Oil and Gas News Briefs
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Chevron stops spending money on proposed Canada LNG project

(The Canadian Press; March 19) - The decision by Chevron to stop funding feasibility work for its proposed Kitimat LNG project on British Columbia's northwest coast isn't surprising given its failed attempt to sell its stake in the estimated C$25 billion venture over the past 15 months, an analyst said. "This is a portfolio-specific decision by Chevron to be pretty choosy about how they allocate capital," Matt Murphy, of Tudor Pickering Holt & Co., said March 19. The project, under consideration since 2008, had not reached a final investment decision, though some site work had been done.

"There was ample opportunity for other parties to come in and take over the project and proceed with it. I think the fact no one did is just further support for industry broadly being fairly choosy," Murphy said. Chevron put its 50% stake in the project on the sales block in December 2019. "At this time, it is Chevron's intent to cease Chevron-funded further feasibility work for the proposed Kitimat LNG project," it said on its website. Chevron is the operator; the other 50% is owned by Australia's Woodside Petroleum.

Kitimat LNG was included as part of a Chevron asset-impairment charge of US$2.2 billion in 2019. Woodside also recorded a 2019 write-down in its stake of US$720 million. The project includes gas-producing assets in the Liard and Horn River basins in northeastern B.C., the proposed 292-mile Pacific Trail Pipeline and plans for an LNG liquefaction and export terminal near Kitimat, B.C. At one time, about 20 LNG terminals were proposed for the West Coast, but only the C$40 billion LNG Canada project, headed by Shell, has reached the construction stage with start-up planned for 2024.

Nova Scotia will not provide funding for LNG project

(CBC News; Canada; March 19) – Nova Scotia Premier Iain Rankin said he supports the proposed Goldboro LNG project but the province will not give any money to the developer to make it a reality. Pieridae wants to build a C$13 billion liquefied natural gas plant in Goldboro, and wants government financial help. The company's plan would see natural gas piped from Alberta to Goldboro, then liquefied and shipped to Europe.

Pieridae has said it is negotiating with the federal government for funding, but the company won't say how much it is asking for. A leaked document that appears to be a company presentation to the federal government pinpoints that figure at $925 million. A company spokesperson told CBC News on March 17 that proceeding with the project would be difficult without cash from Ottawa. The document notes the company hopes to "have a roadmap toward defining federal and provincial government financial support."

But Rankin said March 18 that the province has not been approached for money for the Goldboro LNG plant, nor would it say yes. "We would not be submitting any financial resources to that project." However, Rankin said he supports the project because it makes sense economically and environmentally. "Natural gas is something that is cleaner than coal," he said. "So this facilitates the world getting off coal."

U.S. LNG terminals draw record amount of natural gas

(S&P Global Platts; March 19) – U.S. LNG feed gas demand hit a record high March 19 as total deliveries approached 12 billion cubic feet for the day, almost 13% of average daily U.S. gas production, S&P Global Platts Analytics data show. Capacity could rise further this fall when Venture Global LNG's Calcasieu Pass terminal in Louisiana — the seventh major U.S. liquefaction facility — may be ready to ship its first cargo.

Gas deliveries to LNG export terminals topped the previous record of two days earlier. U.S. liquefied natural gas exports are on track to hit record highs in March as tumbling shipping rates and lower prices continue to attract buyers. "The rebound in U.S. LNG is ... supported by falling freight rates in the Atlantic Basin, which dizzyingly fell from $322,000 per day two months (ago) to just $21,000 a day," analysts at data intelligence firm Kpler said in a report. LNG prices in Europe and Asia remain much higher than in America, making U.S. gas competitive even with shipping costs.

Newest U.S. LNG export terminal could start production this year

(S&P Global Platts; March 18) - Venture Global LNG's Calcasieu Pass export terminal in Louisiana could ship its first cargo in late 2021, a year ahead of schedule, the operator told U.S. regulators. The pipeline that will bring feed gas to the terminal from interstate pipelines will begin service "very soon," Venture Global said. The disclosures March 17 marked the first time Venture Global has confirmed the timing since it issued a tender earlier this month to sell least 12 LNG cargoes for delivery starting this fall.

"Calcasieu Pass anticipates that it will commence full operations of the export terminal in mid-2022, and plans for a phased operational start-up that, with the requisite review and approvals from commission staff, could include the first exports of LNG in late 2021," Venture Global said in a filing with the Federal Energy Regulatory Commission. Start-up was originally expected in fall 2022. It will become the seventh operational U.S. LNG export terminal, with one more under construction and several in development.

The operator said it has raised the roof on its two LNG storage tanks and received and set onto foundations the initial liquefaction modules, which were built off-site in Italy. CEO Michael Sabel said March 3 that the operator expected the seventh and eighth trains of the 18-train facility to be installed within weeks. Venture Global has been the most successful of the second wave of U.S. LNG developers, having sold 8 million tonnes per year of Calcasieu Pass' 10-million-tonne annual off-take under long-term contracts. The project, at $4.5 billion, is using modular construction to hold down costs.

LNG project developer in Texas keeps busy pre-FID

(The News; Port Arthur, Texas; March 18) - While waiting on a final investment decision, the developer of the proposed Port Arthur LNG project in Texas has been moving a highway to make room for the plant and donating several hundred thousand dollars to nonprofits and community programs. FID, which has been delayed, is now expected in December for the project at $8 billion to $9 billion for 11 million tonnes per year of output capacity.

Sempra is the lead in the development. If it goes ahead, Port Arthur would be the company's second liquefied natural gas export terminal on the Gulf Coast, joining Cameron LNG in Louisiana. The developer is relocating and improving 3.5 miles of a highway, which has included bringing in almost 1 million tonnes of crushed rock. The highway was "falling into the ship channel" when work began, Port Arthur Mayor Thurman Bartie said at an online meeting with company officials.

Between 2019 and 2020, the developer has given nearly $500,000 to local nonprofits and economic development organizations, a Sempra LNG representative said this week in a presentation to the Port Arthur City Council. That has included funding to help schools deal with the pandemic, planting more than 200 trees at Sea Rim State Park for migrating birds, awarding $350,000 to nonprofits in Jefferson and Orange counties for COVID-19, and storm relief and recovery.

Texas LNG developer hopes carbon capture will gain customers

(Reuters; March 19) - U.S. liquefied natural gas venture NextDecade wants to develop a carbon-capture and storage (CCS) project at its proposed Rio Grande LNG export plant in Texas. Rio Grande is one of 14 North American projects awaiting a potential final investment decision in 2021, most of which were carried over from 2020 when just one started construction. Only one or two projects are expected to go forward this year.

NextDecade expects the CCS project to reduce permitted carbon dioxide emissions at Rio Grande by more than 90%. The developer said it agreed to sell preferred stock to a group of investment firms to help advance work of the carbon-capture project as well as finalize commercial agreements needed to sanction the project later this year. For months it has been pursuing ways to make Rio Grande more environmentally friendly.

Those efforts have come during a time in which overseas end-users, especially in Europe, are concerned about how new investments in U.S. shale gas could hurt their emission-reduction goals. NextDecade has a contract with engineering company Bechtel to build two liquefaction trains for $7.042 billion or three trains for $9.565 billion. Each train could produce about 5.87 million tonnes per year of LNG.

FERC assesses gas line impact on climate change

(E&E News; March 19) - The Federal Energy Regulatory Commission assessed a natural gas pipeline project's contribution to climate change for the first time ever March 18, advancing a key priority of Chairman Richard Glick. FERC weighed downstream greenhouse gas emissions related to a project operated by Northern Natural Gas Co., which had requested approval of a pipeline replacement running 87 miles between South Sioux City, Nebraska, and Sioux Falls, South Dakota. The agency ultimately approved the project after the landmark assessment of its greenhouse gas emissions.

"Today's order reverses the commission's unlawful course and allows us to honestly say we actually considered a proposed project's potential impact on the environment," Glick said during the agency's monthly meeting. "The order also demonstrates what I have been saying for some time now," Glick said. "Analyzing the impacts of the project's greenhouse gas emissions doesn't automatically doom the project."

For years, commissioners have argued, largely along partisan lines, about how to weigh greenhouse gas emissions caused by pipelines. Under President Donald Trump, then-Chairman Neil Chatterjee said the commission should limit its scope to considering direct emissions from projects, eliciting outrage from Glick, who was the lone Democrat on the panel at the time. Until FERC implements an overarching policy on projects' greenhouse gas emissions, Glick said it will assess them on a case-by-case basis.

Oil and gas association gives insincere award to North Face

(E&E News; March 18) - The North Face received a surprising — and unwelcome — honor earlier this month. The outdoor apparel maker was recognized by the Colorado Oil and Gas Association with a customer appreciation award — the first time that the group had given the prize. It wasn't sincere. The association was mocking a decision by North Face, which is owned by the $30 billion clothing conglomerate VF Corp., to reject a holiday jacket order from Innovex Downhole Solutions.

Even though North Face relies on petrochemicals to make many of its products, company officials last November told the Houston oil field services contractor they didn't want their well-known brand and famous logo — a stylized image of Yosemite National Park's Half Dome — associated with the fossil fuel industry. The move to treat Innovex like a gun, tobacco, or porn company — all of which are formally banned from applying their logos to North Face products — prompted dozens of headlines in industry publications and at conservative media outlets and, on March 1, the oil and gas award.

While the honor was given to North Face in jest, it unintentionally highlighted a serious challenge for VF and other outdoor apparel companies: Their brands and business models depend on customers connecting with nature, but the polyester fleeces, nylon boots, and spandex tights they sell rely on planet-warming fossil fuels and are major sources of microplastics — an emerging environmental threat that's been found in virtually every creature on Earth.

Texas leads lawsuit to overturn Biden's Keystone decision

(Calgary Herald; March 18) - Texas Attorney General Ken Paxton and the top lawyers from 17 other states filed a lawsuit on March 18 challenging President Joe Biden's decision to revoke the Keystone XL pipeline permit, setting the stage for yet another protracted legal battle over the proposed Alberta-to-Texas heavy-oil conduit. The lawsuit argues that only the U.S. Congress can grant or reject permits for oil pipelines that cross an international border, not a presidential administration.

One question is whether the pipeline's owner, Calgary-based TC Energy still has an appetite to invest in the project, which was proposed in 2008. Although the company expressed disappointment about the permit revocation, it was silent about the Texas lawsuit. In February, TC Energy said it was studying how to wind down the project, adding that its tolerance for exposure to permitting risks — specifically around projects like Keystone XL which has been a political flashpoint for a decade — has shifted.

The pipeline, which would carry up to 830,000 barrels of oil a day from Alberta toward refineries in Texas and Oklahoma, had been blocked by the Obama administration twice. The line requires a permit from the U.S. president as it crosses an international border. The Trump administration reinstated the permit in 2019. Biden revoked the pipeline's permit in one of his first acts as president. The latest legal challenge, filed by the attorneys general in Texas and Montana and joined by 15 other states, focuses on a 1.2-mile stretch of the pipeline that crosses the Canadian border into Montana.

[Oil demand on a bumpy road to recovery]

(Bloomberg; March 20) - Oil just experienced its biggest one-day price slump in more than six months, but it hasn't veered off the road to recovery. Even as problems with Europe's vaccine program and a slowdown in Chinese crude buying sent futures down 7% March 18, data from around the world showed a steady, albeit patchy, recovery in demand. U.S. airports are the busiest since the pandemic started and flight attendants are returning from furlough. Steps back toward normalcy in one of the industries hit hardest by COVID-19 is just one of many signs that the world is starting to move again.

Consumption of gasoline, diesel and jet fuel are at the highest in more than a year, and demand is likely to keep improving through the summer, traditionally the peak period. Global oil demand, which plunged as much as 30% during the worst of the pandemic lockdowns last March and April, is now back at about 95% of the pre-COVID high of just over 100 million barrels a day in 2019, according to the International Energy Agency. Together with aggressive output cuts from the OPEC+ alliance of oil exporters, that has helped a revival in prices of more than 20% this year — even after the March 18 slump.

Road traffic from southern California into Las Vegas returned to pre-pandemic levels this quarter, probably because people who would previously have flown are now driving for their gambling getaways, according to a report from Bloomberg Intelligence. "The part of people's lives that has been missing has been going places and seeing scenery other than the inside of their house," said Raoul LeBlanc, an analyst at IHS Markit. "They will want to get out, and that means travel, which means oil demand."

[Lower spending helps reduce break-even oil prices for Gulf nations]

(S&P Global Platts; March 18) - Break-even oil prices for most Persian Gulf countries will decline in 2021 — thanks to an increase in non-oil revenue and austerity measures — and while the region gains from a 70% boost in oil revenue due to the crude price surge, the Institute of International Finance said March 18. "With the sizable improvement in nonhydrocarbon revenue and restrained public spending, the fiscal break-even oil prices will decline, particularly in Saudi Arabia and Oman," the report said.

Saudi Arabia, the world's biggest oil exporter, will see the break-even price that it needs to balance the fiscal budget drop to $66 per barrel in 2021 from $76 in 2020, while the UAE's break-even will decline to $67 from $70. In 2021, Bahrain will need the highest break-even price of $86 per barrel and Qatar the lowest at $51. The institute projects Brent prices will average $60 in 2021, 40% higher than in 2020, which will help increase Gulf hydrocarbon income to $340 billion in 2021 compared with $200 billion in 2020.

Dated Brent is up by more than a third since the start of 2021 on the back of OPEC+ cuts, the rollout of vaccines and cold snaps in some parts of the world. The global price closed around $63 a barrel on March 18.

Novatek may switch from LNG to ammonia production at Arctic plant

(The Barents Observer; Norway; March 17) – Gas producer Novatek is in the process of pulling out of a major contract with Siemens and Russian compressor engineering company Kazancompressormash, the newspaper Kommersant reports. The company may no longer want to produce liquefied natural gas at its proposed Ob project, which would have been its third Arctic LNG terminal. Originally, Novatek planned to produce almost five million tonnes of LNG per year, but now it might turn toward ammonia.

The contract with Siemens and Kazancompressormash was signed in summer 2020 and is worth $156 million. Novatek is now in talks with German chemical company Linde. The Ob LNG project was to be ready for production by 2025, and was supposed to use a liquefaction technology developed by Novatek, which is being used in the final gas liquefaction train of the nearby Yamal LNG project. However, the company has had major technical problems with the unit and its launch has been repeatedly postponed.

The problems at Yamal could be one of the reasons why Novatek has decided to shift to alternative ammonia production in the Ob project. The decision is also likely linked with today's rapid transition of international energy markets and the increasingly gloomy prospects for fossil fuels. Ammonia is seen as a fuel for a cleaner future, and a number of leading industrial companies are in the process of developing new projects.

BP plans to build U.K.'s largest hydrogen plant by 2030

(Reuters; March 18) - BP aims to build Britain's largest hydrogen plant by 2030, it said on March 18, as part of the country's push to boost use of the fuel and cut greenhouse gas emissions. The Teesside plant in northern England will have capacity of up to 1 gigawatt of so-called blue hydrogen, about a fifth of Britain's target of 5 GW of hydrogen capacity by the end of the decade. Blue hydrogen is produced by converting natural gas into hydrogen and storing the carbon dioxide emissions from its production.

BP has begun a feasibility study on the project and will explore technologies that could capture up to 98% of carbon emissions from the hydrogen-production process. The Teesside project, dubbed H2Teesside, is expected to capture up to two million tonnes of carbon dioxide a year and pipe it into storage below the North Sea, BP said. The company will make a final investment decision on the H2Teeside project in early 2024 and production could begin in 2027 or earlier, it said.

H2Teesside will be linked with Net Zero Teesside, a planned industrial zone that will be linked to a carbon-capture and storage project. The hydrogen could also be used for heating residential homes or for transportation, BP said. Governments and energy companies are placing large bets on clean hydrogen playing a leading role in efforts to lower greenhouse gas emissions, but its future uses and costs are highly uncertain.

Saudis want to reduce their own oil consumption

(S&P Global Platts; March 16) - Saudi Arabia plans to reduce domestic consumption of liquid hydrocarbons by 1 million barrels per day so that the country can use the fuel "in a better way," Energy Minister Prince Abdulaziz bin Salman said March 16. Before the pandemic, the kingdom — the Gulf's largest economy — was consuming almost 4 million barrels per day of oil for industrial use, refining and power generation during peak summer demand in 2019, according to S&P Global Platts Analytics estimates.

"If we are to maintain our position as a long-term carbon producer, we have to be innovative enough and collaborative enough to ensure these hydrocarbon resources will be monetized and used in a better way," the minister said during the Berlin Energy Transition Dialogue, broadcast online March 16. "We are launching a sustainability program to try to find ways to use hydrocarbons in different ways, especially in terms of materials, which will not be impacting or affecting the environment in any way."

Saudi Arabia is looking to use more natural gas instead of oil for power generation. Reducing domestic demand for oil could also help Saudi Aramco increase its long-term spare oil-production and export capacity.

India considering net-zero emissions goal

(Bloomberg; March 17) - Top Indian government officials are debating whether to set a goal to zero out the country's greenhouse gas emissions by mid-century, an ambitious target that would require overhauling its coal-dependent economy. Officials close to Prime Minister Narendra Modi are working with senior bureaucrats and foreign advisers to look at ways to meet the 2050 deadline, according to people familiar with the matter.

India, the world's third-biggest emitter, has come under pressure to make a net-zero pledge ahead of global climate talks in Glasgow, Scotland, this year. Signatories of the Paris Agreement are expected to boost their commitments to slow global warming, and China — the biggest polluter and a rival of India — won international praise for setting a 2060 net-zero target in September.

The timing and scope of India's announcement could depend on pledges other nations make on April 22, when U.S. President Joe Biden is set to gather world leaders for an

Earth Day summit. The event is the first such meeting Biden will host as president, and he has asked climate envoy John Kerry to secure fresh commitments from attendees.

Qatar, major LNG producers develop new ship designs to cut costs

(Natural Gas Intelligence; March 15) - Qatar Petroleum has joined forces with other major liquefied natural gas players to collaborate on development of new vessel designs to transport the fuel across the world. ExxonMobil, Shell, and Total joined with QP in signing an agreement to develop new medium and large LNG tankers with LNT Marine, the American Bureau of Shipping and Shanghai Waigaoqiao Shipbuilding. ABS is a global provider of vessel classification and technical advisory services, while SWS is a subsidiary of China State Shipbuilding Corp.

The project is aimed at developing new LNG carriers that would utilize Singapore-based LNT Marine's new design. According to QP, LNG ship designs have "experienced few improvements over the past decades." The new design is geared toward commercializing an efficient cargo containment system that could enable more shipyards to build carriers at a lower cost. The LNT design entered service last year on a smaller LNG carrier, about one-third the size of traditional LNG tankers. Qatar, the world's biggest LNG exporter, operates the largest tanker fleet.

China considers extending tax to imported blendstocks

(Bloomberg; March 17) - One of the fastest-growing corners of China's energy market is facing a potentially devastating blow as President Xi Jinping's government increases its scrutiny of high-emission fuels. Regulators are considering a new tax on imports of so-called light-cycle oil (LCO), a low-quality product that's blended into diesel and fuel oil, and have asked energy companies and government agencies to provide feedback on a draft plan, sources said. The levy could take effect in a few months, if approved.

Taxing LCO imports would upend the economics of a market that ballooned to $7 billion last year from almost nothing in 2014. Demand has soared in part because LCOs are exempt from China's fuel consumption tax and can be used to make diesel and fuel oil at cheaper prices than those charged by state-owned Chinese refiners including Sinopec and PetroChina. LCO imports — mostly from South Korean suppliers — hit a record in 2020 as China ramped up construction and industrial production to revive its COVID-battered economy, stoking demand for diesel and other fuels.

While Chinese refiners have long lobbied for an end to the LCO tax exemption, their pleas are gaining more traction after Xi vowed in September that China would become carbon neutral by 2060. Emissions from LCO are higher than standard diesel products because of its higher sulfur content, density and carbon residue. LCOs are exempt from the fuel consumption tax because they are considered a petrochemical feedstock, not a finished fuel. Extending taxes to blendstocks — such as LCO and mixed aromatics — was proposed by a Sinopec official during the annual Chinese congress this month.

Turning offshore rigs into artificial reefs has its benefits

(Bloomberg; March 18) - Fifty miles southeast of Grand Isle, Louisiana, is the Lena, an oil rig that had been owned by ExxonMobil. After oil production stopped, the company hauled away the above-water platform and in July finished the job by disconnecting the structure from the sea floor and toppling it over. Now it's an artificial reef. In the U.S., it's the law: As an offshore oil well drips out its last barrels, producers must prepare to seal it and dismantle the rig and restore the ocean floor to its original condition.

There's more to a rig than metal and concrete. The structure becomes home to coral, mussels and much more marine life. By the time a company's lease is up — sometimes after a quarter century or longer — there can be an established ecosystem down there. About 1,700 Gulf of Mexico rigs will eventually require decommissioning. Collectively, they're called "idle iron." Instead of being removed, 560 U.S. platforms in the Gulf have been left underwater and become permanent artificial reefs since the 1980s.

"Rigs to reefs" programs make the coral, shellfish, fish, and fishing boats happy. And it's certainly cheaper for companies — reefing costs about half what a full decommissioning does. Companies give half that savings to states that take on liability for the artificial reef sites. ExxonMobil first experimented with an artificial reef in 1979. The arrangement has earned Louisiana $100 million since 1986, according to an analysis of the program. Between 2012 and 2018, Louisiana earned almost $562,000 per rig.