Oil and Gas News Briefs
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Federal support ends for new overseas coal plants, carbon projects

(Bloomberg; Dec. 10) - The Biden administration has ordered an immediate halt to new federal support for coal plants and other carbon-intensive projects overseas, a major policy shift designed to fight climate change and accelerate renewable energy worldwide. The wide-ranging directive for the first time bars U.S. government backing for future ventures, potentially affecting billions of dollars in annual funding as well as diplomatic and technical assistance. The move was detailed in a cable sent late last week to U.S. embassies and obtained by Bloomberg News.

The policy contains significant exemptions, including for compelling national security concerns, foreign policy considerations or the need to expand energy access in vulnerable areas. It also does not apply to existing projects, including some the U.S. has supported under multiple administrations. Nevertheless, the policy shift could affect a significant number of potential foreign projects, including terminals in eastern Europe and the Caribbean to receive shipments of U.S. liquefied natural gas.

It also goes beyond constraining financial aid and rules out other forms of government support, including diplomatic and technical assistance that benefits developers of pipelines, LNG import terminals and other projects overseas. "Our international energy engagement will center on promoting clean energy, advancing innovative technologies, boosting U.S. clean-tech competitiveness and providing financing and technical assistance to support net-zero transitions around the world," according to the document.

BLM spends a lot of time on oil and gas sales with no bidders

(EnergyWire; Dec. 10) - The U.S. Interior Department is wasting money and man-hours sifting through paperwork on massive amounts of public lands acreage proposed for potential oil drilling that will never be sold at auction, a new Government Accountability Office report found. The watchdog said the Bureau of Land Management — an agency of the Interior Department that oversees the federal oil and gas program — should consider charging oil and gas speculators to nominate public lands for oil sales.

That practice may help depress speculation and cut the time and cost burden on BLM to weigh offering proposed lands for lease, according to the report released Dec. 9. The GAO report also found that BLM is behind in updating its guidance and fees, despite going through overhauls in how it holds oil and gas lease sales, like the switch to online auctions in 2016. It recommends BLM perform regular reviews of its fee structure. The GOA report did not look at federal oil and gas lease sale procedures in Alaska.

The bureau manages about 700 million acres owned by the federal government. That management responsibility includes holding quarterly sales for the oil and gas sector to lease lands for development. The process begins with oil companies and speculators proposing acres they think should be auctioned. BLM officials then review those proposals to make sure the lands are appropriate for oil and gas development and don't conflict with wildlife habitats or other protections. But GAO's review of past sales found that just a fraction of lands suggested for lease, and vetted by BLM, are brought to sale.

International release of oil reserves slow to materialize

(Bloomberg; Dec. 12) - It's been almost three weeks since the U.S. unveiled an internationally coordinated release of oil from national reserves, intended to hold down prices, but so far there's been little follow through from the other five nations. President Joe Biden said on Nov. 23 that the U.S. would release 50 million barrels of crude from its Strategic Petroleum Reserve in "the next several months." The unprecedented move would be done in parallel with China, Japan, South Korea, India and the U.K., he said.

While the U.S. has granted its first release of oil to ExxonMobil, and intends to issue another sale notice for 18 million barrels this week, there's been silence from the other nations. That's starting to prompt some skepticism about whether they'll go ahead at all, particularly after an outbreak of the Omicron virus variant led to a drop in global prices.

Asian nations' participation in what looks like a buyers' cartel puts them in a tough spot, said John Driscoll, chief strategist at JTD Energy Services. "They can't afford to jeopardize their relationships with major producers to satisfy a U.S. president who'll be up for reelection in a few years," he said.

India was the only Asian nation that was definitive on volume, pledging to release 5 million barrels, although questions remain on timing. Japan has given no details on volumes or timing. South Korea said it would decide on details such as volume and timing after discussing with partner countries. A U.K. government spokesperson said companies could choose to participate in the joint release if they wish.

OPEC+ comes out ahead after decision to boost output

(Reuters; Dec. 9) - The gamble taken by OPEC and its allies, under pressure from the United States, to raise oil output in January despite its own forecasts of oversupply, appears to be paying off as prices stabilize. Oil has steadied around $75 a barrel as market participants brush off concerns of a glut, in part because they don't believe the

Organization of Petroleum Exporting Countries and its allies can reach their new output target, and besides, global oil demand is still expected to rise.

Heading into its Dec. 2 meeting, OPEC+ had every reason to reduce supply. A U.S.-led release of oil from strategic stocks was set to increase the surplus. Oil fell 10% on Nov. 26 when reports of the new coronavirus variant emerged and fell below $66 on the day of the meeting. But OPEC+ went ahead with the nominal monthly increase of 400,000 barrels per day, taking a view that demand would not be severely hit. Oil's rise since has added to OPEC confidence that there won't be a major demand shock.

"The market has taken the decision well," said an OPEC delegate. "The (COVID) variant news made for short-lived negative sentiment, with no clear evidence." At the same time OPEC+ has been under-delivering on its pledges due to a lack of capacity to pump more in some of the alliance's producers. "The bottom line: Everything is good when Brent is quoted at around $75," said a Russian OPEC+ source. Prices could head even higher in 2022, according to Christyan Malek and other analysts at JP Morgan, who think OPEC+ will struggle to add more capacity and have forecast $125 oil next year.

OPEC+ reacts to market uncertainty with perpetual meeting

(Bloomberg columnist; Dec. 11) - The OPEC+ meeting that began on Dec. 1 is still technically "in session" 11 days later. Remarkably, perhaps, it's still short of being the oil producer group's longest gathering — it has another week to go to beat the one held in October 1986. This time, of course, it is much easier to conduct a lengthy meeting. With talks held by videoconference, ministers are free to conduct their normal duties until the chairman decides they need to reconvene. Thirty-five years ago, the ministers and their delegations were ensconced in Geneva hotel suites, far from their desks back home.

This month's meeting is "in session" in name only. Nonetheless, it is proving to be a very successful strategy to support crude prices in the face of uncertainty over the Omicron variant's impact on global oil demand. Right now, the OPEC+ group is doing the most good by doing nothing. Keeping the meeting officially "in session" has sent a clear warning to oil bears that the producer group will step in quickly at the first sign of prices weakening, reducing any appetite to bet on an oversupply and lower oil prices.

That move put a floor under crude prices, which had fallen by $13 a barrel, or 16%, since the new COVID-19 variant emerged just two days after President Joe Biden announced a release from U.S. oil stockpiles. With above-average uncertainty around both oil supply and demand, the producer group did what it could. It successfully reduced producer-consumer tensions by keeping January's supply boost in place, and went from a program of monthly meetings to one of perpetual meeting. That plan of keeping the meeting live while actually doing nothing is looking like a master stroke.

OPEC forecasts mild impact on oil demand from Omicron variant

(Reuters; Dec. 13) - OPEC on Dec. 13 raised its world oil demand forecast for the first quarter of 2022 but left its full-year growth prediction steady, saying the Omicron coronavirus variant would have a mild impact as the world gets used to dealing with the pandemic. The Organization of the Petroleum Exporting Countries said in a monthly report that it expects oil demand to average 99.13 million barrels per day in the first quarter of 2022, up 1.11 million barrels per day from its forecast last month.

“Some of the recovery previously expected in the fourth quarter of 2021 has been shifted to the first quarter of 2022, followed by a more steady recovery throughout the second half of 2022,” OPEC said in the report. “Moreover, the impact of the new Omicron variant is projected to be mild and short-lived, as the world becomes better equipped to manage COVID-19 and its related challenges.”

OPEC maintained its forecast that world demand will grow by 5.65 million barrels a day in 2021, after last year’s historic decline at the start of the pandemic. OPEC expects further growth in demand in 2022 of 4.15 million, unchanged from last month, which will push consumption above 2019 levels. OPEC and its allies are gradually unwinding record output cuts put in place last year. Earlier this month, OPEC+ agreed to boost output by 400,000 barrels per day in January, despite concern about the new variant.

Report forecasts Canadian oil sands production will grow

(Calgary Herald columnist; Dec. 11) - It costs a lot of money to build a major new oil sands project in Canada. Between 1996 and 2015, capital investment in the oil sands hit $262 billion. But once the capital is invested, these developments tap into proven long-life reserves that can churn out oil for decades. Given the focus of producers to cut costs since the 2014 price crash, operations have become more resilient to commodity price gyrations. These factors set up the oil sands for moderate production growth in the coming years, according to a Canada Energy Regulator report this week.

“In three decades time, Canada will be producing roughly the same amount of oil as it is today,” Rory Johnston, managing director and market economist at Price Street, said Dec. 10. Under the study’s base-case scenario, which reflects evolving climate policies, total Canadian oil production will grow by 16% to reach 5.8 million barrels per day in 2032, then dip to 4.8 million barrels by 2050.

The key to the outlook is the staying power of the oil sands. Last year, raw bitumen production averaged 3 million barrels per day and it’s expected to rise — yes, rise — to almost 3.9 million barrels by the end of this decade. By 2050, the oil sands are still producing nearly 3.5 million barrels per day, according to this scenario. And this isn’t triggered by some massive upswing in prices, but rather with Brent crude falling from US$68 a barrel to $40 by the end of its forecast.

Growing electric vehicle sales will eat into global oil demand

(Bloomberg; Dec. 9) - Electric passenger vehicle sales are on a tear. In the first quarter of 2010, 395 EVs were sold worldwide. Last quarter, more than 1.7 million were sold — of those, more than 935,000 were sold in Asia. In early 2010, you would have needed three decimal places to show EVs as a percentage of global passenger vehicle sales (0.002%). Last quarter, the decimals hardly mattered: EVs were 10.8% of sales, a huge gain in little more than four years since passing 1% in the second quarter of 2017.

Those sales are not evenly distributed, however. Europe leads on a percentage basis, with 17.4% of new cars sold with a plug; Asia is second at 12%; the Americas are a distant third, at less than 4%. China, the world's biggest auto market, saw nearly 20% electric sales in August of this year. In the U.K., electrics were nearly 30% of sales in November. Just as noteworthy, rising EV sales are eating away at the market share of other powertrains, in particular diesel-fueled internal combustion engines.

Diesels were more than half of sales just seven years ago; last month, they were less than a tenth. As EV sales continue to increase, their displacement of oil consumption will become apparent. Earlier this year, BloombergNEF research found that EVs of all types, including buses and 2- and 3-wheelers, were displacing more than a million barrels of oil demand per day — and that was before this year's surge in EV sales. By the middle of the century, oil demand could be 21 million barrels less per day thanks to EVs, compared to an entirely internal combustion engine global vehicle fleet.

U.S. builds on its lead as world's top LNG exporter

(Houston Chronicle; Dec. 9) - The U.S. will lead the world in liquefied natural gas export capacity by the end of 2022, according to a new Energy Department report, putting the Gulf Coast at the center of the global industry. The U.S. is expected to surpass Australia and Qatar when new liquefaction units come online next year at terminals in Cameron Parish, Louisiana, owned by Houston-based Cheniere Energy, the nation's top exporter, and by Virginia-based Venture Global.

U.S. LNG peak production in November was estimated at 11.6 billion cubic feet per day of gas, the department said. By the end of 2022, it's expected to grow to 13.9 bcf per day. Estimates put Australia's peak production at 11.4 bcf per day and Qatar's at 10.4 billion, according to the Energy Department. The large amount of gas produced in the Permian Basin has led to significant expansion of LNG operations along the Texas and Louisiana coasts. U.S. LNG peak export capacity will further increase to an estimated 16.3 billion cubic feet per day in 2024 when construction is finished and Golden Pass LNG near Port Arthur, Texas, starts operations as the eighth U.S. LNG export facility.

Smaller companies in China step up imports of LNG

(Reuters; Dec. 9) – While two Chinese firms this week announced long-term supply agreements with Qatar to buy liquefied natural gas, additional companies beyond the country's national energy giants are set to accelerate imports of the fuel to account for 40% of China's total imports by about 2030. A group of about 16 niche Chinese gas companies are set to operate a total of nearly 60 million tonnes of annual LNG receiving capacity by 2030, up from around 16 million tonnes now.

They are also expected to pay for use of import terminals run by PipeChina, formally known as China Oil and Gas Pipeline Network, which has since its start-up in October 2020 been marketing access to its terminals. PipeChina runs nine working terminals absorbed from state oil giants and is building a 10th.

Argentine producer eyes LNG export potential

(S&P Global Platts; Dec. 10) - YPF, the biggest oil and gas producer in Argentina, is conducting preliminary studies to prepare for building up its LNG export capacity as gas production grows in the giant Vaca Muerta shale play and projects get underway to increase gas pipeline capacity, CFO Alejandro Lew said Dec. 10. "We are doing the technical studies to be prepared," he said at an Americas Society and Council of the Americas energy conference.

Lew said he is uncertain when YPF, which produces 28% of Argentina's of gas, or about 1.3 billion cubic feet per day, could start such a multibillion-dollar project as an LNG export terminal, given that the country's financial crisis, now in its fourth year, is limiting access to capital at affordable rates. "With the current macroeconomic environment in Argentina, any multibillion-dollar and multiyear project such as an LNG terminal should probably take a few years," he said. "But the opportunity is there."

The project would build on YPF's first foray into LNG exports with a floating liquefaction terminal in 2019 and 2020, when it targeted sales to Asia. The shipments were made out of surplus gas production during the warmer months of October to April, when heating demand declines. The shipments and the floating terminal, leased from Texas-based Excelerate Energy, were suspended in 2020 as gas output fell in response to low prices and a decline in demand during a pandemic lockdown. Production and prices have since started to recover, encouraging YPF to revive plans for exporting LNG.

Bill to prohibit fracking, ban oil and gas exports introduced in House

(S&P Global Platts; Dec. 8) - Environmentalists have stepped up opposition to U.S. LNG export facilities, backing restrictive legislation in the House of Representatives as well as protesting a pending export authorization at the Department of Energy. A bill introduced Dec. 7 by Reps. Jan Schakowsky, D-Ill., and Nanette Diaz Barragán, D-Calif., would bar the Federal Energy Regulatory Commission from approving new LNG terminals unless doing so would also cut greenhouse gas emissions.

The bill would also prohibit hydraulic fracturing, ban exports of crude oil and natural gas, and bar GHG emissions from all new power plants. Titled the Future Generations Protection Act, the legislation is intended to "help ensure a rapid shift away from fossil fuel to clean renewable energy," according to a press release from Schakowsky, who is senior chief deputy whip in the House and chair of the House Energy and Commerce subcommittee on consumer protection and commerce.

While the bill likely faces impossible odds of advancing through the Senate, it garnered 21 cosponsors as it was introduced in the House. The proposal was backed by groups including Oil Change International, Center for Biological Diversity, Climate Hawks Vote, Earthworks, Food & Water Watch, Friends of the Earth, Progressive Democrats of America and Zero Hour. Meanwhile, the Sierra Club and Natural Resources Defense Council on Dec. 7 protested efforts by Freeport LNG to increase its export volumes by 870 billion cubic feet of gas per year from its terminal in Texas, extending through 2050.

Texas wants to avoid repeat of last winter’s power plant shutdowns

(Houston Chronicle; Dec. 10) - The temperatures were mild Dec. 8, but the below-freezing temperatures of February’s winter storm were not far from the thoughts of Texas oil and gas operators and managers of the electric grid. On the same day the Public Utility Commission vowed the lights would stay on this winter, the trade group Texas Oil and Gas Association led a tour of well sites and gas facilities in the Permian Basin to show the industry’s preparedness for cold winter weather.

The gas industry has come under criticism for failing to winterize its operations — a failure that has been highlighted by federal officials as a major cause of the power plant shutdowns in February that led to widespread outages lasting for days, contributing to the deaths of some 200 people. A Federal Energy Regulatory Commission report found that gas shortages during the storm that swept Texas and other southcentral states in February was primarily the result of the industry’s failure to weatherize its systems.

Fuel shortages caused nearly 60% of outages at gas-fired power plants, which account for about half the state’s electricity generating capacity, according to FERC’s report. Texas regulators are mandating that energy companies list facilities as critical and ensure that winterization steps are taken. Already, state inspectors have conducted over 2,300 inspections comprising 10,000 wells and 200 pipelines and storage facilities.

[Pennsylvania adopts new rules to stem air pollution leaks at wells]

(Pittsburgh Post-Gazette; Dec. 10) - Pennsylvania regulators have released a long-awaited final draft of rules to cut releases of smog-forming and climate-warming air pollution from the state's existing oil and gas well sites, but they will still not require companies to find and fix leaks at tens of thousands of low-producing wells. The rules are a last piece of the methane-reduction strategy that Gov. Tom Wolf announced nearly six years ago to cut down on emissions of the potent greenhouse gas from new and old sites across Pennsylvania's oil and gas production industry.

The new rules are expected to take effect by the middle of next year and will require some well owners to perform leak searches four times a year and upgrade equipment already in the field to cut down on pollution from controllers, pumps, compressors and tanks. In total, the rules are expected to reduce emissions of a smog-forming group of chemicals called volatile organic compounds by twice as much as was expected when the first draft of the rules was published two years ago.

Mark Hammond, director of the Department of Environmental Protection's air quality bureau, said the major driver for that improvement was better data that state regulators gathered by looking at Pennsylvania facilities to assess the rules' impact, rather than relying on national estimates. Environmental groups said they were disappointed in the rules. They estimate that about 63,000 oil and gas wells will be free from having to perform leak-detection surveys based on the state's production thresholds, including the vast majority of the state's conventional wells.

[Majority owner hits pause for North Sea prospect]

(The New York Times; Dec. 10) - An oil project off the coast of Scotland that had become a test of Britain's environmental credentials was shelved by its main owner on Dec. 10. The decision to halt Cambo, as the oil field is known, is a huge win for environmental groups and a blow to the North Sea oil industry. It comes just over a week after Shell, which owns 30% of the project, pulled out of the investment.

"We are pausing the development while we evaluate next steps," said Siccar Point Energy, a London-based company backed by private equity firms, including Blackstone, the financial management giant. Siccar Point said it had planned to invest $2.6 billion in Cambo, and had already spent $190 million since acquiring it in 2017. Environmental groups said that starting new drilling projects was not compatible with Britain's goals on tackling climate change and reaching net-zero greenhouse gas emissions by 2050. The British government has been considering whether to let Cambo go ahead.

Cambo became a target of protests, including at the recent U.N. climate summit in Glasgow. Scotland's top politician, First Minister Nicola Sturgeon, has said she did not think it should be given a green light. On Dec. 2, Shell said it would not go ahead with the investment because the economic case was not strong enough. Shell's decision, which was also prompted by the potential for delays from protests and lawsuits, led Siccar Point to decide it could not "progress on the originally planned time scale."

LNG carrier charter rates pull back from record highs

(S&P Global Platts; Dec. 10) - Asia-Pacific LNG shipping rates have eased from record highs as Asian spot LNG demand has softened with moderate weather, healthy gas stockpiles at North Asia terminals and high spot prices that are keeping most end-users on the sidelines. The S&P Global Platts LNG shipping rate fell to $285,000 per day from a record high $320,000 at the end of November, while the Atlantic rate fell to $240,000 from $260,000. Spot LNG carrier availability in the Pacific improved to over a dozen vessels from single-digit levels a few weeks ago, helping slow the surge in freight rates.

While spot vessel availability has improved, a sudden cold wave in North Asia could still boost demand and reverse sentiment, market participants said. Freight rates continue to remain high and are discouraging long-haul imports from the U.S. The shipping market could easily flip as most shipowners are not actively placing vessels in the Pacific trade. The market could tighten very quickly should temperatures start to drop unexpectedly.

The S&P Global Platts LNG Japan-Korea Marker for January was assessed at $34.729 per million Btu on Dec. 9. Freight costs from the U.S. Gulf Coast to Northeast Asia stood at $6.19 per million Btu through the Panama Canal on Dec. 9 and $9.68 via the Cape of Good Hope, allowing for substantial profits for traders, even after gas supply costs and liquefaction charges at U.S. export terminals.