Oil and Gas News Briefs
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World's biggest oil traders prepare for shift to renewables

(Financial Times; London; Sept. 30) - The world's largest oil traders are rushing to plough billions of dollars into renewable energy projects in the next five years as they speed up preparations for a dramatic shift in the world's energy mix. Marco Dunand, chief executive of Swiss commodity trader Mercuria, said the company was investing $1.5 billion into projects in North America with private-equity partners, while Torbjorn Tornqvist, chief executive of Gunvor, said he planned to commit 10% of the company's equity — hundreds of millions of dollars — over the next two years.

"If you want to exist in 10 years' time and don't want to be in renewables, then I think it is going to be tough," Dunand told the Financial Times Commodities Global Summit. "We don't have a choice" but to meet the Paris climate goals, he said, calling it the world's "biggest challenge." The moves illustrate how trading houses that are deeply entwined in the oil market now want to play a bigger role in solar, wind, and hydrogen, which are expected to meet a growing chunk of energy demand over the next decade.

"Over the next five years we should have about 50% of our investments in renewables," Dunand said. Vitol and Trafigura, which round out the Big Four independent trading houses, are also looking to bulk up in renewables and power. The traders caution, however, that they do not expect an imminent peak in oil demand because they believe developing economies will keep driving growth for the next 10 years. That's leading them to pursue a twin-track where the oil trade still accounts for the vast majority of their revenue but where they are making preparations for a shift should growth falter.

Rosneft says it will take market share if oil majors turn to renewables

(Financial Times; London; Sept. 28) - Russia's Kremlin-controlled oil company warns that BP and Shell are creating an "existential crisis" for global oil supplies that will lead to higher prices, attacking their shift toward renewables. Didier Casimiro, a top executive at Rosneft, said national oil companies would take a greater share of the market if private-sector energy majors cut investments. Supply shortages are almost inevitable should demand return to pre-pandemic levels, he said.

"I think that to go away from your core business, which is what they are doing, somebody will need to step in … somebody will need to take that responsibility," Casimiro told the Financial Times Commodities Global Summit. "It is an existential threat for supply. It is an existential threat for price volatility … we will have a [supply] crunch, price volatility, and yes higher prices."

His comments illustrate a growing divide between state-backed oil companies and energy majors such as BP, Shell, France's Total, and Italy's Eni that are pledging to redirect investments toward renewables. The companies face pressure from investors, activists and the wider public to reduce their contribution to climate change and to invest in wind, solar, and hydrogen projects. Analysts say state-backed oil companies could stand to benefit if European majors back away from marginal oil and gas projects. But they may face a graver longer-term threat should oil demand peak in the coming years.

Total forecasts oil demand will reach peak in 2030

(Bloomberg; Sept. 29) - Total joined the ranks of oil companies anticipating a peak for the industry in the coming decade, saying demand growth will end around 2030. While the French energy giant's analysis is more conservative than that of BP, which earlier this month said the era of oil-market growth was already over, it adds to the chorus of executives and investors predicting rapid change for the industry.

Energy demand increases in all the scenarios considered in Total's Energy Outlook report published on Sept. 28, but most of the gains were seen being satisfied by low-carbon power. Electricity will cover 30% to 40% of world energy demand in 2050, up from 20% today, it said. The outlook was better for the company's other main product, natural gas, which is expected to play a key role in energy markets for decades to come as a less carbon-intensive bridge fuel.

Total and its European peers are channeling investments into clean energy such as solar, wind, battery technology, and car-charging networks. While investors in BP and Shell appear skeptical of the transition, particularly after suffering big dividend cuts earlier this year, Total has so far avoided any big stumbles.

Total plans growth in LNG and renewables, reduction in oil sales

(S&P Global Platts; Sept. 30) – France's Total aims to grow its liquefied natural gas and renewables businesses in the coming decade, while reducing its oil product sales, as it looks to transform itself into a broad, lower-carbon energy company. In a corporate strategy update Sept. 30, CEO Patrick Pouyanne said Total would though still focus on oil and gas production using cash flow from that part of the business to help finance growth in its LNG and electricity businesses.

Pouyanne also unveiled a new emissions-reduction target for carbon emissions by its customers. It wants to reduce emissions by its customers in Europe by 30% by 2030 and to reduce emissions by its customers globally to less than 2015 levels by 2030. "We want to transform Total to meet a dual challenge — more energy and less carbon," Pouyanne said in a webcast presentation. "The time is right to accelerate growth in low carbon. The real risk is not participating in the transition and being left behind," he said.

In the next decade, Total wants to grow its overall energy production by one third, from 3 million barrels per day of oil-equivalent energy to 4 million, with half the growth from LNG and half from electricity, mainly renewables. Total's oil products sales will be cut by almost 30% in the same period. As a result, Total's sales mix will be: 50% gases, 30% oil products, 5% biofuels, and 15% electrons against 55% oil products, 40% gas, and 5% electrons in 2019. LNG growth, Pouyanne said, would be at the "core of our ambition." Total's LNG sales will reach 50 million tonnes per year by 2025, up from 35 million now.

No clear signals for direction of oil market

(Bloomberg; Sept. 27) - China's oil stockpiles are near a record high despite the return of traffic jams and rising industrial activity. America's oil inventories are slumping even though people don't seem to be driving much. OPEC and its allied producers are still withholding millions of barrels from the global market to avert a supply glut, though there are indications some exporters are wavering in their commitment to the pact.

The oil market, whipsawed by some of the most violent ups and downs in its history in the first of half of the year, is a muddle of contradictions as traders size up prospects for the rest of 2020. As prices stick to a narrow range around $40 a barrel, some of the biggest commodity houses have diverging views about what's next. The most important factor will be COVID-19 itself: The economic impacts of the virus will be felt for years.

"The market is stuck," said Giovanni Staunovo, a commodity analyst at UBS. "For prices to rally, OPEC+ spare capacity needs to drop, and to see that, demand needs to recover further. As long as there's not a second global lockdown, oil can't fall too far below $40" because that would discourage growth in oil output from nations outside of the OPEC+ alliance. A big cause of the weakness is refineries — unable to find buyers for jet fuel because of the collapse in aviation demand — diverting more of the petroleum product to making diesel, adding supplies to an already saturated market.

Oil traders say demand recovery could take 18 to 24 months

(Bloomberg; Sept. 29) - Global oil demand will not meaningfully recover for at least 18 months, said the heads of the world's biggest independent trading houses. Speaking at the Financial Times Commodities Global Summit Sept. 29, some of the most influential people in the oil market offered a dim outlook. “It is very hard to be bullish on the oil price now and into Christmas,” said Ben Luckock, co-head of oil trading at Trafigura.

Mercuria Energy CEO Marco Dunand said oil consumption could rebound from the coronavirus in about 18 months, while Torbjorn Tornqvist, his counterpart at Gunvor, and hedge fund manager Pierre Andurand both saw the timeframe closer to two years. Daily consumption is still 4 million to 5 million barrels day below where it was expected to be before the pandemic, said Russell Hardy, CEO of Vitol, the biggest independent oil trader. He doesn’t expect a meaningful pickup in demand until at least summer 2021.

Gunvor and Mercuria each handle more than 2 million barrels of oil and petroleum products per day, giving them keen insight on global need for hydrocarbons. Vitol traded more than 8 million barrels a day in 2019, though volumes have dropped significantly this year as economies were locked down to slow the spread of COVID-19. Despite the bearish demand outlook, OPEC and its allies are mulling a production increase of 2 million barrels a day in January 2021.

Fed Bank survey finds oil producers still focused on output, not debt

(Bloomberg; Sept. 27) - After all the trauma the U.S. oil industry has been through this year — from production cuts to a string of bankruptcies — many producers say they’re still prioritizing output over reducing debt. At least that’s according to the latest survey published last week by the Federal Reserve Bank of Dallas. It provides a sharp contrast to the repeated assurances to investors from shale executives that they have finally gotten the message — after years of taking on debt and burning cash to fund growth, they’re focusing on increasing shareholder returns and strengthening balance sheets.

The Dallas Fed survey includes a poll of more than 100 exploration and production executives. Their anonymity provides a candid perspective on the state of their industry and where they see it heading. Given eight options for their primary goal over the next six months, the biggest share of respondents, 19%, said it is keeping production flat, while 16% said growing output and 16% prioritized reducing debt. It is a marked shift from a survey in 2018 that showed growing production to be the runaway favorite.

In addition, about 43% of respondents expect the U.S. oil rig count to rise “substantially” if the U.S. crude benchmark increases to between $51 and $55 a barrel. “Sustained oil prices of $50 per barrel would kick things off again,” one respondent said in the report. Another expressed concern about how the industry will be reshaped by the recent turmoil: “I have lived through several industry booms and busts, but this one is different. I am afraid only large oil companies with diverse sources of capital will survive.”

Voters consider oil production tax hike to fund racial equity programs

(The Grunion; Long Beach, CA; Sept. 26) - Voters will decide if Long Beach, California, should increase its oil production tax to fund racial equity programs. The city's Measure US is on the ballot for the Nov. 3 election. Long Beach's current oil production tax — which is paid by those producing oil within city limits — is 47 cents per barrel. Measure US would raise it to 62 cents per barrel. Nearby Signal Hill's tax is 67 cents per barrel. Seal Beach is at 45 cents and Huntington Beach's tax is 37 cents per barrel.

According to an analysis by Long Beach City Attorney Charles Parkin, the measure would generate an additional $1.6 million a year for the city's general fund. Production in Long Beach averages about 30,000 barrels a day. City Council members have said the money would help fund racial equity programs. No one submitted official arguments against the measure, although the idea has garnered some criticism.

Environmental activist Anna Christensen said that while she lauds the goals of ending racial and social injustice in Long Beach, she believes an oil tax would allow the city to profit from environmental destruction. "Funding social and environmental justice should not involve doing harm to people or to the natural world," she said.

Energy issues go before voters in several states

(E&E News; Sept. 29) - Taxes on oil production in Alaska, a renewable energy mandate in Nevada, constitutional amendments for oil and gas property taxes in Louisiana and changes to New Mexico's regulatory commission are among the energy issues set to go before voters this year. About half the states allow citizens to propose ballot questions.

In recent years, high-profile ballot initiatives have touched on renewable energy portfolio standards for utilities, carbon taxes, and limits on horizontal oil and gas drilling, among other energy topics, said Greg Dotson, a law professor at the University of Oregon. The initiatives often reflect voter frustration with lawmakers' responses to climate change and other environmental issues, Dotson said.

Taxes — and tax fairness — are on the ballot in Louisiana, where voters will decide two constitutional amendments: One would allow for certain energy and manufacturing facilities — including liquefied natural gas terminals and refineries — to make direct payments to local governments in lieu of property taxes, potentially lowering taxes for new or expansion ventures. It has drawn opposition from a social justice group that says it would allow companies to avoid paying hundreds of millions of dollars in taxes.

The other proposed amendment in Louisiana would change the property tax system for oil and gas reserves to allow local governments to tax at least some of the value of underground resources. Currently, local taxes only apply to the value of surface and underground equipment at oil and gas sites, according to a legislative report.

Russia's Novatek says it could triple LNG output by 2030

(Reuters; Sept. 28) – Novatek is on track to produce 57 million to 70 million tonnes of liquefied natural gas per year by 2030 despite the impacts of the pandemic, the Russian company said on Sept. 28, possibly tripling its current output. Russia wants to expand its role as a global LNG market player, along with Qatar, Australia, and the United States. It is seeking to raise its market share to 15% by 2025 from 5% now.

Novatek's Yamal LNG plant, which started operations in 2018, can produce 16.5 million tonnes per year of LNG. The company said it expects to start production at its nearby Arctic LNG-2 project in 2023, reaching full capacity of almost 20 million tonnes in 2016, Alexander Nazarov, in charge of Novatek's investor relations, told an online conference. Nazarov also said the privately held Russian gas producer has two more Arctic LNG export projects in planning stages.

Declining European gas production could make room for LNG imports

(S&P Global Platts; Sept. 29) - Expiration in the coming years of long-term European gas-supply contracts will provide opportunities for new players — especially from the LNG sector — to enter the European market, a senior official from the International Energy Agency said Sept. 29. Speaking at S&P Global Platts European Gas and LNG Conference, IEA Senior Gas Analyst Peter Zeniewski also said Europe is set to become increasingly import-dependent as domestic gas production continues to decline.

"The growing import requirements will be interesting to see in the context of expiring long-term (pipeline gas) supply contracts," Zeniewski said. "That creates market opportunities for new players, and emerging suppliers, especially LNG [players]." But, he said, there are weakening longer-term fundamentals for gas with the growth in renewables "obviating the need for new thermal capacity in Europe which caps the amount of gas that can step in, even with coal and nuclear retirements."

S&P Global Platts Analytics analyst Samer Mosis told the conference that the global market was set for a shift as long-term Qatari LNG supply contracts expire over the coming years. That means Qatar's uncontracted capacity is set to grow sharply, he said. "We expect to see upwards of 50 million tonnes per year of uncontracted capacity on their books over the next five years," Mosis said.

Keystone XL sponsor negotiating to sell equity stake to First Nations

(Calgary Herald; Sept. 29) - TC Energy said Sept. 29 it was negotiating an agreement to sell a stake in its long-delayed and often challenged Keystone XL pipeline to a company formed out of an alliance between five First Nations. TC Energy has publicly discussed selling a stake in its under-construction US$14.4 billion pipeline that will take oil to the Gulf Coast and said it had signed a memorandum of understanding with Natural Law Energy, a company jointly owned by five First Nations in Alberta and Saskatchewan.

The company did not disclose the size of the stake or the value of the investment in Keystone XL, but said a final agreement between TC Energy and Natural Law Energy would be formalized in the fourth quarter. “Today’s announcement is a testament to what we can accomplish when industry and indigenous groups work together,” said Chief Alvin Francis, president of Natural Law Energy, which is supported by the elected leaders of the Ermineskin Cree Nation, Montana First Nation, Louis Bull Tribe, Saddle Lake Cree Nation, and Nekaneet First Nation.

Alberta Premier Jason Kenney said it was a historic deal. “The full participation of Indigenous people in our entire economy is central to reconciliation,” Kenney said. “Likewise, Alberta’s recovery depends on indigenous communities participating in economic prosperity.” The pipeline, which was proposed 12 years ago, continues to face legal challenges in the United States. The line would move Canadian oil sands production to U.S. Gulf Coast refineries and also position the crude for export.

Nigerian parliament debates bill to privatize national oil company

(Bloomberg; Sept. 30) - A long-awaited bill that could reorganize the petroleum industry of Nigeria, Africa’s biggest crude oil producer, makes provision for a possible sale of shares in its powerful state oil company. Draft legislation presented to parliament on Sept. 29 also suggests the Nigerian National Petroleum Corp. (NNPC) be independent of government, with no recourse to state funding. The changes would in theory make it easier for the struggling company to raise money.

Tightly controlled by the government since it was established in 1977, the NNPC has become a tool for political patronage to cronies with opaque transactions helping fuel corruption. The bill, in the works for 20 years, is being debated in parliament and is seen as a landmark for President Muhammadu Buhari. Its submission to lawmakers demonstrates that the reformist camp in the government is making progress with its agenda, said Malte Liewerscheidt, a vice president at researchers Teneo Intelligence.

The government would have to approve any plans to privatize the company, according to the bill. A sale or transfer of shares would be at a “fair market value and subject to an open, transparent, and competitive bidding process,” it said. NNPC would be replaced by a limited-liability company known as Nigerian National Petroleum Co., operating on a commercial basis. The bill also provides for an annual audit of the new oil company by an independent firm, and includes a provision for “unrestricted free-market pricing” of petroleum products, ending decades of government-subsidized gasoline.

Australian state approves large coal-seam gas project

(Reuters; Sept. 30) - The Australian state of New South Wales on Sept. 30 approved a A$3.6 billion (US$2.6 billion) gas project planned by producer Santos, clearing the biggest hurdle for a long-opposed development that the government says could help fill a gas supply gap expected in 2024. The state's Independent Planning Commission said it has imposed strict conditions on a "phased" approval of the Narrabri coal-seam gas project, after thousands of critics raised fears it would drain and contaminate groundwater, damage the Pilliga State Forest and worsen climate change.

The Narrabri project, 320 miles northwest of Sydney, could meet up to half of New South Wales' gas needs, helping to replace gas from the rapidly depleting Bass Strait fields that have supplied Australia's southeast for 50 years. The federal government has the final say on the project. It is expected to approve it as part of a strategy unveiled this month to boost gas supplies, drive down energy prices and fuel a recovery from the coronavirus pandemic. The country's environment minister, Sussan Ley, has 30 business days after receiving the state's report to reach a decision on the project.

Santos welcomed the approval nine years after acquiring the project and said it accepts all the imposed conditions. It plans to spend 12 to 18 months on appraisal drilling after receiving all approvals, but did not say when it plans to make a final investment decision on the project, on which it has already spent A$1.5 billion. "We'd aim for an FID within basically a couple of years," Santos CEO Kevin Gallagher told Reuters on Aug. 20.

India cuts price of domestic natural gas to lowest in 6 years

(Reuters; Sept. 30) - India has cut the price of locally produced gas for October 2020-March 2021 by about 25% to a multi-year low of $1.79 per million Btu, the government said on Sept. 30. This would be the lowest price since 2014, when the nation began linking local rates to a formula tied to global benchmarks. It also set the ceiling price for gas produced from more challenging fields at $4.06 for the same period, down 27.6% from the prior six-month period, the statement said.

Lower gas prices mean reduced costs for gas for fertilizers, transportation industries and households. They will also cut earnings for state-owned oil and gas companies. Energy users in India are very price sensitive, and the government is trying to promote increased use of natural gas over dirtier fuels. Gas producers in the country, however, cite low prices as a disincentive to explore and produce.

Pandemic work restrictions slow down Indonesia LNG expansion

(Reuters; Sept. 30) - The start of operations of Train 3 at BP's Tangguh LNG plant in Indonesia is set to be pushed back again due to labor restrictions implemented as a precaution during the coronavirus pandemic, the company and a regulator said. Train 3 is now expected to start production in the fourth-quarter 2021, Dwi Soetjipto, chairman of upstream oil and gas regulator SKK Migas told a parliamentary hearing Sept. 30.

Meanwhile, Moektianto Soeryowibowo, head of country at BP Indonesia, told Reuters that due to the restriction of workers at the site as a precaution during the pandemic Train 3 would be delayed to early 2022. Completion of the project was previously slated for the third quarter of 2021, which already marked a delay by a year from the expansion's initial target after natural disasters had disrupted logistics.

Moektianto said that because of the pandemic starting in March the number of workers had been limited to around 6,000 to ensure the implementation of health protocols. Susana Kurniasih, a SKK Migas spokeswoman, said the number of workers before the pandemic had been around 13,000. Dwi told parliament that Train 3 would increase the output capacity at Tangguh by 40 cargoes in the first year of completion, and by 60 cargoes in the following years. The first train at Tangguh started operations in 2009.

Fire shuts down Norway's LNG plant for a month

(S&P Global Platts; Sept. 29) - The Equinor-operated Hammerfest LNG plant could remain shut in for a month after a fire late Sept. 28 forced the facility to be taken offline, according to the Norwegian company. The fire broke out in a turbine at the plant and the operation was shut down "in accordance with emergency routines."

According to Equinor, the plant is expected to resume operations on Oct. 28, though the company stressed that the precise end date of the "event" was still unknown. The entire facility is affected. Hammerfest LNG had only returned from an unplanned outage on Sept. 28 after its restart date had been pushed back a number of times. The facility underwent a five-week period of maintenance earlier this year, from May 15 to June 22. The plant started operations in 2007.

Europe's only large-scale LNG plant, near the arctic town of Hammerfest, can process more than 600 million cubic feet of gas per day, which is piped in from the offshore Snoehvit field some 100 miles away in the Barents Sea.

Colorado regulators give preliminary OK for farther well setbacks

(Reuters; Sept. 29) - Colorado oil and gas regulator this week gave preliminary approval for a rule to require a 2,000-foot separation between new oil and gas wells and public spaces, compared to as little as 500 feet currently. A final vote on the rule, which would go into effect next year, will take place in November. Colorado is the fifth-largest U.S. oil producing state, but its population growth has led to increased friction between the energy industry and environmental groups, including fights over setback requirements.

The new regulation would fit legislation passed last year that altered how the oil and gas industry is regulated in Colorado. Though it provides some leeway to meeting the spacing rule, wider setbacks could hurt drillers, according to energy consultancy Enverus, adding pain to an industry reeling from COVID-19 pandemic lockdowns.

The Colorado Oil and Gas Association on Sept. 29 said the expanded setbacks were "arbitrary, not based on science and were made without any substantive consideration on the impacts to our industry." It called for greater clarity and certainty on how drilling permits would be issued going forward.

Saudi Arabia, Japan pursue zero-carbon power generation

(S&P Global Platts; Sept. 28) - Saudi Arabia has shipped its maiden "blue ammonia" cargo to Japan possibly to burn together with coal and natural gas for zero-carbon power generation, paving the way forward for the further use of hydrogen in the energy system. The development is part of a pilot study being conducted by the Institute of Energy Economics (IEEJ), Japan, and Saudi Aramco in partnership with Saudi Basic Industries Corp., the IEEJ said in a joint statement on Sept. 27.

Blue ammonia is a feedstock for blue hydrogen, a renewable energy with no emissions. The study, supported by Japan's Ministry of Economy, Trade and Industry, includes converting hydrocarbons to hydrogen and then to ammonia, as well as the capture during the process of associated carbon dioxide emissions, according to the joint statement. Ammonia consists of hydrogen and nitrogen. It contains about 18% hydrogen by weight and releases zero CO_2 emissions when burned in a power plant.

As part of the study, the first blue ammonia cargo of 40 million tonnes has been shipped from Saudi Arabia to Japan to be used for power generation with 30 million tonnes of the CO_2 captured during the process designated for use in methanol production at SABIC's Ibn-Sina facility, and more of the captured CO_2 in the process directed for enhanced oil recovery at Aramco's Uthmaniyah field.