Oil and Gas News Briefs
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Oil execs say 'our products make the world run'

(The Wall Street Journal; Dec. 6) - The leaders of the world's largest oil companies said Dec. 6 that demand for the products they make will remain robust for years to come, even as the world attempts to transition to lower-carbon energy sources. The chief executives of ExxonMobil, Chevron and Saudi Arabian Oil Co., speaking at the World Petroleum Congress in Houston, said that while the world needs to address the risks posed by climate change, global economies cannot function without fossil fuels.

"Oil and gas continue to play a central role in meeting the world's energy needs, and we play an essential role in delivering them in a lower-carbon way," Chevron CEO Mike Wirth said. "Our products make the world run." The conference, one of the industry's largest, convened as the oil and gas business remains mired in uncertainty because of the pandemic. The Omicron variant has weighed on oil prices in recent weeks and created headaches in international travel. Conference speakers seemed unfazed by the added uncertainty of the new variant, and more concerned about future investments.

Jeff Miller, CEO of Halliburton, said Dec. 6 that the world's underinvestment in oil and gas since 2014 — years in which international spending was 50% below historical norms — is leading global markets to an era of scarcity. "For the first time in a long time, you're seeing a buyer looking for a barrel of oil, as opposed to a barrel of oil looking for a buyer," Miller said "One-hundred-dollar-oil is still possible," Ed Hirs, an energy fellow at the University of Houston, said of continued supply uncertainty.

Energy think tank says more investment needed in oil and gas

(Bloomberg; Dec. 8) - The Riyadh-based International Energy Forum has called on companies to raise investment in oil and gas production to $523 billion a year by the end of this decade to prevent a surge in energy prices and economic unrest. The think tank's comments echo those of Saudi Aramco, whose CEO on Dec. 6 said there could be "chaos" unless governments stopped discouraging investment in fossil fuels.

The IEF said spending on oil and gas projects slumped 30% to $309 billion in 2020 and had only recovered slightly this year. It needs to total $4.7 trillion over this decade to meet demand, according to the organization's forecasts. "The next two years are critical for sanctioning and allocating capital toward new projects to ensure adequate oil and gas supply comes online within the next five or six years," the IEF said in its report.

“Insufficient upstream investment would result in more price volatility and spur adverse economic consequences.”

That’s at odds with what most climate activists and some major energy bodies say is necessary to slow the warming of the planet. The International Energy Agency, which advises rich countries, has called for the cessation of new investment in fossil fuels if the world is to neutralize carbon emissions by 2050. But the Organization of Petroleum Exporting Countries and companies such as TotalEnergies have said it will be years, if not decades, before renewable forms of energy can fully replace oil and gas.

Agency expects growing oil supply will outpace demand later in 2022

(S&P Global Platts; Dec. 7) - Global crude oil demand is expected to exceed global oil production for the sixth quarter in a row before supply and demand finds a relative balance in the first quarter of 2022, likely giving rise to limited upward price pressure in the coming months, the U.S. Energy Information Administration said Dec. 7 in its latest Short-Term Energy Outlook.

With demand outpacing supply since the third quarter of 2020, global petroleum stock withdrawals have averaged 1.7 million barrels per day, contributing to a rally in crude oil prices, the EIA said. But the agency expects stock draws to slow to 900,000 barrels per day in the last quarter of 2021 and for global oil stocks to rise through much of 2022 as production is forecast to increase faster than global demand during that period.

"These stock builds should contribute to downward pressure on crude oil prices, and our Brent forecast averages $71 in the second quarter of 2022,” $70 in the third quarter and $67 in the last quarter of 2022, the EIA said. “Growth in production from OPEC+, of U.S. tight oil, and from other non-OPEC countries will outpace slowing growth in global oil consumption, especially in light of renewed concerns about COVID-19 variants."

Development of North Sea oil prospect in doubt

(Reuters; Dec. 6) - Up until a few days ago, the leadership of British North Sea producer Siccar Point was negotiating the sale of a stake in the promising Cambo oil prospect to another private equity-backed company, NEO. But on Dec. 2 Shell, Siccar Point's partner in the project, pulled its support for Cambo amid a wider public debate about the future of fossil fuels development in the North Sea. The deal with NEO, as well as the future of the $2.51 billion project, were thrown into disarray, said three industry sources.

Shell's decision sends a negative signal to companies, investors and bankers who are thinking about putting money into the aging basin, including buying assets from majors, industry sources told Reuters. The withdrawal from Cambo came several weeks after a

U.K. regulator rejected Shell's plans to develop a North Sea gas field, Jackdaw, whose future remains in doubt unless Shell comes up with a revised plan that passes muster.

In its announcement on Dec. 2, Shell said Cambo was not economically viable. But company sources said the decision was also influenced by climate protests against developing new oil and gas resources in the North Sea, as well as opposition to Cambo by Scotland's First Minister Nicola Sturgeon. Siccar Point and Shell had delayed the decision on developing Cambo several times in recent years, most recently due to the pandemic. However, Siccar Point was close to a deal with NEO, sources said.

Iraqi oil minister expects oil to climb back above $75

(S&P Global Platts; Dec. 7) - Iraq expects the price of oil to rebound and rise above $75 per barrel in the coming months because current prices are "inappropriate" for producers, the country's oil minister said Dec. 6, as OPEC+ sticks to its plan to boost output by 400,000 barrels per day in January. "I think the current oil price is an inappropriate price for producers," Ihsan Ismaael told Iraqi state-run TV.

"I expect it to return to stability in the coming months. I believe we will recover from this crisis and return to normal levels. … Hopefully, to above $75," he said. Iraq, OPEC's second-biggest producer, cannot afford a drop in oil prices and is seeking stability between supply and demand, he added.

"Iraq wants stability in oil markets," he said. "Iraq cannot handle a big drop in oil prices and therefore we cannot handle supply to be more than consumption. That's why we will have reservations about any increase in production if it is not directly consumed by consumers." OPEC+ decided at its Dec. 2 meeting to go ahead with its planned increase of 400,000 barrels per day in January despite the spread of the Omicron variant of the coronavirus and the U.S.-led release of oil stocks from reserves.

Qatar in good position to build on its LNG success

(Forbes; Dec. 4) - Normally, the price of liquefied natural gas moves empathetically with the price of oil. But that is unlikely now. Global energy markets are stressed at the onset of winter in the Northern Hemisphere as they haven't been in decades. The result is that Qatar, the independent emirate on the west coast of the Persian Gulf, is in a particularly good place. It has long been the world's top exporter of LNG, for which global demand is surging. And it sees LNG as a greener fossil fuel in these climate-conscious times.

Even as world leaders talked of reducing dependence on natural gas at the COP26 climate change conference in Glasgow, Scotland, nations everywhere were desperately seeking more of it. Qatar has consistently bet long on LNG and gotten it right. While it has limited oil reserves and is a minor oil producer, as a natural gas exporter it is a major. It sits on the world's largest proven reserves of natural gas, followed by Russia.

Qatar is upping its LNG bet by developing a vast new northern field with the aid of foreign investors. When this field is at full production, it will increase the country's LNG exports by 64%. Qatar's LNG lifting cost is the world's lowest, and that is unlikely ever to change. This has added a second revenue stream: liquids derived from natural gas. These include ethane, propane and butane. While the world frets about its use of fossil fuels, it nonetheless is desperate for more gas.

Qatar signs two long-term LNG deals to supply Chinese companies

(Gulf Times; Qatar; Dec. 6) - QatarEnergy announced that its LNG-producing affiliate, Ras Laffan Liquefied Natural Gas Co., has entered into a long-term sale and purchase agreement with Guangdong Energy Group Natural Gas Co. to supply 1 million tonnes per year of LNG to China over a 10-year period starting in 2024. "We are pleased to enter into this long-term supply agreement with Guangdong Energy Group . … This agreement further demonstrates our commitment to continue to be a trusted and reliable energy partner for the People's Republic of China."

QatarEnergy also announced it has entered into a long-term sale and purchase agreement with S&T International Natural Gas Trading Co. to supply 1 million tonnes per year of LNG to China over a 15-year period starting in late 2022, with prices linking to international crude. So far in 2021, at least 10 Chinese companies, including top-tier national oil companies, privately owned LNG importers and second-tier city gas distributors, have signed more than a dozen long-term contracts with overseas suppliers. While U.S. LNG producers accounted for the largest share of those contracts, many have been signed with suppliers like Qatar and Russia.

Japan's largest power generator to retire older LNG plants

(Reuters; Dec. 7) - Japan's biggest power generator JERA said on Dec. 7 it has retired four old liquefied natural gas-fired power plants at its Anegasaki power station in Chiba, near Tokyo, to make way for three new, less polluting units it is building. JERA, a thermal power and fuel joint venture between Tokyo Electric and Chubu Electric, said it plans to decommission the old units before the new ones start operating in 2023. The four 600-megawatts units were built between 1967 and 1972.

The move reflects the utility's effort to cut carbon dioxide emissions by closing or reducing old and inefficient power generation units and building new facilities with higher efficiencies. Japan, the world's fifth-biggest carbon emitter, has pledged to cut greenhouse gas emissions by 46% by 2030 from 2013 levels, and has raised targets for renewables in the nation's electricity mix while trimming targets for use of coal and LNG.

Opponents seek to block financing of LNG project in Mozambique

(Reuters; Dec. 7) - A legal challenge by Friends of the Earth against the British government will be heard in the High Court seeking to block $1.15 billion in financing for a liquefied natural gas project in Mozambique, the environmental activist group said on Dec. 7. Britain's export credit agency U.K. Export Finance has committed to provide up to $1.15 billion of direct loans and guarantees to banks to support the design, build and operation of the $20 billion LNG project led by French energy company TotalEnergies.

Friends of the Earth said in a statement the project was incorrectly judged to be compatible with the Paris climate agreement, without proper assessment of the development’s climate impacts. It also said the project contradicts the U.K.'s obligation to help other countries meet their own climate targets and that the government should instead invest in renewable energy and other sustainable projects.

"The U.K. has poured an eye-watering amount of taxpayer money into developing a huge new gas field in Mozambique right in the middle of a climate emergency," said Will Rundle, head of legal at Friends of the Earth. The gas project is seen by some as critical to transforming the economy and development of Mozambique, one of the world's least developed nations, but environmental campaigners say LNG projects, while cleaner than other fossil fuels, still lock in harmful emissions for decades.

Japanese LNG buyer takes stake in Australia gas project

(S&P Global Platts; Dec. 8) - Japan's largest power generation company, JERA, has acquired a 12.5% stake in the Barossa/Caldita gas field in Australia through an equity purchase agreement with a subsidiary of Santos, the Japanese company said in a statement Dec. 8. JERA said the transaction will allow it to participate in the project that is developing backfill gas supply for the 15-year-old Darwin LNG terminal in Australia, as existing feed gas is set to expire in coming years.

JERA will receive about 0.425 million tonnes per year of LNG from the project, “which is equivalent to its equity stake in the Barossa gas field," the company said. "Because the Barossa gas field is medium-sized, and existing facilities such as the Darwin LNG project's liquefaction plant, an LNG storage tank and jetty can be utilized, the project enables JERA to secure highly competitive LNG with extremely low development risk.”

The volume will be down from JERA’s current purchase of about 2 million tonnes per year from the Darwin project. The company said it is difficult to forecast future LNG demand because of an expected boost of renewable energy, among other factors. JERA, however, is already in talks with other project partners about possibly signing a supply contract should JERA face greater LNG requirements.

Conoco expands its stake in Australia LNG project

(Bloomberg; Dec. 8) – ConocoPhillips intends to become the largest shareholder in the 6-year-old Australia Pacific LNG terminal as it raises its stake in the development as part of a reshuffle of its Asian assets. The company will exercise preemption rights to buy an additional 10% stake in Australia Pacific LNG for as much as $1.6 billion, bringing its share to 47.5%, according to a statement Dec. 7. Sydney-based Origin Energy had agreed to sell the 10% stake to energy investor EIG Partners before Conoco stepped in to exercise its rights. China's Sinopec is also a partner, owning 25%.

At the same time, ConocoPhillips agreed to sell its Indonesia oil assets for $1.36 billion, along with a 35% stake in a pipeline company. The assets produced about 50,000 barrels of oil-equivalent per day in the third quarter of 2021. The moves come after the major posted its highest quarterly profit in a decade and completed two acquisitions that made ConocoPhillips the second-largest shale oil producer in the Permian Basin.

The Australian LNG assets, which sell cargoes to Asia, provides access to rapidly growing markets and their low-field declines complements shale production, which suffered fast-dropping oil flows after the first year. "The Asia Pacific region plays an important role in our diversification advantage as an independent E&P and these two transactions enhance that advantage by lowering our aggregate decline rate and diversifying our product mix," Conoco CEO Ryan Lance said in the statement.

Cheniere asks FERC for more time to decide on Texas LNG expansion

(Reuters; Dec. 8) - Top U.S. liquefied natural gas exporter Cheniere Energy asked federal regulators to extend the amount of time it has to build the proposed Stage 3 expansion at its Corpus Christi LNG export plant in Texas due to pandemic delays. When the Federal Energy Regulatory Commission approved construction of Stage 3 in November 2019, the regulator gave Cheniere five years, or until November 2024, to complete the project. Cheniere asked FERC in a filing Dec. 7 to extend the amount of time it has to put Stage 3 into service until June 2027.

The company said it needs the extra time because the coronavirus pandemic "resulted in adverse economic and logistical conditions that slowed commercial progress and precluded" it from making a timely final investment decision. While the coronavirus caused significant energy demand destruction in 2020, Cheniere said its "long-term contracting activity (has) experienced significant growth in 2021" as buyers seek to lock in prices and supplies now that global energy shortages have boosted prices.

During the past 12 months, Cheniere said it signed long-term contracts for about 6 million tonnes per year of LNG, which, along with previously signed contracts, means that commercialization for Stage 3 is "close to completion." Cheniere said it plans to make a positive FID to build Stage 3 in 2022, putting the plant in service by June 2027. Current capacity at Corpus Christi is 15 million tonnes per year; the expansion would boost that to as high as 25 million tonnes.

Oil Search shareholders approve merger with Santos

(Upstream; Dec. 7) - The required majority of shareholders of Oil Search have voted in favor of the all-share merger with Australia's Santos. The merger will create a company with a market capitalization of more than A$20 billion, making it one of the largest regional oil and gas companies. Implementation of the merger is now conditional on approval of the Papua New Guinea Independent Consumer and Competition Commission and the National Court of Papua New Guinea. Santos said last week it has made pledges to the PNG government as part of the merger.

Santos CEO Kevin Gallagher said the company has pledged to the government no job cuts in Papua New Guinea, where both Santos and Oil Search hold stakes in liquefied natural gas and oil and gas fields; placing a PNG resident on the company's board of directors; maintaining a focus on exploration activities in the country; and identifying and pursuing carbon capture and sequestration opportunities in PNG.

Oil Search is the operator all PNG's oil fields and it has major holdings in the ExxonMobil-led PNG LNG project and the proposed Papua LNG and P'nyang projects. Oil Search also has undeveloped oil reserves in Alaska, but Santos' intentions for Alaska are not yet clear. It is the PNG asset base that attracted Santos, and the decades of LNG production those assets can underpin.

Mild start to winter helps push down U.S. natural gas prices

(The Wall Street Journal; Dec. 7) - The threat of sky-high heating bills is melting away. Unusually warm weather pushed U.S. natural gas futures down 11% on Dec. 6 to around $3.68 per million Btu. That is down more than 40% from October's peak, erasing a run-up that stoked fears of exorbitant heating bills biting into household budgets and manufacturers' balance sheets already stressed by broad inflation.

The climb in prices has reversed thanks to an uptick in domestic gas production and the unseasonably warm weather that has delayed heating season in much of the country.

The sharp decline on Dec. 6 came after forecasts showed another burst of warm weather settling over much of the country next week, eliminating a lot of demand for the power-generation and heating fuel. Meager autumn consumption has allowed stockpiles drained by summer's record heat to recover before furnaces and boilers start blasting.

U.S. prices began the heating season at their highest level since frackers flooded the market with cheap shale gas more than a decade ago. A lot of gas was burned for air conditioning to combat the record summer heat and to make up for lost hydropower output, driving up prices. Meanwhile, low inventories in Asia and Europe touched off bidding wars for U.S. exports of liquefied natural gas, also adding to high prices. Analysts and traders say that it is still possible for prices to jump if there is a big cold snap, but they are lowering their forecasts in light of the balmy autumn.

Judge fines company for largest oil spill ever in North Dakota

(Inforum; North Dakota; Dec. 6) - A federal judge on Dec. 6 sentenced the company responsible for North Dakota's largest-ever oil field spill to $15 million in criminal fines and three years of probation. The sentence for Summit Midstream Partners was entered by U.S. District Court Judge Daniel Traynor and comes three months after the U.S. Department of Justice and the state announced a settlement agreement with the company totaling more than $36 million in criminal and civil penalties and damages.

Federal prosecutors charged Summit for negligence and violations of environmental laws in the spill of 29 million gallons of produced water — a highly concentrated salt fluid that is a byproduct of oil extraction — north of Williston over a five-month period in 2014 and 2015. The incident resulted in the contamination of land, groundwater and more than 30 miles of Blacktail Creek, a Missouri River tributary.

A federal investigation found Summit continued operating its produced-water pipeline after multiple warning signs indicated a leak. In one instance, court records show, a drop in pressure prompted a facilities engineer to suggest shutting down the pipeline, but the company kept running it. Summit pleaded guilty to the criminal charges in September. Later that month, the judge approved $20 million in civil fines. Dave Glatt, director of the North Dakota Department of Environmental Quality, said cleanup at the site of the Summit spill is ongoing seven years after the incident.

Sweden fires up oil-fueled power plant to help Poland

(Bloomberg; Dec. 5) - Sweden has started an oil-fired reserve power plant after Poland said it needed help from its neighbors to meet soaring electricity demand as freezing weather spread across Europe. The plant in Karlshamn, which is part of a winter reserve, was ordered to start after Poland asked for assistance to cover a deficit of as much as 1,700 megawatts for some hours on Dec. 6, the Swedish grid manager said in a statement. The two countries are connected by a direct transmission link.

System operators in Germany, Lithuania and Ukraine also answered the call for emergency assistance, Polish grid manager PSE said by email. The shortage was due to low wind and “emergency and repair shutdowns of a number of thermal generating units,” it said. Polish utility Polska Grupa Energetyczna halted one of its 905-megawatt coal-fired units in Opole at midnight on Dec. 6 until Dec. 23, according to a filing with Entsoe, Europe’s association of grid operators.

Europe’s energy crunch saw the Swedish facility — usually the last reserve in the country’s power system — pressed into service in September after record power prices spilled over into Scandinavia.

India contracts to take more Russian crude

(S&P Global Platts; Dec. 7) - Russia and India on Dec. 6 signed new energy cooperation agreements, including a contract for Russian oil giant Rosneft to ship almost 15 million barrels of crude to the world's third-largest consumer of oil in 2022, according to government and company statements.

Russia's largest crude producer said it has agreed to a contract to ship up to 14.66 million barrels of crude by the end of 2022. Deliveries will be shipped through the Russian Black Sea port of Novorossiisk, the company said. Rosneft owns a 49.13% stake in the Indian company Nayara Energy, which owns an oil refinery. Russia and India cooperate extensively on energy, including Indian companies' stakes in Russian upstream projects Sakhalin 1, Vankorneft and Taas-Yuryakh.

Reports say Houston, Calgary could gain jobs with energy transition

(Calgary Herald columnist; Dec. 7) - A sign near the 2021 World Petroleum Congress boldly declares: “Welcome to Houston — Energy Transition Capital of the World.” The Texas city is hosting the international gathering this week, bringing together over 5,000 government leaders, CEOs and observers to talk about the future as the energy world tilts on its axis. Earlier this year, the Greater Houston Partnership released a report that said if the region takes decisive action to lead the low-carbon transition, the region could gain up to 560,000 jobs. If it doesn’t, it could lose up to 370,000 jobs by 2050.

This all sounds familiar for Calgary, another oil and gas city, which will be home to the World Petroleum Congress in 2023. Consider what’s at stake in this transformation for Alberta: $61 billion. A new study released Dec. 7 by the economic development organizations for Calgary and Edmonton estimates the global energy transition could create an additional 170,000 jobs in clean tech and contribute more than $60 billion to the province’s economy by 2050. However, sticking to a business-as-usual approach only generates 20,000 new jobs and $4 billion in economic activity.

“A low-carbon transformation of Alberta’s industries and economy will not be without its challenges,” the report said. “However, Alberta stands to gain a strong market advantage by developing key clean transition technologies at home. Alberta has considerable technology strengths, energy infrastructure and assets to capitalize on, which also gives the province a unique position in the race to net-zero.”

Australian oil and gas producer outlines clean-energy spending

(Bloomberg; Dec. 7) - Woodside Petroleum, Australia’s biggest independent oil and gas producer, has outlined $5 billion of potential clean-energy spending by 2030 while continuing to back a robust demand outlook for fossil fuels. The company will pursue projects including a concentrated solar pilot project in California and a U.S. hydrogen collaboration with Hyzon Motors. At the same time, it will also deliver the $12 billion Scarborough field and liquefied natural gas project off Western Australia.

“We expect LNG to remain an important part of the energy mix in our region for decades to come,” CEO Meg O’Neill said in a statement Dec. 8. LNG will be required as a less-polluting alternative to coal and to provide backup capacity for renewables, she said. Woodside, which aims to merge with BHP Group’s petroleum unit and develop oil and gas fields, has been criticized over Scarborough’s likely contribution to carbon dioxide emissions, and because it plans to keep adding new fossil fuel supply into the 2050s.

Approval of the project has highlighted debate in the energy sector on whether coal-dependent economies should switch to gas to help lower emissions, or aim to jump straight to renewable sources. Australia’s government has supported Scarborough as a major source of new jobs and export revenue. Woodside’s new clean-energy projects are likely to be up and running by the mid-2020s, and the company expects to begin liquid hydrogen exports in the 2030s. The clean-energy projects will have lower returns and a longer payback period than oil and gas ventures.