Oil and Gas News Briefs
Compiled by Larry Persily
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Mexico's state-owned oil company can't afford to develop prospect

(Bloomberg; Aug. 12) - Petroleos Mexicanos fought hard to wrest control of the country's biggest private oil find from the companies that discovered it. Now it has found itself without the cash to develop the field. After taking operational control of the Zama megafield last month, the Mexican state-owned oil producer doesn't have the nearly $2 billion needed to develop the prospect over the next five to seven years, sources said.

President Andres Manuel Lopez Obrador swept to power in late 2018 on pledges to put the country's oil riches back in the hands of the state. Pemex's subsequent fight to block its partners from operating Zama plunged Mexico's precarious investment climate into further uncertainty and has potentially opened the door to costly international arbitration.

One idea that was floated to overcome the funding challenges for the field, estimated at 2 billion barrels, was a deal in which Houston-based Talos Energy — which remains a minority owner in the project — would facilitate the financing using barrels as collateral, sources said. But the proposal was met with resistance from top Pemex executives and Energy Minister Rocio Nahle, who see it as a threat to Mexico's sovereignty, they said.

The consortium has invested nearly $350 million to date. Germany's Wintershall and U.K.-based Premier Oil are also partners in the find. After a protracted dispute between Pemex and Talos over which would operate Zama, the Energy Ministry in July named Pemex the operator and gave it a 50.4% stake. The victory now seems bittersweet as the world's most indebted oil company struggles to find the money to develop its prize.

New pipeline could start moving oil sands crude mid-September

(Bloomberg; Aug. 13) - A key pipeline linking Canada's oil sands to U.S. markets could start shipping crude as early as next month. Enbridge's Line 3 from Alberta to Wisconsin could start operating as soon as Sept. 15, bringing anticipated price relief to oil sands producers that have had limited access to export pipelines. The new 760,000 barrel-a-day conduit that replaces segments from the 1960s that had far less capacity is as little as 30 to 60 days from completion, according to a notice sent to shippers.

Oil sands producers have struggled for years with a shortage of export pipelines as projects to build new ones face increasing scrutiny from courts and regulators. President Joe Biden, on his first day in office, rescinded a permit for TC Energy's Keystone XL project that would have helped increase shipments of Canadian crude to the U.S. Gulf Coast. Heavy Western Canadian Select crude for September delivery was selling at a $13 a barrel discount to benchmark West Texas Intermediate on Aug. 13.

The Enbridge line will be the first new cross-border export project built between Canada and the U.S. in years. The $US7 billion project is scheduled to enter service as oil sands production is exceeding the capacity of existing lines out of Western Canada, forcing some companies to ship crude by costly rail tank cars. The Line 3 project has been fiercely opposed by some environmental and Indigenous groups, who have staged protests this summer along the route.

Carbon-neutral LNG cargo involved forest protection in Zimbabwe

(Bloomberg; Aug. 10) - The junior traders at TotalEnergies were essentially winging it last September by orchestrating the French energy giant's first shipment of "carbon-neutral" natural gas. It's the greenest-possible designation for fossil fuel and an important step in making the company's core product more palatable in a warming world. Nailing down the deal involved Googling and guesswork.

Total had proposed the trade after learning a client had already purchased two carbon-neutral cargos from rival Shell, according to insiders. Only after getting the go-ahead did the inexperienced team attempt to figure out how to neutralize the emissions contained in a hulking tanker full of liquefied natural gas. Their first step was to search the internet for worthy environmental projects that might offset the pollution.

They needed to find green projects capable of generating carbon credits backed by an international organization, without costing too much. The team set up a meeting with a project developer based in Zurich. That's how $600,000 from a $17 million LNG transaction ended up, in part, paying for forest protection in Zimbabwe. The resulting trade looks like a win for everyone. Total kept its promise to investors to shrink its carbon footprint. Impoverished communities received financial support.

The buyer, China National Offshore Oil Corp., cited the shipment as one of the steps it's taking to "provide green, clean energy to the nation." But climate experts say it will do virtually nothing to decrease carbon dioxide in the atmosphere. "The claim that you can market the sale of fossil fuels as carbon neutral because of a meager few dollars you put into tropical conservation is not a defensible claim," said Danny Cullenward, a policy director at CarbonPlan, a nonprofit that analyzes climate solutions for impact.

U.S. LNG and gas producers on the hunt for methane emissions

(The Wall Street Journal; Aug. 12) - Drones darted above natural gas wells in the hills of southwest Pennsylvania, as workers atop water tanks pointed specialized cameras and a helicopter outfitted with a laser-light detection system swooped in low. All searched for an invisible enemy: methane. The U.S. gas industry faces growing pressure from investors and customers around the world to prove that its fuel has a lower-carbon provenance. That has led the top gas producer, EQT, and top LNG exporter, Cheniere Energy, to team up and track emissions from wells that feed shipping terminals.

The companies are trying to collect reliable data on releases of methane — a potent greenhouse gas attracting more scrutiny for its contributions to climate change — and demonstrate they can reduce emissions over time. While gas burns cleaner than coal, gas operations leak methane, which has a more potent effect on atmospheric warming than carbon dioxide. Investors, policy makers and buyers of liquefied natural gas are rethinking the fuel's role in their energy mix due to concerns about methane emissions.

Those concerns, pronounced in Europe and increasingly in Asia, are a problem for LNG sellers. Cheniere, EQT and four other gas producers are working to figure out the most effective way to monitor and quantify methane emissions. The companies and researchers plan to test drones, specialized cameras that can see methane gas, and other technologies at wells in the Marcellus Shale in the Northeast U.S., the Haynesville Shale of East Texas and Louisiana, and the Permian Basin of Texas and New Mexico.

Recovering U.S. economy burns more gasoline and coal

(Financial Times; London; Aug. 15) – The U.S. appetite for fossil fuels has come roaring back as the economy cranks into gear, providing a boost to energy groups but flying in the face of Washington's drive to slash emissions. Motorists' return to the roads is driving fuel demand and the bottom lines of refiners, while a shift away from natural gas in power generation has been a boon to coal miners. The resurgence comes as floods and wildfires in much of the world lay bare the destructive impacts of climate change.

Petrol demand collapsed last year as the pandemic forced people to stay home. But the vaccine rollout and a loosening of restrictions has allowed American motorists to return to roads in force this summer. Petrol consumption hit record levels of more than 10 million barrels a day early last month. The surge in demand has pushed up fuel prices and sparked alarm in the Biden administration, which last week pressed Russia and Saudi Arabia to increase oil production to cool the rally.

U.S. coal demand is also rising sharply, but for a different reason. Climbing natural gas prices have spurred power producers to burn more of the dirtier fuel. The U.S. Energy Information Administration estimates that coal consumption in U.S. electricity generation will jump 17% this year. It means that as President Joe Biden battles to push sweeping clean-energy legislation through Congress, his first year will coincide with a resurgence in the use of coal. EIA forecasts coal consumption to decline in 2022, part of a long-term trend driven by retirement of older power plants. But for now, coal enjoys the respite.

Coal still go-to fuel in Asia when power demand is high

(Reuters; Aug. 12) - The latest U.N. report makes it clear that coal must exit global energy systems if there is to be any chance of avoiding severe climate disruptions. The problem is that for much of Asia it's still the go-to fuel in periods of high demand, and this doesn't appear to be changing at anything like the required pace. The U.N.'s Intergovernmental Panel on Climate Change report released Aug. 9 put the blame for weather extremes on human activity, and said rapid action is needed to limit damage.

The blunt warnings are in stark contrast to the reality of surging coal demand in Asia, the world's top producing, consuming and seaborne market for the polluting fuel. Coal demand and prices have been stoked by a recovery in power generation as the region's economies emerge from the coronavirus pandemic and as warm temperatures boost the use of air conditioning. While this is likely a short-term situation, Asia is still the epicenter for construction of new coal-fired generators, with several countries including China and India building massive capacity and advancing plans to build even more.

The scale of the problem in Asia can be seen in the recent volumes of seaborne coal in the region. A total of 80.32 million tonnes of all grades of coal was discharged at Asian ports in July, according to vessel-tracking and port data from Refinitiv. This was the strongest month since January, when winter demand was at its peak. And even where coal-fired generation plants have been canceled or postponed, the alternative is more often than not to switch to natural gas, often in the form of energy-intensive liquefied natural gas, rather than renewables such as wind, solar and battery storage.

IEA amends forecast, sees slower oil demand growth rest of the year

(Reuters; Aug. 12) - Rising demand for oil abruptly reversed course in July and is set to proceed more slowly for the rest of the year due to the spread of the COVID-19 Delta variant, the International Energy Agency said on Aug. 12. "Growth for the second half of 2021 has been downgraded more sharply, as new COVID-19 restrictions imposed in several major oil-consuming countries, particularly in Asia, look set to reduce mobility and oil use," the Paris-based IEA said.

"We now estimate that demand fell in July as the rapid spread of the COVID-19 Delta variant undermined deliveries in China, Indonesia and other parts of Asia," the IEA said in its monthly oil report. It put the demand slump last month at 120,000 barrels per day, and predicted growth would be half a million lower in the second half of the year compared to its estimate last month, noting some changes were due to revised data.

Though an output deal reached by the OPEC+ alliance last month would restore market balance in the near term, the IEA added, "the scale could tilt back to surplus in 2022 if OPEC+ continues to undo its (production) cuts and producers not taking part in the deal ramp up in response to higher prices."

[European, U.S. gasoline stockpiles almost back to 2019 levels]

(Reuters; Aug. 12) - European and U.S. gasoline stocks have fallen to near pre-pandemic levels as Western holidaymakers hit the roads, but the end of the driving season and the spread of the Delta variant of the coronavirus could slow the recovery in global oil demand. The pandemic and resulting lockdowns around the world destroyed demand for oil products and led to massive stock builds in 2020, which have been gradually depleted this year.

The International Energy Agency said on Aug. 12 that global oil demand surged by 3.8 million barrels per day month-on-month in June, led by increased mobility in Europe and North America, but reversed course in July and is set to proceed more slowly the rest of the year due to the spread of the Delta variant. "International travels are restricted, so everyone is traveling by car. It is really a car-driven recovery that is pulling road fuel inventories down," said Cuneyt Kazokoglu, head of oil demand analysis at FGE.

World gasoline demand in June was only 3% lower than 2019, according to FGE's estimate, and demand in the U.S., Europe and China has either largely recovered or exceeded 2019 levels. "Government regulations and restrictions are the main obstacles for demand recovery at the moment. Whenever they are lifted, we see pent-up demand and a strong recovery," said Kazokoglu. The U.S. consumes about a fifth of the world's oil, almost half of it as gasoline and it is here that the inventory decline has been largest.

[Asian buyers pick up lower-priced U.S. crude over Mideast barrels]

(Bloomberg; Aug. 13) - Asian buyers are snapping up cheap U.S. oil despite lingering demand concerns due to the latest COVID-19 resurgence, with the flurry of deals likely to be at the expense of Mideast barrels. Chinese, Indian and South Korean companies have purchased at least 7 million barrels this month for arrival October through November, said traders who buy and sell crude. The level of interest for U.S. oil has been higher than the same period in July as prices for American grades were trimmed with the summer travel season winding down and domestic demand dipping, they said.

Middle Eastern producers, however, hiked crude prices for Asian customers this month, even as the fast-spreading Delta variant led to renewed restrictions on movement across the region, most notably in China. The resurgence has led to the International Energy Agency cutting its global oil demand estimates for the rest of this year, while predicting a surplus in 2022.

Indian refiner Bharat Petroleum bought 2 million barrels of West Texas Intermediate Midland crude for October arrival, while two other Northeast Asian buyers acquired 5 million barrels of the U.S. Mars grade for November, which was priced more than $4 a barrel below the OPEC blend as of Aug. 13. While offers for U.S. oil have gained slightly recently, they are still competitive against comparable grades from the Middle East and Russia's Far East, the traders said.

[Iraq says it wants to double oil production by 2027]

(S&P Global Platts; Aug. 11) - Iraq wants to double its oil production to 8 million barrels per day by 2027, the country's oil minister told the state-run Iraqi News Agency on Aug. 10, as OPEC's second biggest producer targets a higher output level than previous plans. Ihsan Ismaael did not disclose details about the ministry's plan. Iraq has a current oil production capacity of around 5 million barrels per day.

Iraq's total oil production, including flows from the semi-autonomous Kurdistan region, rose 0.6% in July from a month earlier, the State Oil Marketing Organization said Aug. 10, but still the country pumped below its OPEC+ quota. It pumped 3.886 million barrels per day in July, compared with 3.862 million in June. Iraq's OPEC+ quota rose to 4.016 million in July from 3.954 million in June as the coalition continued to ease its output cuts. Iraq's August quota is 4.061 million as the coalition continues to increase production. Iraq's quota will rise to 4.803 million barrels per day in May 2022.

[BHP Group may sell off its oil and gas unit]

(Bloomberg; Aug. 16) – Australia-based BHP Group is in talks over a potential merger of its oil and gas unit with Woodside Petroleum to accelerate the mining company's retreat from fossil fuels amid increasing pressure to curb emissions. The move would allow energy producer Woodside, also based in Australia, to add operations that include the U.S. Gulf of Mexico, the companies said in separate statements. BHP's unit could be valued at more than $15 billion, a person familiar with the details said last month.

The petroleum division "simply no longer fits within BHP's portfolio or future-facing strategy," said Saul Kavonic, an analyst at Credit Suisse Group. Having missed opportunities to sell thermal coal assets at higher prices, "BHP should know it's better to exit petroleum sooner rather than later," he said. BHP, which generates the bulk of its profits from iron ore and copper, is reviewing its portfolio as energy supermajors grapple with global pressure from investors and governments over climate action, in some cases by shrinking core production and adding renewable energy assets.

"BHP confirms that we have initiated a strategic review of our petroleum business to re-assess its position and long-term strategic fit," the company said. Though BHP has said it expects oil and gas demand to remain strong for at least another decade, and recently announced $800 million of investments, the company is wary of being stuck with assets that will become difficult to exit as the world attempts to curb consumption of fossil fuels.

Scottish minister pushes U.K. to reconsider oil and gas leasing

(Bloomberg; Aug. 12) - Scotland's First Minister Nicola Sturgeon called on the U.K. government to reconsider oil and gas licenses, just days after a U.N. panel warned of dire consequences for the planet without drastic steps to slash emissions. "We are both well aware of the importance of oil and gas over many decades — not least in terms of jobs — to the Scottish and U.K. economies," Sturgeon wrote to British Prime Minister Boris Johnson. However, "the answer to these challenges — given the urgency of the climate emergency — cannot be business as usual," the Scottish minister wrote.

The letter reflects the mounting pressure on Sturgeon to take a lead on climate ahead of key U.N. talks in Glasgow later this year. She's also keen to burnish her green credentials as negotiations continue over a potential cooperation deal in the Scottish parliament with the pro-independence Scottish Greens. Sturgeon asked the U.K. government to reassess oil and gas fields that have been licensed but not yet developed, such as the Cambo development west of Scotland's Shetland Islands.

A final investment decision for the Cambo field — owned by Siccar Point Energy and Shell — is due later this year, having been postponed in 2020 as the COVID-19 crisis sent oil prices crashing. The Scottish Greens, who Sturgeon has said could get ministerial posts as part of a cooperation agreement, have repeated their demand that the Cambo license be revoked and all new oil and gas permits banned. The field is among the U.K.'s biggest potential oil and gas projects, though it's a relative minnow globally. The first phase would target 170 million barrels of oil equivalent.

Doctors group puts up anti-LNG billboards at B.C. ferry terminal

(News 1130 radio; Vancouver; Aug. 13) - A group of doctors wants British Columbians taking ferry trips to think about how their day-to-day activities are contributing to climate change — as the province struggles through a summer of scorching heat and wildfires. Dr. Melissa Lem is with the Canadian Association of Physicians for the Environment, the group behind some large billboards that will go up next to the Tsawwassen Ferry Terminal this weekend. The message is that liquefied natural gas, which fuels vessels and powers stoves and heating systems in homes, is a major "climate culprit."

"We decided to situate our billboards near the ferries because ferries run on natural gas and that's what our campaign is all about — the health effects of natural gas within our province," Lem said. "We want to point out the relationship between everyday things that we use, like ferries, and natural gas. Natural gas is actually quite pervasive in our everyday lives. We use natural gas to heat our homes, to cook our food, to get around."

The organization has four demands: an end to fracking, halting all fossil fuel subsidies, a commitment to zero-emission construction, and a transition to clean jobs for everyone in the oil and gas industry. "What a lot of people don't know is that natural gas is extracted in our province, the majority of it through fracking, or hydraulic fracturing, which is a very polluting process that actually affects the health of people living in the North and also contributes in a major way to climate change,” the doctor said.

Malaysia seeks bids to design third floating LNG production unit

(S&P Global Platts; Aug. 12) - Malaysia's national oil company Petronas has issued a front-end engineering and design tender for a third floating liquefied natural gas plant, for which bids are due in August, according to sources. The FEED study is expected to kick off before the end of 2021 and lead to a final investment decision on the unit dubbed PFLNG Tiga during the second half of 2022, sources said.

PFLNG Tiga is expected to have an output capacity of about 2 million tonnes per year and be deployed near-shore in the eastern state of Sabah on the island of Borneo, said market participants. Tiga means three in Malay. The waters of Sabah are home to Petronas' two other FLNG units: PFLNG Satu and PFLNG Dua, or PFLNG One and Two. Petronas was the world's first to successfully deploy FLNGs, designed to tap stranded gas fields economically instead of building expensive land-based facilities.

Some factors support the economics of a third unit — an FLNG can be built faster than an onshore facility, LNG prices are expected to remain high, and industry upheavals in the past year have led to supply projects being delayed or canceled. The region is also close to North Asia gas markets. However, Malaysia has been struggling with declining output from its gas fields, there have been few major discoveries in recent years, and it is unclear if there are enough gas reserves to necessitate a third floating plant.

The Philippines will start importing LNG next year

(MSN News; Aug. 13) - The Philippines will start importing liquefied natural gas next year as the LNG terminals of First Gen Corp. and Atlantic Gulf and Pacific Co. of Manila are on track for completion, according to an official of the Department of Energy. In a virtual forum organized by the Economic Journalists Association of the Philippines, Energy Department Undersecretary Felix William Fuentebella said the AG&P terminal is going to be completed by the second quarter of 2022, followed by First Gen’s LNG terminal by the end of September 2022.

First Gen’s facility in Batangas City will have a capacity of 5.26 million tonnes of LNG per year, with an investment cost of $260 million. It will provide gas supply for four existing gas plants and future gas power projects of First Gen. AG&P’s floating storage unit and onshore regasification terminal project, which has a cost of $300 million, will have a capacity of 3 million tonnes per year and provide LNG storage and regasification services for the 1,200-megawatt Ilijan power plant in Batangas by the end of June 2022.

The LNG terminals will address the decline in natural gas supply from the Malampaya gas field — the country's only gas source. To prepare for the Malampaya's depletion and ensure continued operations of gas-fueled power plants, the country's Energy Department has pushed the development of LNG import terminals.

Russian LNG bunkering vessel able to handle ice 2½-feet thick

(PortNews; Aug. 12) - Gazpromneft Marine Bunker said construction of Russia's first LNG bunkering vessel intended for serving freight and passenger ships has been completed. The Dmitry Mendeleev has undergone testing of its gas and cryogenic equipment, loading systems, pumps and compressors for storage and unloading of LNG. The ship later this year will start service from its place of permanent deployment in the Baltic Sea to serve ships there and in the Gulf of Finland.

The bunkering vessel named after a Russian chemist will be used for transportation and ship-to-ship fuel bunkering at ports in St Petersburg, Ust-Luga, Primorsk, Kaliningrad and Vyborg. "In the mid-term, liquefied natural gas will play the key role in decarbonization of seaborne shipping. With its high environmental and operational characteristics, LNG can occupy a substantial share in marine fuel sales for the global shipping market," said Anatoly Cherner, a deputy chairman at Gazprom Neft.

The 328-foot-long vessel is 62 feet wide. It will be able to carry up to 1.5 million gallons of LNG, equivalent to about 125 million cubic feet of natural gas. It has a fully compliant ice-class reinforced hull, allowing navigation of one-year-old sea ice up to 2½-feet thick.

Cheniere fined after investigation into cracks in LNG storage tanks

(Houston Chronicle; Aug. 13) - Cheniere Energy has been hit with a proposed $2.2 million federal penalty for its Sabine Pass LNG export facility in Louisiana. The charges stem from an investigation by the U.S. Pipeline and Hazardous Materials Safety Administration of several cracks found in tanks at the facility in January 2018 that the agency said could have created a flammable cloud of low-lying gas around the tanks.

In a notice made public earlier in the month, the safety agency alleged that the cracks were a result of "incorrect operations," adding that Cheniere knew the tank design was inadequate to handle operations. Two of the five tanks at Sabine Pass LNG are still shut down, pending approval to restart. Not only were tank designs not up to standard, according to the agency, but Cheniere didn't have alarms properly set to warn of hazardous conditions that could have prevented the cracks from happening.

Experts estimated months later that 825,000 cubic feet of natural gas vaporized into the atmosphere around the tanks. Representatives for Cheniere said crews at Sabine Pass

LNG handled the incident and resulting investigation correctly, and prevented danger to workers and nearby residents. The company and the safety agency have been in frequent contact since the initial incident, according to public filings, and other inquiries and cases have been opened since the cracks were detected.

Russian developers discuss methanol plant with Chinese companies

(The Barents Observer; Norway; Aug. 14) - Plans to build a methanol plant on the Pechora coast of the Russian Arctic were on the agenda when nine Chinese energy companies this week were invited to an investment meeting with Russian developers. The plant is proposed for the small village of Indiga, in an isolated region almost 500 miles east of the Norwegian border, Russia’s Ministry of the Far East and Arctic said.

The company developing the project, RusKhim, envisages an annual production of 1.8 million tons of methanol, along with a shipping terminal on the coast of the Pechora Sea. Gas condensate from the nearby Korovinskoye and Kumzhinskoye fields would feed the plant. Indiga is a village on the Nenets tundra with a population of about 600. The project is estimated to cost about 200 billion rubles (US$2.7 billion), and RusKhim is in dire need of investors — and the Chinese have the cash needed.

Ruskhim intends to launch the project in 2026. This summer, the company signed a cooperation agreement with Air Liquide, the French natural gas technology company. Methanol is predominantly produced from natural gas and is used as a fuel and in the manufacture of plastics and synthetic fabrics.