Oil and Gas News Briefs
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Energy companies look to sell billions of dollars in assets

(Reuters; Oct. 1) - Leading energy companies are hoping to sell dozens of oil and gas fields and refineries worth more than $110 billion to curb their ballooning debt and their carbon footprints. But with the outlook for oil and gas prices uncertain because of the coronavirus pandemic and a shift to cleaner energy, striking deals with buyers might prove tricky. "This is not a very good time to sell assets," Total CEO Patrick Pouyanne said Sept. 30 while presenting the French giant's strategy to switch to renewables.

Eight of the world's top oil companies — ExxonMobil, Chevron, Shell, BP, Total, Equinor, Eni, and ConocoPhillips — are expected to sell assets with resources of around 68 billion barrels of oil and gas equivalent. Those assets today carry an estimated value of $111 billion, and are equivalent to about two years of existing global oil demand, Norwegian consultancy Rystad Energy said in a note.

Oil prices in April hit their lowest since 1999 after a collapse in demand caused by coronavirus-related travel restrictions. Prices have since recovered to around $40 a barrel, but are not expected to rise dramatically in coming years. This means an opportunity for smaller companies to snap up cheap assets, Peel Hunt analysts said. The majors need to sell properties to boost revenues and reduce debt amassed in the wake of the oil-price collapse. Yet with a narrowing pool of buyers and a growing reluctance to lend to the oil and gas sector, asset sales could be tough.

Weakened demand continues to pressure oil companies

(The Wall Street Journal; Oct. 1) - Major oil companies signaled they remain under extreme financial pressure and oil prices slid Oct. 1 as demand for fossil fuels rebounds slowly after being crushed by the coronavirus pandemic. Despite a modest economic recovery, companies are being hammered by a sustained drop in gasoline and jet fuel consumption as millions of people work from home and avoid driving and flying. That is combining with longer-term concerns about competition from renewable energy and electric vehicles to drag down the value of many oil and gas companies to decade lows.

U.S. crude fell to around $38 a barrel Oct. 1, levels at which most companies cannot produce profitably. Shell said Sept. 30 it would cut up to 9,000 jobs in a restructuring, and warned it was also poised to report poor third-quarter earnings, including a second consecutive quarterly loss in its oil-and-gas production business. The job cuts follow similar moves at peers including BP and Chevron to rein in costs amid the pandemic. Exxon has said it is conducting a workforce review, which might lead to layoffs.

“The demand side of the equation will continue to be under threat during the fourth quarter of the year, with COVID-19 cases rising at an alarming rate, notably in Europe, which has already imposed new restrictions to curve down the number of cases,” said Paola Rodriguez-Masiu, an analyst at Rystad Energy. Rystad expects around 150 additional North American oil and gas producers to file for bankruptcy by the end of 2022 if crude prices remain around $40 a barrel.

European, U.S. oil majors see world differently

(Houston Chronicle; Oct. 2) – U.S. and European oil companies are taking vastly different approaches in the face of low oil prices and growing concerns about climate change. BP, Shell, and French major Total are shifting their businesses away from fossil fuels, looking to reinvent themselves as renewable energy leaders. BP, in particular, has moved aggressively, selling its petrochemical business and acquiring wind farms to meet an ambitious goal of becoming a net-zero carbon emissions company by 2050.

On the other hand, U.S-based ExxonMobil and Chevron have doubled down on oil and gas, betting that the world’s growing population will continue to rely on affordable and abundant fossil fuels. ExxonMobil is investing heavily in offshore Guyana while California-based Chevron is snapping up Houston-based Noble Energy in a $13 billion deal to increase its position in West Texas and the Eastern Mediterranean Sea.

“It’s very striking to see the difference,” said Daniel Yergin, an energy policy expert and vice chairman of research firm IHS Markit. “European companies exist in a different political and social context. They’re under different pressures from investors and from society around them, and I think that’s had a big impact in how they see the world.” There is a growing debate over how quickly the industry should alter its business model to prepare for tougher climate regulations and wider use of renewable energy.

Some oil majors, including BP and Shell, believe oil demand may never fully recover from the coronavirus pandemic as the global energy mix shifts from fossil fuels. Exxon and Chevron predict that global demand for oil and gas will grow substantially over the next two decades as the middle class expands in India, Brazil, and Africa.

National oil companies could step in if majors step away

(S&P Global Platts; Oct. 4) - Massive spending cuts by the global oil industry and promises to develop alternative energies may leave national oil companies (NOCs) such as Saudi Aramco and Abu Dhabi National Oil Co. filling the hole, if demand is yet to peak. "The underinvestment issue is exacerbated by the oil majors stating intent not to be as big in conventional oil and gas anymore, certainly on the oil side of things," Vitol Asia President and CEO Mike Muller told a Gulf Intelligence webinar Oct. 4.

"That places the onus on other people to develop the oil reserves that are definitively going to be needed in the scenarios of those people who think peak oil is still well ahead of us," Muller said. "There's still a large number of people who think that is 2030." S&P Global Platts sees global demand peaking in 2040 at around 120 million barrels a day, slipping to 116.5 million in 2050 under a "most likely" scenario.

The more global majors leave oil and gas, "the space will be taken over by NOCs," Christof Ruhl, senior scholar at Columbia University's Center on Global Energy Policy, told the webinar. On pricing, most senior executives at a recent commodities conference view oil prices in the $30 range as too unsustainably low and expect prices to climb to the mid to high $40 range next year, Muller said.

Exxon and partners move ahead with offshore Guyana production

(S&P Global Platts; Oct. 1) - ExxonMobil and its partners have taken a final investment decision to push ahead with their Payara field offshore project in Guyana after receiving approvals from the government for the $9 billion development plan, the company said Sept. 30. Payara, the third project on the South American country's Stabroek Block, is anticipated to produce up to 220,000 barrels per day of oil after output begins in 2024 using the Prosperity floating production, storage, and offloading vessel, block operator ExxonMobil and partner Hess said in separate statements Sept. 30.

The Payara development plan targets roughly 600 million barrels of oil equivalent with up to 41 wells. Total gross production capacity from the partners' first three Stabroek developments, the first of which — Liza Phase 1 — is already online, is expected to reach approximately 560,000 barrels of oil per day in 2024, Hess said. Liza Phase 2 is currently under development. The partners, which also include China's CNOOC, expect to have five drill ships operating offshore Guyana by year-end 2020, ExxonMobil said.

The partners' first offshore Guyana project, Liza Phase 1, began producing in late 2019 — four-and-half years after the Liza field was discovered in 2015 and well ahead of the industry's average for development time. Hess said in September that Phase 1 output would reach maximum capacity of 120,000 barrels per day shortly. Liza Phase 2 is on track to begin producing by early 2022. It will produce up to 220,000 barrels per day at peak rates using a floating production unit, which is under construction in Singapore. The 18 discoveries on the block to date have confirmed the potential for at least five ships at Stabroek to produce more than 750,000 barrels per day by 2026.

[Bankruptcies could dump well cleanup costs on states]

(Financial Times; London; Sept. 30) – U.S. taxpayers could be left footing a bill of tens or even hundreds of billions of dollars to clean up oil and gas wells across the country as a growing number of producers collapse into bankruptcy, according to a new report. Only a tiny proportion of the costs of "plugging" America's active wells are covered by insurance, the report from the Carbon Tracker think-tank estimates. That means when companies go bust, the bill for cleanups will often be left to the states.

"If companies are in dire straits, plugging these wells is probably one of the very last things on the list of management ideas for how to use cash," said Robert Schuwerk, one of the authors of the report. "If they happen to go bankrupt, and nobody wants to pick up the well out of the bankruptcy, then the state's going to end up picking up the tab." The findings come as a growing number of U.S. oil and gas producers are being forced to seek protection from creditors in the wake of this year's oil-price crash.

A total of 36 oil and gas producers filed for bankruptcy in North America in the first eight months of the year, according to Houston law firm Haynes and Boone. Their debt load totaled around $51 billion — more than half of which was unsecured. In order to drill a well, companies usually need to post a bond, which ensures that they either cover the cleanup costs at the end of the well's life or forfeit a certain sum. However, the amount paid in many states is significantly less than the ultimate cost of plugging the well.

[Abandoned wells could cost Texas billions of dollars]

(The Houston Chronicle; Oct. 1) - Plugging and cleaning up the open oil and gas wells in Texas could cost companies and taxpayers as much as $117 billion, according to a new report. Carbon Tracker, a nonprofit financial think tank that studies the effects of climate change on financial markets, estimates there are some 3.8 million unplugged oil and gas wells nationally, including more than 783,000 across Texas.

As the coronavirus pandemic forces more oil and gas companies into bankruptcy, Carbon Tracker fears more of these unplugged wells could be abandoned, leaving taxpayers on the hook for plugging and cleaning up so-called orphan wells. "Texas by far has the highest number of wells of any state in the U.S. and orphan wells are going way up," said Greg Rogers, a co-author of the Carbon Tracker report. "We're seeing a lot of operators go bankrupt and they can't afford to fulfill their legal obligations."

There are more than 6,200 abandoned wells in Texas, according to the state. There are more than 109,000 unplugged wells in the state that have not produced any oil or gas in more than two years, according to Carbon Tracker. Companies are legally required to plug and clean up idle wells. If they cannot pay for cleanup, responsibility shifts to states and ultimately taxpayers. Unlike offshore operations where the federal government can hold prior well owners responsible for cleanup in bankruptcies, many states, including Texas, do not have laws in place to go after previous well owners for cleanup costs.

U.S. oil and gas bankruptcies continue to pile up

(Reuters; Oct. 1) – Bankruptcy filings by Oasis Petroleum and Lonestar Resources US are the latest in a slew of restructurings that put oil-and-gas producers on track for their biggest year of bankruptcies since the 2016 shale downturn. Thirty-six producers with $51 billion in debt filed for bankruptcy protection in the first eight months of the year, according to the law firm Haynes and Boone. The coronavirus pandemic crushed fuel demand and left debt-laden producers without access to credit.

The number of companies filing still lags 2016, when 70 companies filed for bankruptcy. However, those firms were generally smaller and left a total of $56 billion in debt. Oil and gas producer bankruptcies are on track for the most since 2016. The United States had grown to become the world's largest oil producer at nearly 13 million barrels per day, led by shale companies. However, those companies, in order to maintain high levels of production, need to keep drilling new wells to offset the swift decline rates from each site. Many shale producers took on heavy debt to finance their operations.

"It is reasonable to expect that a substantial number of producers will continue to seek protection from creditors in bankruptcy before this year is over," Haynes and Boone said in its bankruptcy report. In addition to oil producers filing for bankruptcy protection, 37 oil field service companies have also filed, the Haynes and Boone said.

United Arab Emirates makes good on cutting production

(Bloomberg; Oct. 1) - The United Arab Emirates cut its oil exports to the lowest level in almost two years last month, a sign that the country may be making good on its pledge to OPEC+ to compensate for pumping too much crude previously. Shipments of crude and condensate fell to 2.43 million barrels a day in September, a decline of almost half a million barrels a day from August and the lowest since October 2018.

Though it's a loyal partner of Saudi Arabia within OPEC+, the UAE pumped over its agreed production limit in July, and admitted to doing the same again in August. When the producer group met in September, Energy Minister Suhail Al Mazrouei said that his nation wouldn't exceed its production quota of 2.59 million barrels a day. The figure is only for crude, not condensates. Shipments averaged 2.9 million barrels a day between Sept. 1 and Sept. 15 before sliding to 1.95 million between Sept. 16 and Sept. 30.

Saudi Arabia, which boosted shipments by about 500,000 barrels a day last month according to tracking data, and Russia have pressured other OPEC+ countries to make compensatory output cuts in the event that they over-produce.

Investment banks forecast Brent crude at $53.50 by end of 2021

(The Wall Street Journal; Oct. 1) - Oil prices won't recover to pre-coronavirus levels by the end of next year, investment banks say. A group of 10 investment banks polled by The Wall Street Journal forecast that futures for Brent crude oil, the global benchmark, will average $53.50 a barrel in 2021's fourth quarter. U.S. benchmark West Texas Intermediate futures will average $50.31 a barrel in the same quarter, they estimated.

While that means the investment banks expect both benchmarks to rally $10 a barrel from their average forecasts for 2020's final quarter, they expect that Brent prices will remain well short of the $60-a-barrel pre-lockdown levels. Even if the oil market isn't again roiled by the same lockdowns that crashed prices earlier in 2020, investment banks forecast that the effects of COVID-19 will linger next year.

Stalling demand for transportation fuels is one of the key factors weighing on broader oil consumption, with gasoline demand flatlining. The International Air Transport Association this week downgraded its 2020 air-traffic estimate to a drop of 66% from 2019 levels, and U.S. airlines are implementing substantial job cuts. The key risk to oil demand "is definitely the danger from the jet-fuel side, which is underestimated by the market," said Eugen Weinberg, head of commodities research at Commerzbank.

China proposes more coal-to-gas switching this winter

(S&P Global Platts; Sept. 30) - China's Ministry of Ecology and Environment proposes to replace coal with clean energy for the heating systems of 7.09 million households in northern provinces by the end of October, in a move that could boost natural gas demand and LNG imports this winter. The last time coal-based boilers in Chinese cities were switched to gas, in the winter of 2017-2018, it triggered severe fuel shortages, exposed a lack of gas supply infrastructure, pushed up trucked LNG prices to more than $25 per million Btu and shut factories that did not have gas supply.

The fuel switch has been proposed in a draft action plan for tackling air pollution in northern China, posted by China's environment ministry on its website Sept. 28. The draft has already been sent to the national policy planner and other government departments, including the National Energy Bureau, provincial governments, as well as major state-owned oil, gas, coal, and electricity companies, for comment.

Under the proposal, the regions in northern China include the Beijing, Tianjin, Hebei, Shanxi, Shandong, Henan, and Shaanxi provinces, and the clean-energy options include clean coal, electricity, and gas depending on the situation in each region, according to a ministry official. The government will continue to support subsidies for coal-to-gas and coal-to-electricity switching in rural areas, and the natural gas city-gate price will not be raised during the heating season in the northern regions, according to the draft.

Canadian LNG developer hooks up with Bechtel

(Natural Gas Intelligence; Sept. 30) - Bechtel has been recruited as a candidate to build the delayed liquefied natural gas terminal on Nova Scotia's Atlantic coast. Sponsor Pieridae Energy said Sept. 30 the international engineering and construction company accepted an assignment to review the 8-year-old Goldboro LNG proposal and present an execution plan by March 31. The agreement seeks a lump-sum price proposal for an engineering, procurement, construction, and commissioning contract by May 31.

Bechtel would replace KBR, which dropped out of LNG facility work as the COVID-19 virus pandemic and soft commodity prices depressed the oil and gas industry earlier this year. The pandemic also has inflicted the latest in a series of setbacks on Goldboro LNG. In April, Calgary-based Pieridae cited COVID-19 in its decision to delay a final investment decision on the project, which had been expected this year.

When Pieridae announced the project in October 2012, it was estimated to cost $10 billion, and the facility was expected to start operations in 2018 at 1.4 billion cubic feet of gas per day at full operations. Pieridae has agreements with the German utility Uniper to buy 50% of the LNG output. Pieridae would take gas from Alberta and move it by pipeline cross-Canada to the liquefaction plant on the Atlantic.

Total calls on European nations to help fight Mozambique insurgency

(Bloomberg; Oct. 1) - Total Chief Executive Officer Patrick Pouyanne called on European nations to help Mozambique fight an insurgency, backed by the Islamic State, in part of the East African nation where the energy company is developing a natural gas project. For more than a month, militants have occupied a town about 37 miles south of where a group led by Total plans to spend $20 billion to extract gas from below the ocean, liquefy it and export the LNG to European and Asian customers.

The violence, including alleged human rights violations by the country's security forces, is now creeping toward Total's Mozambique LNG project in the far northeast of the country. "Western powers are realizing that a Daesh enclave is settling within Mozambique," which is "a major problem" for East Africa's stability, Pouyanne said Oct.

1 during a press conference near Paris. “It would be good if the situation is brought back under control, not just for Total’s project, but for the stability of the region.”

Pouyanne, who met Mozambican President Filipe Nyusi to discuss the situation last month, said he can help by bringing the attention of European nations to the issue. France has a vested interest in the region because it owns Mayotte, an island between Mozambique and Madagascar, he said. Earthwork has progressed and a landing strip as well as jetties for boats have been built at the LNG plant site, Pouyanne said. Mozambique LNG, the biggest private investment in Africa, is due to start up in 2024.

Nigerian president makes bold move for overhaul of oil industry

(Bloomberg; Oct. 2) - Nigerian President Muhammadu Buhari has been derided by critics as inept and indecisive on the economy, with some giving him the nickname “Baba Go-Slow.” Yet the 77-year-old is on the cusp of an achievement that no other democratic leader of the country has managed: A radical overhaul of the all-important oil industry. After 20 years of debate and delays, Nigeria's parliament is soon expected to pass the Petroleum Industry Bill. That could pave the way to sell a stake in Nigeria’s national oil company and allow the price of gasoline to be determined by the market.

The move may also provide some environmental protection to communities near oil facilities. The need for reform is glaring. The Nigerian National Petroleum Corp. for decades has been a hotbed of corruption and inefficiency, restraining an industry that accounts for about 90% of export earnings. Nigeria, Africa’s biggest crude producer, still needs to import motor fuel due to a lack of refining capacity.

The bill may be just a set of proposals, but it's a strong statement of intent by Buhari, who has made clamping down on graft a tenet of his rule. Cleaning up the NNPC and improving transparency are good ways to attract much-needed investment to an economy battling the worst contraction in at least a decade. “This is easily the most important thing the legislators have discussed since the end of military rule in 1999,” said Antony Goldman, CEO of Promedia Consulting, a political risk advisory firm.

Japan may invest in LNG reloading and storage terminals

(S&P Global Platts; Sept. 30) - Japan will consider participating in foreign liquefied natural gas reloading and storage terminals, including one planned on the Kamchatka Peninsula in Russia's Far East as part of its efforts to diversify its supply sources as well as help expand the Asian LNG market, a Japanese official said Sept. 30. The development comes as the Ministry of Economy, Trade and Industry (METI) has for the first time requested a budget to finance Japanese companies participating in LNG reloading and storage terminals abroad, the METI official said.

The financing is part of a state-owned Japan Oil, Gas and Metals National Corp. (JOGMEC) plan, under which Japanese companies could receive finance and equity investment should JOGMEC determine its support would help national energy security. Japan's move to support participation into LNG reloading terminals comes as some Japanese companies are considering taking part in the planned Kamchatka project.

Russian LNG producer Novatek, which operates the Yamal project, is developing a transshipment terminal on Kamchatka to improve the distribution of Russian gas to Asian markets. In September 2019, Mitsui O.S.K. Lines, state-owned Japan Bank for International Cooperation and Novatek signed an agreement for LNG transshipment projects on Kamchatka and in Murmansk that would move cargoes from ice-breaking LNG carriers to conventional ships for the rest of the delivery run. The Kamchatka hub is expected to lower transport costs and shorten delivery times to the rest of Asia.

Canadian gas producers upset at delayed pipeline approval

(Calgary Herald; Sept. 30) - A delayed gas pipeline project in Alberta will affect close to C$4 billion in planned capital spending this year, delay drilling and potentially lead to commodity price volatility next year, according to gas producers. "We were all very disappointed that while we're still drilling wells and keeping the lights on, the Canadian government couldn't get an approval done. That's pretty frustrating and it put this project back," Darren Gee, president and CEO of Peyto Exploration and Development, said of what is now expected to be a yearlong delay to a pipeline expansion by TC Energy.

Calgary-based pipeline giant TC Energy has spent $9 billion in recent years expanding its largest asset and Canada's largest gas pipeline network, called Nova Gas Transmission. The goal of the massive, multi-year expansion, which is continuing, is to alleviate pinch points in critical parts of the system and allow more gas from northwestern Alberta to flow through to trading and storage hubs in southern Alberta.

The Canada Energy Regulator recommended the federal government approve the project on Feb. 19, triggering a 90-day timeline for Ottawa to make a decision. But on May 19, the government opted to take another 150 days to review the project and consult with Indigenous communities. Now even as a decision is expected on Oct. 19, TC Energy's plan to put the last piece of the expansion into service at a cost of C$2.4 billion has been delayed for a full year and producers are concerned the bottlenecks on the system will lead to unpredictable swings in Canadian gas prices.

Rio Grande LNG developer sticks with late 2021 investment decision

(S&P Global Platts; Sept. 30) - NextDecade is sticking to plans to make a final investment decision in 2021 for its proposed Rio Grande LNG export project amid the hope that it will overcome challenges in its commercial efforts to support the Texas terminal, a company executive said during an industry conference Sept. 30.

The comments by James MacTaggart, NextDecade's senior vice president of LNG marketing for Asia and the Middle East, during the virtual Financial Times Commodities Global Summit come in a year filled with delays and market uncertainty for North American LNG developers due largely to demand destruction from the coronavirus pandemic. NextDecade has pushed its project timeline several times, most recently in May when it said FID would occur next year.

Shell 's 20-year agreement to buy 2 million tonnes per year from Rio Grande LNG is the only firm offtake deal tied to the terminal that NextDecade has announced. NextDecade has said it needs to sell an additional 9 million tonnes per year under long-term contracts to achieve FID on the project. The developer has planned for as much as 27 million tonnes annual capacity. "It really comes down to aggregating provisions, long-term contracts to underpin the final investment decision," MacTaggart said. "And that is taking longer than we had expected and hoped, but I think we'll be there next year."

Australian gas project key part of country’s economic recovery plan

(Argus Media; Oct. 2) - The A$3.6 billion (US$2.7 billion) Narrabri gas project in New South Wales is emerging as a key part of the Australian government's gas-driven economic recovery plan. But whether its operator, Australian independent producer Santos, will be prepared to sanction the sizable investment at a time of cutbacks is less clear. NSW's Independent Planning Commission gave conditional approval for Narrabri this week, leaving the way clear for Santos to commit to its development.

Narrabri has become increasingly politicized in recent years with the conservative NSW and federal governments seeing a chance for Australia's most populous state to trim its reliance on gas from neighboring Queensland and Victoria. But the project is divisive: It lies beneath a state forest and will require cutting down a significant number of trees to allow access to its coal-bed methane resources 2,600 to 4,000 feet below ground.

The project is a key plank of Australia’s gas-fired economic recovery plan, which includes plans for a government-funded 1,000-megawatt gas-fired power plant in NSW. Narrabri is also the focus of a separate federal-state agreement under which Canberra pledged A$960 million to support new gas supplies in NSW. Still, the project has a checkered history. Santos walked away from Narrabri eight years ago after NSW changed its rules around coal-bed methane and hydraulic fracturing. Santos may make a final investment decision on Narrabri in the 2021-2022 financial year.

Vietnam approves Exxon to develop LNG terminal, power plant

(Reuters; Oct. 2) - Vietnam's port city of Haiphong said authorities had approved a \$5.09 billion liquefied natural gas power and terminal project due to be developed by ExxonMobil and to start power generation in 2026-2027. In a statement issued Oct. 1, the city's People's Committee said the power plant would have an initial capacity of 2.25 gigawatts and that would be expanded to 4.5 gigawatts by 2029-2030.

It said the project would also include an import terminal with a capacity of 6 million tonnes of LNG per year to fuel the power plant. In June, Vietnam's government said it welcomed Exxon's move to invest in the country, following a phone call between Prime Minister Nguyen Xuan Phuc and Irtiza Sayyed, president of ExxonMobil LNG Market Development. The Haiphong committee said the city had also approved an additional \$1.9 billion LNG power project with a capacity of 1.6 gigawatts. It said the first phase of the plant would be operational in 2025 and the entire plant from 2028.

Officials warn of catastrophe if rusting oil tanker breaks apart

(The Wall Street Journal; Oct. 2) - A rusting oil-storage vessel moored off Yemen's Red Sea coast could rupture or explode, Western officials said Oct. 2, warning of an environmental and humanitarian catastrophe if it breaks apart. The FSO Safer — which holds more than 1.1 million barrels of oil, four times the 1989 spill from the Exxon Valdez in Alaska — is located near the port of Hodeidah, a key entry point for humanitarian aid in a country caught up in a six-year civil war.

The ship is rapidly decaying after being abandoned five years ago when Iran-backed Houthi rebels took control of the coastline. The U.N. and foreign powers are pushing for access to the vessel, but the Houthis have since 2019 stonewalled requests, raising fears that the rebels are seeking to use it as leverage in peace negotiations. Pipes and valves on the four-decade-old vessel have been damaged by corrosion and its cooling system has been taking on seawater in recent months, Western officials said.

"Pretty much any spark could set fire to the oil," a U.N. official said. A spill could pollute most of Yemen's western coast, with some oil passing into the Gulf of Aden, according to a report prepared for the British government and seen by The Wall Street Journal. Recovery, including of local fishing stock, would take up to 25 years and \$20 billion, the report said. An explosion would affect one of the world's busiest and narrowest shipping lanes and temporarily close the Hodeidah port, according to Western officials.