Oil and Gas News Briefs
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EPA steps up push on FERC to weigh greenhouse gas emissions

(Houston Chronicle; Aug. 23) - The Biden administration is pressing the Federal Energy Regulatory Commission to more thoroughly consider greenhouse gas emissions in deciding whether to allow the construction of new natural gas pipelines and LNG exports facilities. In a series of letters to the commission this month, officials at the Environmental Protection Agency intervened on two pipeline projects in Louisiana and New York, as well as a gas line compressor station expansion in Pennsylvania.

The EPA said FERC should consider whether the projects would not only hinder clean-energy development but could be forced to close earlier than expected due to tightening climate regulations — just as coal power plants. “FERC should assess whether the project is consistent with recent federal and other greenhouse gas emission reduction goals, including pathways to achieving net-zero emissions,” wrote Jonna Polk, director of communities, tribes and environmental assessment at EPA’s Dallas regional office.

In deciding whether to build a pipeline or LNG terminal that would be expected to operate for decades, EPA is recommending FERC utilize the federal government’s social-cost-of-carbon calculator, which aims to estimate the economic harm wrought by greenhouse gas emissions. The EPA is currently reviewing six other gas projects under consideration at FERC for similar intervention, a spokeswoman said. While the EPA does not have any direct authority over FERC, the interventions are likely to bolster environmental groups’ legal fight against new pipelines over climate change concerns.

Papua New Guinea, Exxon resume talks on gas project

(Reuters; Aug. 22) - The Papua New Guinea government and ExxonMobil plan to resume talks on the P'nyang natural gas project, nearly two years after negotiations halted, Oil Search, a partner in the project, said Aug. 23. Talks tied to a $13 billion expansion of the country's liquefied natural gas exports fell apart in late 2019 with the government saying Exxon was unwilling to negotiate on the government’s terms.

The government has been pressing for better returns for the impoverished country than it obtained in the original agreement in 2008, which led to the opening in 2014 of the Exxon-led LNG project. The talks are focused on developing the P'nyang gas field. Exxon and its partners, including Oil Search, had intended to develop P'nyang to feed a new liquefaction unit at the existing LNG plant. However, since the talks collapsed, the thinking has moved toward developing P'nyang later on to feed the existing trains as the current gas sources dry up, rather than an expansion, Oil Search has previously said.

Kerenga Kua, PNG Minister for Petroleum, said on Aug. 23 that if all goes well, "we can expect to sign a P'nyang heads of agreement around the end of this next month and a gas agreement thereafter." An Oil Search executive vice president said, "We look forward to further progress in these negotiations." Its stake in Papua New Guinea gas is considered the jewel in the crown for Oil Search, which has agreed to an all-stock takeover offer from Santos worth about A$8 billion (US$6 billion).

China likely to scale back LNG demand at high prices

(Reuters; Aug. 25) - China's liquefied natural gas imports are expected to increase at a slower pace in the second half of the year after blistering growth over the first six months, but the moderation is unlikely to put a brake on surging international prices. China normally steps up imports of the fuel in the second half to meet winter demand, but buying has been curbed by high prices, a pull-back in China's economic recovery and a lack of new receiving terminals, traders and analysts said.

After 28% year-on-year growth in the first half, second-half shipments are estimated to rise 12% to 13% from a year earlier, said Ricki Wang, an analyst at Chinese commodities consultancy JLC. "Prices are way too high for my clients to bear," said Li Ruipeng, a small gas distributor in north China's steel capital Tangshan who trucks imported fuel in trailers to gas filling stations and industrial users. Prices this week stood at the highest for this time of the year since at least 2010. In Tangshan, wholesale LNG was quoted at about $23 per million Btu, more than double a year ago, Li said.

Customers like steel mills and glass makers have either turned to domestic piped gas, which is about 10% cheaper than imported LNG, or cut production to stem losses, said Li, who has had to idle half of his 10-truck fleet because of dwindling sales. To meet its gas needs, China is turning to increased supplies of domestic gas and piped gas from Russia's vast Siberian fields. China's own gas output rose 11% year-on-year in the first seven months following a call by Beijing to boost domestic supply security.

Low inventories could create tight global gas market this winter

(Natural Gas Intelligence; Aug. 20) - This winter is shaping up to be one of the tightest in years for the global natural gas market as strong demand has continued throughout the year, leaving inventories woefully short. Liquefied natural gas supply disruptions in Angola, Brunei, Nigeria and Trinidad and Tobago, to name a few, have also led to incremental supply losses on the spot market, while pipeline gas imports into Europe have been low throughout the year.

The crunch comes as demand is expected to be even higher this winter than it was last, when record-setting cold across the Northern Hemisphere sent LNG prices in Asia to their highest point ever. “Overall, there’s going to be a larger appetite for LNG,” said Kristen Holmquist, forecasting manager at Poten & Partners. Holmquist spoke during a recent webinar to discuss the shipbroker’s winter LNG outlook, which assumes normal temperatures. “In the case of a cold winter, this market is going to be very, very tight. And it’s going to be a challenge for people to get the volumes they need,” she said.

Global inventories were left short after last winter. A hot summer has continued to push demand and left the world’s largest buyers in Asia in need of more LNG to get ready for winter. Japan-Korea Marker prices have hit their highest seasonal levels ever this summer amid increased cooling demand and restocking. That’s pulled cargoes away from Europe at a time when Russian and Norwegian gas have fallen on maintenance and production issues. European storage is about 20% below the five-year average.

Turkmenistan will pay China with gas for boosting field output

(Reuters; Aug. 23) - Chinese state energy firm China National Petroleum Corp. will receive up to 1.8 trillion cubic feet of natural gas from Turkmenistan in exchange for helping the Central Asian nation boost output at its giant Galkynysh field, a source familiar with the plans said. A launch ceremony for the project was held Aug. 23, according to the source, who said CNPC would set up new wells at the field.

China is already the main market for Turkmen gas, although the former Soviet republic also sells limited volumes to Russia and is working on a pipeline that would ship its gas to Afghanistan, Pakistan and India. Turkmenistan in 2000 exported almost 1 trillion cubic feet of gas by pipeline to China, about half of the country’s total production, according to BP’s Statistical Review of World Energy 2021.

Merger in Australia could lead to $12 billion gas project

(Australian Broadcasting Corp.; Aug. 21) - For more than 50 years, the name Woodside has been synonymous with oil and gas in Australia. Although preceded by Australia mining giant BHP in the petroleum game, Woodside rose to become the local champion of the industry. But as the ground shifted underneath the fossil fuel industry in recent years and investors began spurning fossil fuels, a little-acknowledged reality began dawning on observers. Woodside was seemingly a company without much of a future.

That was until this week when news of a proposed tie-up between Woodside and the oil and gas arm of mining giant BHP led analysts to say the company now has a path forward. The deal would involve a merger valued at $41 billion. Graeme Bethune from consultancy EnergyQuest said the agreement would pave the way for the planned $12 billion Scarborough LNG development off Western Australia's northwest coast.

Doubts had been growing about whether Scarborough would go ahead, given that BHP owns 26.5% of the project and had been tight-lipped about when or whether it would commit to a final investment decision. Bethune said the proposed new Woodside would own 100% of the project and have few qualms about proceeding. As part of the deal, Woodside will acquire what Bethune said is a raft of high-performing oil and gas assets around the world including some in the Gulf of Mexico. He said these assets were "major generators of cash" and would significantly boost Woodside's financial firepower.

Supply issues part of the reason for high LNG prices

(Reuters column; Aug. 24) - The spot price of liquefied natural gas in Asia is usually at a seasonal low in August in what is historically the shoulder season between summer and winter peak demand. That the price of spot cargoes is at the highest for this time of year since 2013 has been largely put down to robust demand, and a determination among buyers to ensure stocks are adequate for the upcoming Northern Hemisphere winter.

However, it's also worth noting that supply from major exporters has fallen below potential in recent months. While some top exporters, such as Qatar, have been able to lift output, it certainly hasn't added sufficient volumes to slake Asia's robust demand for the fuel. The weekly spot price assessment ended at $15.50 per million Btu in the seven days to Aug. 20, down from $17.05 the prior week, the highest since last winter.

Supply pressures have kept the available volume of the fuel below potential. Australia, which vies with Qatar for the title of world's biggest LNG exporter, has seen a recovery in volumes in July and August, but this came after two weak months in May and June, when exports were the lowest since February 2019. Maintenance at several LNG plants is likely behind the reduction in volumes, though some have returned to full output.

The U.S., ranked third in LNG exports, has also had maintenance issues, with pipelines supplying plants undergoing scheduled turnarounds, a process that is ongoing and likely to affect exports this month and next. While maintenance turnarounds will eventually be completed, it still remains a question as to whether supply will rise enough to meet Asia's winter demand, or even by enough to cap the rally in spot LNG prices.

Oregon LNG developer misses permit deadlines

(The Associated Press; Aug. 20) - Missed deadlines for permits for the development of a U.S. West Coast liquefied natural gas export terminal and feeder pipeline are adding to questions about whether the $10 billion project in Oregon will go forward. The environmental nonprofit Rogue Climate issued a statement saying the Jordan Cove Energy Project, backed by Canadian energy company Pembina, has missed four land-use permit deadlines this summer, the most recent of which expired Aug. 11.

A Medford attorney who has represented pipeline opponents, Tonia Moro, said it leads them to possibly interpret that Pembina is moving away from this project altogether. A spokesperson for the energy company did not respond to a request for comment. Moro said reapplying for these permits would be a significant step back in the regulatory process. “By giving up these permits they’re giving up quite an investment into the regulatory process itself,” she said.

In April, Pembina said in a federal appeals court filing in Washington, D.C., that it was “pausing” the years-long effort to develop the gas export project as well as the pipeline. Jordan Cove would be the first U.S. West Coast LNG export terminal. The 230-mile feeder pipeline would begin in Malin, in southwest Oregon, and end at the city of Coos Bay on the rural Oregon coast, crossing through four southern Oregon counties.

Chevron starts requiring vaccinations for some of its workers

(The Wall Street Journal; Aug. 23) - Chevron has begun requiring some employees to receive COVID-19 vaccinations and is evaluating mandates throughout its entire workforce as the oil and gas industry contends with rising infections, according to people familiar with the matter. The second-largest U.S. oil company is one of the first major producers to implement such requirements as the industry wrestles with unvaccinated field workers.

Outbreaks of the virus have recently been affecting operations in key sites such as the offshore platforms of the Gulf of Mexico and the Permian Basin of Texas and New Mexico, several industry executives said. Chevron is now requiring expatriate employees, workers traveling internationally, and employees on U.S.-flagged ships to receive vaccinations, said company spokesman Braden Reddall. It will also require offshore workers in the Gulf of Mexico and some onshore support staff to be vaccinated by Nov. 1, he said. The requirements cover thousands of employees.

Executives at the company are also evaluating the feasibility of mandates for each Chevron business unit and could implement such requirements more broadly through its roughly 47,000-member workforce, people familiar with the matter said. The analysis includes the risk of infection within the unit and the availability of vaccines within the dozens of countries in which Chevron operates, the people said, adding that there is currently no plan for a companywide mandate. Chevron plans to allow exceptions to some employees for health or religious reasons, Reddall said.

Chevron and partner plan 10 more dairy biomethane plants

(Bloomberg; Aug. 24) - Chevron is accelerating its push to convert cow manure into renewable natural gas as part of its effort to reduce its carbon footprint. The oil major and its joint-venture partner Brightmark, a waste solutions manager, will build an additional 10 facilities to produce dairy biomethane to fuel long-haul trucks, according to the companies. They're already developing 28 plants in seven states, with the first set to begin production this year.

The push comes as oil and gas producers face increasing pressure to show a roadmap to become more green. So-called renewable natural gas is produced from methane, the second-largest contributor to climate change. The technology for capturing methane from farms, landfills and other sites has been around for years, and is starting to gain traction as cities and businesses look for ways to curb emissions. Chevron and other oil companies say the fuel is a net positive in the battle against global warming, but critics argue it's just a crutch to keep fossil fuels in the mix.

Chevron and Brightmark declined to discuss the cost of their Brightmark RNG Holdings joint venture. The average cost to build a renewable gas facility has been about $17 million in the past but that's been increasing and many now $30 million, said Matt Tomich, president of industry group Energy Vision.

Maersk orders $1.4 billion of cleaner-burning container ships

(Bloomberg; Aug. 24) - The world's largest container-shipping line is making a $1.4 billion investment in a greener fleet. A.P. Moller - Maersk has ordered eight new vessels, each costing $175 million, that can be propelled by cleanly made methanol instead of an oil-based fuel. They're set for delivery from 2024. "We don't believe in more fossil fuels," Morten Bo Christiansen, vice president and head of decarbonization, said in an interview. "A lot of our customers are very, very supportive of this."

Shipping is the backbone of global trade, and accounts for almost 3% of man-made carbon dioxide emissions. The level has been rising in recent years, according to data from the International Maritime Organization. By 2050, the U.N. body wants shipping's total greenhouse gas emissions to at least halve relative to 2008. Last year, IMO rules to curb air pollution by limiting the sulfur content of marine fuel came into force.

Maersk isn't the only shipper starting to make the transition. Oil tanker owner Euronav has ordered new ships capable of one day running on ammonia or liquefied natural gas. Commodities trader Cargill has said it plans to add so-called wing sails to some of its fleet. The new Maersk vessels, built by South Korea's Hyundai Heavy Industries, represent about 3% of the shipping company's total container capacity. They'll replace older ships in the company's fleet, saving about one million tons of carbon dioxide a year. Maersk has the option for four more of the ships to be delivered in 2025.

Gulf of Mexico platform fire knocks down Pemex production

(Reuters; Aug. 23) - Five workers were killed and six injured in the Aug. 22 fire on an offshore platform in the southern Gulf of Mexico operated by Petroleos Mexicanos (Pemex) that cut about a quarter of Mexico's oil production, the company said on Aug. 23. The fire broke out as crews were performing maintenance on the platform. A search for missing workers continues, Pemex CEO Octavio Romero told a news conference.

The platform remains out of operation, with about 421,000 barrels per day of oil lost and 125 wells offline, Romero said. The company plans to resume power supply to the facility and connected wells by Aug. 25, aiming to restore gas and oil output afterward. The heavily indebted Pemex has long had a checkered record on safety, and dozens of people have been killed in major accidents in the past. Still, the platform fire was one of the worst Pemex has suffered under the current government.

The rapid decline in the availability of gas from the platform used by Pemex to boost oil at its Ku-Maloob-Zaap fields, knocked crude output in that cluster to nearly 275,000 barrels per day from more than 719,000 before the fire, a document seen by Reuters showed. Pemex's total crude production was 1.69 million barrels per day in June.

U.S. study reports on history of oil spills in Keystone system

(Politico; Aug. 23) - The company behind the controversial Keystone XL oil pipeline that President Joe Biden killed on his first day of office generally had a spill record in line with the national average over a five-year period, but there were two major spills, said a Government Accountability Office report published Aug. 23. The two spills from the existing Keystone lines released a combined 12,000 barrels of oil in the Dakotas even as TC Energy was planning to expand the system with its proposed XL project, which would have tripled the amount of oil the system could carry from Canada into the U.S.

Biden revoked the permit necessary to allow Keystone XL to cross the U.S.-Canada border. TC Energy is in court seeking $15 billion from the U.S. government for the cancellation. Jane Kleeb, chair of the Nebraska Democratic Party who has opposed pipelines including Keystone XL for years, said the GAO report highlighted issues that environmental groups had voiced concern over. But having the information in an official government report would help people in future protests against pipelines, she said.

The GAO study showed that the U.S. stretches of the 2,700-mile Keystone system had a failure rate in line with the national average during its first six years of service, with most of its 22 accidents from 2010 through 2020 releasing fewer than 50 barrels of oil. Of the two major spills, a 2017 accident in South Dakota was caused by faulty pipeline materials and bad construction, while a 2019 North Dakota accident was caused by original pipe manufacturing defects, according to inspections cited in the GAO study.

U.S. plans to sell up to 20 million barrels from oil reserve

(Reuters; Aug. 23) - The U.S. Department of Energy said Aug. 23 it would sell up to 20 million barrels of crude from the emergency oil reserve to comply with legislation passed in recent years. Congress passed legislation in 2015 and 2016 to tap the Strategic Petroleum Reserve, held in several salt caverns on the Texas and Louisiana coasts, to fund the federal government, medical research and a modernization of the facility. The reserve, created in 1975 to serve as an emergency stockpile, held 621 million barrels in four underground caverns as of Aug. 13, Energy Department figures showed.

The sale complies with the law that called for the offering of 58 million barrels between 2018 and 2025. The department said bids must be received by early Aug. 31 and it would award contracts no later than Sept. 13. Deliveries of the oil will take place between Oct. 1 and Dec. 15. It will be the largest sale since 2014.

The added supplies from the sale are expected to weigh on sour crude grades in the U.S. Gulf Coast, traders said. Mars crude, the main sour crude sold in the U.S Gulf Coast market, is already at the lowest levels in about a month on oversupply and slow global demand. The bipartisan infrastructure deal pending in Congress would be partially funded by a further $6 billion oil sale from the Strategic Petroleum Reserve.

Pemex among national oil companies challenged to cut emissions

(Bloomberg; Aug. 24) - Petroleos Mexicanos left investors with more questions than answers after it announced in late July that it would be disclosing its greenhouse gas emissions on a more regular basis — then refused to discuss why they'd soared by double-digits from April to June, compared to a year ago. The moment was awkward to say the least, but analysts also welcomed it as a first wobbly step in a segment of the fossil fuel industry that's still refining its green marketing strategy.

Pemex, as Mexico's oil giant is known, is among a growing number of national oil companies facing pressure from foreign shareholders and investors to track and reduce carbon emissions. Unlike their privately held peers, their main shareholder is the state, putting some riskier or more experimental options out of reach. State oil companies "have less flexibility to make investments or strategic changes in their business," said Jonathan Wood, deputy global research director for Control Risks, a global consultancy.

"Their mandate is to maximize government revenues and ensure a stable supply of affordable, domestic energy. And they are often working in markets where there are price controls or other measures designed to achieve those outcomes, which is very different than what international oil companies face," Wood said. The challenges among state drillers aren't uniform, and some are far more advanced than others in meeting sustainability goals. In poorer regions, government-controlled oil producers face greater pressure to balance sustainability targets with their countries' economic needs.

[Chinese company plans to boost shale oil output]

(Reuters; Aug. 25) - China National Petroleum Co. said on Aug. 25 it plans for new shale oil production from formations within the area of the existing Daqing oil field that will help replenish that site's diminishing output. CNPC said it aims to produce more than 7 million barrels of oil annually by 2025 from the Gulong shale oil formations at Daqing in northeast China's Heilongjiang province.

CNPC said plans to drill a total of 100 wells into the Gulong this year, having completed 58 so far, and 17 of those are producing industrial volumes. As China's biggest oil field, Daqing has pumped for the past 60 years but its reserves are quickly depleting and CNPC is turning to shale formations near the field to replace the output. CNPC has stepped up drilling in the Songliao basin where Daqing is located for unconventional oil resources that require technologies such as horizontal drilling and hydraulic fracturing.

China is in the initial stages of developing its vast shale gas resources, with production last year making up a tenth of total gas output after more than a decade of work. China's shale oil is at a more basic phase due to challenging geology and hefty development costs, experts have said.

[New LNG import terminal set to start up in India next year]

(Reuters; Aug. 25) - India will boost its liquefied natural gas imports next year as private firm Swan Energy starts up its import terminal, raising the country's capacity to ship in the fuel by 12% to 47.5 million tonnes per year. New demand for LNG from India is expected to support Asian gas prices which rose to record highs earlier this year, partly aided by the transition from coal or oil to gas in developing countries.

The floating storage and regasification unit, at 5 million tonnes annual capacity, located at Jafrabad in western Gujarat state, will be commissioned in April, said P Sugavanam, chairman of Swan LNG, which is developing the project. The floating facility was initially expected to be commissioned in the first quarter of last year, but the pandemic and two cyclones have delayed construction of a breakwater needed to make it an all-weather facility, Sugavanam told Reuters on Aug. 25.

India, the world's fourth largest LNG importer, wants to raise the share of natural gas in its energy mix to 15% by 2030, from the current 6.2% to cut emissions. Companies are investing billions of dollars in India to build gas infrastructure.

Power costs in Germany head for two-decade high

(Bloomberg; Aug. 25) - Power costs in Germany are headed for the highest levels in at least two decades this winter in a sign of what soaring fuel and carbon permit prices are having on Europe's biggest electricity market. German power futures for the fourth quarter are trading above 100 euros ($117) per megawatt-hour, twice the rate of last year and almost 50% more than the highest historical average daily price for the period in data going back to 2000.

With benchmark European gas prices more than doubling in 2021 and both coal and emission costs increasing, the cost of generating power at fossil-fueled power plants is rising steeply. High energy prices were the main driver in the German consumer inflation rate climbing in July to the highest level since 1993. In Spain, power prices in the day-ahead market rose to a record 122.76 euros ($144) per megawatt hour. Spanish wholesale electricity prices have doubled between December and June.

Chinese investors see growth in green hydrogen industry

(Bloomberg; Aug. 23) - Chinese investors see potential for further gains in companies making equipment needed to produce or use green hydrogen, a clean-energy source most governments are betting will help them meet climate targets. The sector has so far been free from Chinese government crackdowns on technology companies blamed for exacerbating inequality and increasing financial risk. As China tightens oversight, industries driving growth through innovation and technology are seen gaining support.

"Hydrogen power is one of the ultimate solutions to achieve net-zero emissions," said Li Weiqing, fund manager at JH Investment Management, which purchased shares of LONGi Green Energy Technology due to the company's hydrogen investments. The sector will get "heavy policy support," he said. Although a surge in hydrogen-related stocks earlier this month has leveled off, there is plenty of upside potential, Li said.

Chinese government support for green hydrogen — made with renewable energy — isn't likely to come through direct central government subsidies, said Xiaoting Wang, a BloombergNEF analyst based in San Francisco, who cited the high cost of that approach. Rather, Beijing will support large state-backed firms developing the energy. However, the sector is benefiting as local governments introduce strategies aimed at cultivating green hydrogen firms to show compliance with China's net-zero targets.