evaluating plans for a liquefied natural gas import terminal in the North Sea port of Wilhelmshaven after failing to receive sufficient commitments from potential customers. Imports of liquefied natural gas offer an alternative to gas piped from Russia. Germany has faced pressure from the U.S. and some European countries to abandon the well-advanced construction of a new pipeline, Nord Stream 2, to bring more Russian gas to Germany under the Baltic Sea.

Washington argues that the pipeline will endanger European security by making Germany overly dependent on Russian gas. The U.S. also wants to sell more of its own LNG to Germany, which has Europe's largest economy. Plans are being pursued for four LNG terminals in Germany, including Wilhelmshaven. But Uniper, the lead on the project, said it will be re-evaluated "because of market players' reluctance to make binding bookings for import capacities at the planned terminal." The terminal was planned for more than 7 million tonnes per year of LNG capacity.

Uniper said in a statement that the procedure for gauging market interest ended a week ago "without a sufficient response." Numerous market players "expressed general interest" but too few made binding commitments. "Economic uncertainties have definitely played a role in the current circumstances," project manager Oliver Giese said. "Many companies don't want to make long-term commitments at the moment."

Chinese buyer signs small 5-year deal for U.S. LNG

(Bloomberg; Nov. 6) - China inked its first term deal to buy liquefied natural gas from a U.S. exporter since the trade war disrupted deliveries, a sign of confidence that relations could be normalizing. Foran Energy said it signed a framework deal with Cheniere Energy to purchase 26 cargoes between 2021 and 2025. The deal was made at the annual trade fair in Shanghai, a signature project of President Xi Jinping designed to showcase China's openness. Prices will be linked to the U.S. Henry Hub natural gas benchmark.

Chinese firms had stopped signing longer-term supply contracts with U.S. exporters after Beijing slapped tariffs on shipments in retaliation for U.S. levies on Chinese goods in 2018. A long-negotiated supply deal between Cheniere and Sinopec, China's refining and petrochemicals giant, never materialized due in part to the trade spat. Cheniere operates LNG terminals in Louisiana — the first on the Gulf Coast — and Texas. The deal with Foran represents a little less than 2 tonnes of LNG spread over five years.

U.S. LNG sales to China stopped completely between May 2019 and March this year. Imports have since resumed as Beijing looks to honor its commitments to the Phase 1 trade deal signed with Washington in January, even as broader political relations between the world's two largest economies have been stretched almost to a breaking point. Earlier this year China introduced a tariff waiver program that included LNG in a bid to increase imports. But China's largest buyers have been uneasy about making long-term pledges in case relations with Washington were to suddenly sour.

[As oil prices fall, U.S. natural gas prices are on the rise]

(The Wall Street Journal; Nov. 3) - A split is emerging for U.S. shale drillers: Those that primarily pump oil are struggling to survive, while those that produce gas are slowly seeing signs of recovery. Oil-focused fracking companies are under financial strain, as renewed concerns about the coronavirus pandemic are weighing down crude prices. But gas-focused drillers are getting a long-awaited reprieve as prices climb ahead of winter and are less sensitive to lockdowns that erode demand for transportation fuels.

While U.S. benchmark oil prices have tumbled to under $40 a barrel, natural gas prices soared 33% last month to their highest level in nearly two years before settling Nov. 2 at $3.24 per million Btu. The result is a reversal of fortunes in the U.S. shale patch, where oil companies have long overshadowed their gas-focused peers.

Many drillers in West Texas and North Dakota extract natural gas as a byproduct of the oil they are seeking. They had produced so much of the excess gas that they flooded the market, keeping prices depressed for years. That pressure is now easing for gas producers as oil companies limit their production growth, which puts less associated gas into the market. That reduced supply and winter weather are boosting gas prices.

[Texas retirement community opposes oil export terminal]

(Houston Chronicle; Nov. 5) - When Melinda and Michael Wilhelm got a $2.5 million offer for their waterfront commercial property in Surfside Beach, Texas, they were not excited. “It was immediately rejected,” Melinda Wilhelm said. To the Williams, the letter from Enterprise Product Partners, one of the largest pipeline builders in the country, was a statement that a proposed offshore oil export terminal and pipeline could be built under their land — despite community opposition and gloomy energy market forecasts.

The Sea Port Oil Terminal, a joint project between Enterprise and Enbridge, a Canadian pipeline company, is a leading contender to become the first U.S. Gulf Coast offshore oil export terminal able to accommodate supertankers that haul 2 million barrels of crude oil. Despite the collapse in oil demand and prices, industry observers say the project, proposed last year when U.S. oil production hit record highs, is so far along in the permitting process that Enterprise and Enbridge are unlikely to give it up.

“It’s very costly to go through the permitting process,” said Renee Klimczak, a managing director on the energy team for Alvarez & Marsal, a consulting firm headquartered in New York. “When someone enters that process, they’re normally serious.” The Surfside Beach City Council in March voted to oppose the project. When the pandemic crushed oil prices, residents of the retirement community thought all the talk about a pipeline would quiet down. “We were hoping when oil tanked … it would go away,” Wilhelm said. Residents say the project is a threat to their health, environment, and way of life.

Sempra continues looking to build its LNG portfolio

(Natural Gas Intelligence; Nov. 6) - Sempra Energy's planned portfolio of liquefied natural gas export facilities is among the most competitive in North America, said CEO Jeffrey Martin, who outlined progress Nov. 5 on the company's three projects in Louisiana (Cameron LNG, which shipped its first cargo in May 2019, with expansion under consideration); Texas (Port Arthur LNG, waiting on a final investment decision); and Mexico (Energia Costa Azul, waiting on permitting and a final investment decision).

"It's now realistic that we will have an investment decision, along with the permit, by the end of this year," Martin said of the LNG project on the Baja California Peninsula. "We have definitely encountered some headwinds, and there have been some dislocations in the market based on the policies and protection around stable enterprises," he added. "We think we have built a strong franchise in our LNG business," Martin said during a third-quarter earnings conference call. He said cash flow from Cameron LNG is expected to fund a proposed second expansion at the terminal.

Water recycling grows at Permian Basin fracking sites

(Carlsbad Current-Argus; New Mexico; Nov. 6) - Investments in water developments continue in the Permian Basin amid a growing need for water handling and recycling even as drilling operations slow amid the COVID-19 pandemic. Despite the price per barrel of domestic crude hovering under $40, companies continue to bring facilities online to handle the immense water supplies needed and created by their operations.

Most new oil and gas drilling operations in New Mexico use hydraulic fracturing, which pumps a mixture of water, sand and chemicals underground to break up shale rocks and extract fossil fuels. Each well can use from 1.5 million to 16 million gallons of water, according to the U.S. Geological Survey. For every barrel of oil brought to the surface, fracking can bring up to 10 barrels of produced water — a combination of flowback from the initial frack and formation water brought up from the shale along with oil and gas.

Traditionally, operators pump the water — often high in salt and toxic chemicals — back underground for disposal, but in recent years Permian drillers in southeastern New Mexico and West Texas began recycling the water to reuse in future drilling in the arid region where water supplies are scarce. Solaris Water Midstream last month began operations at its water recycling and reuse facility on the New Mexico side of the Permian. Solaris is also developing a network of mobile recycling systems that can be deployed to extraction sites for quicker water reuse throughout southeastern New Mexico's oil fields.

Engineers will try running engine on ammonia as marine fuel

(BBC; Nov. 5) - An enormous engine, the height of three floors, growls loudly at a test center in Copenhagen. Nearby a team of engineers supervise it from a control room resembling a ship's bridge. The engine is being prepared to take part in a ground-breaking project. Engineers want to see if they can make it run on liquid ammonia. Ammonia is a key component in fertilizer and cleaning products. But in the search for cleaner fuels, the foul-smelling substance has emerged as a frontrunner to fuel ships.

The International Maritime Organization wants to halve emissions by 2050 from 2008 levels. That requires a substantial shift to green technology. Brian Soerensen, a research and development chief at Man Energy Solutions, says several fuels are being explored. "One of the options we believe will be ammonia. Methanol could be another one, biofuel could be a third." Ammonia has an advantage as it contains no carbon, so can burn in an engine without emitting carbon dioxide.

By early 2024, Man Energy Solutions plans to install an ammonia-ready engine on a ship. While it is less energy-rich than today's marine fuels, liquid ammonia is more energy-dense than hydrogen, another zero-emission fuel. "Ammonia sits very nicely in the middle," said Tristan Smith, an expert in low-carbon shipping from University College London. "It's not too expensive to store and not too expensive to produce." There are challenges. Burning ammonia can create polluting nitrous oxides, therefore the exhaust needs cleaning up. It is also toxic, so requires careful handling and storage.

Fire forces closure of LNG import terminal in China

(Reuters; Nov. 4) - Liquefied natural gas supply in the southern Chinese region of Guangxi and nearby regions has tightened, Sinopec said Nov. 5, prompting the state-owned firm to obtain LNG from elsewhere as winter approaches. Sinopec, also known as China Petroleum & Chemical, said its Guangxi branch had launched an emergency plan to source LNG from other provinces. The move follows a fire at the Beihai LNG terminal on Nov. 2, which killed six people and forced temporary closure of the port where the terminal is located. The Guangxi region has two LNG terminals.