Oil and Gas News Briefs
Compiled by Larry Persily
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Russia's Energy Ministry calls for maximum oil development

(The Independent Barents Observer; Norway; May 6) - Russia makes more than half of its total export revenues from the oil and gas industry, but the powerful sector is under growing pressure from the quickly expanding global energy shift. In a new national General Scheme for Oil and Gas Development through 2035, the Russian Energy Ministry puts its bets on a "slow scenario" that includes declining production after 2029. According to the forecast, Russia will never again reach the record-high production levels of the pre-pandemic period. In 2019, Russia produced more oil than ever before.

Despite the gloomy perspectives, Russia's top energy politicians insist maximum possible efforts must be made to develop the industry. In a comment on the new strategic document from the Energy Ministry, Chairman of the State Duma Committee on Energy Pavel Zavalny argues that global demands for hydrocarbons will remain stable until at least 2040 and that Russia must do what it can to keep up production.

Zavalny underlines that oil and gas companies must first of all focus on ways to make money. "Plainly speaking, all that can be extracted must be extracted and sold," he told newspaper Parlamentskaya Gazeta. He argues the industry should modernize, adopt new technology and move into more remote and less accessible regions. Russia's oil and gas production is today based on aging projects that soon face a significant decline in output. The lion's share of the country's undeveloped resources is located in the Far North, much of it in remote and inaccessible areas without existing infrastructure.

OPEC+ nations, including Iran, boost oil production

(S&P Global Platts; May 10) - A resurgent Iran pumped its largest volume of crude in almost two years in April, while an increasingly compliance-challenged Russia also boosted its output yet again, bringing total production by OPEC and its allies to a three-month high, according to the latest S&P Global Platts survey. OPEC produced 25.28 million barrels per day, up 80,000 from March, while Russia and eight other non-OPEC partners in the group added 13.21 million, an increase of 130,000, the survey found.

The rising output is a preview of the wave of OPEC+ crude set to hit the market over the next few months. In anticipation of rising global oil demand, the alliance plans to roll back its quotas by 350,000 barrels per day in May, 350,000 in June, and 441,000 in July. Saudi Arabia — which has been holding back an additional 1 million barrels per day to help support the market — has said it will end its cut gradually over that span.

The 19 OPEC+ members with quotas achieved a conformity level of 111% in April, according to Platts calculations. Russia, the main non-OPEC partner, pumped 9.50 million barrels per day of crude, a rise of 160,000 from March and well above its quota of 9.38 million. That is its most since April 2020, when a brief price war broke out in an acrimonious spat with Saudi Arabia over how to manage supply through the pandemic.

Iran has ratcheted up output in recent months and found a steady customer in China, according to market sources. Its April output of 2.43 million barrels per day is its highest since May 2019. The country has ordered a restart of its southern fields.

Asian Development Bank drops coal, oil and gas financing

(Reuters; May 7) - The Asian Development Bank will no longer finance coal mining or oil and gas production and exploration, it announced in a draft policy statement on May 7, a move welcomed by environmental groups, which said it was a decade overdue. The development bank, which focuses on eradicating poverty in Asia, provided no timeline for its commitment. It also laid out conditions under which fossil fuel projects would continue to receive funding, such as if no other cost-effective technology is available.

Yongping Zhai, head of the ADB's energy sector, said the draft would be deliberated by its board of directors in October. Green groups had earlier this week urged the ADB to end loans to the entire fossil fuels sector. "The draft coal ban policy is a decade late, but it still helps build the economic case for the energy transition to governments and investors, and will help avoid more stranded coal assets," said Pedro H. Maniego Jr., senior policy adviser at the Institute for Climate and Sustainable Cities. Set up in the early 1960s and headquartered in Manila, the ADB has channeled $42.5 billion into the energy sector across the region between 2009 and 2019, it says on its website.

Europe starting to lose interest in LNG imports

(Bloomberg; May 6) - Utilities in Europe are scrambling to find alternative uses for liquefied natural gas projects in a sign that demand for new multibillion-euro import terminals has peaked. The viability of new LNG import projects has never been more uncertain, with European gas use expected to wane over the next two decades as ever-cheaper, greener energy sources take hold. The outlook means the payback period for gas assets such as LNG import terminals is shrinking, according to Accenture Strategy.

Germany's Uniper is the latest to acknowledge waning investor appetite for new LNG capacity when it decided last month to turn a planned gas import terminal into a hydrogen hub. It follows a similar project in Ireland that was redesigned to produce green hydrogen using power from an offshore wind park. RWE is exploring ways to handle imported hydrogen at a planned LNG import facility in Germany.

“Most European utilities don’t want to touch gas-related projects with a barge pole as companies seek to improve their ESG (environmental, social, governance) metrics, improve valuation and avoid stranded-asset risks,” said Elchin Mammadov, an analyst at Bloomberg Intelligence. The risk LNG developers face is that billions is invested in new gas infrastructure that becomes unsaleable, or stranded, assets. Terminals under construction in Europe total 2.6 billion euros ($3.1 billion), and those in pre-construction would add another 13 billion euros, according to a survey by Global Energy Monitor.

Sempra likely to delay Texas LNG project decision to 2022

(Reuters; May 5) - Sempra Energy will probably move its final investment decision on the Port Arthur liquefied natural gas export plant in Texas from 2021 to 2022, executives told analysts May 5. "At this time, given this work and the continued impacts of the pandemic on the global energy markets, it is more likely that final investment decision at Port Arthur will move to next year," Sempra Chief Financial Officer Trevor Mihalik said.

The Port Arthur project is one of 13 North American LNG projects where companies have said they could make an FID in 2021. Most of those were carried over from 2020 and several were carried over from 2019. In addition to Port Arthur, Sempra, which has a majority stake in the operating Cameron LNG plant in Louisiana, is building an export plant at its Costa Azul import facility in Mexico and is developing expansions for Costa Azul and Cameron. Unlike the other projects, Port Arthur would be a greenfield project, built from the ground up — not an addition to an existing, underused LNG import facility.

Global LNG demand has increased every year since 2012 and hit record highs every year since 2015, mostly due to fast-rising demand in Asia. But in recent years, buyers have been slow to sign new long-term contracts needed to finance the multibillion-dollar projects due to overbuilding of LNG export terminals in 2019, pandemic demand destruction and the collapse of global gas prices in 2020. Analysts expect LNG demand will grow about 3% to 5% each year between 2021 and 2025. That projected growth rate, however, is much lower than the 11% to 12% annual increases seen in 2017-2019.

Proposed British Columbia LNG project sells more output to BP

(Reuters; May 6) - Canadian liquefied natural gas developer Woodfibre LNG said May 6 it signed a second agreement to sell LNG from its proposed export plant 30 miles north of Vancouver, British Columbia, to a unit of BP. That puts the plant a step closer to getting built in a market that has seen some cancellations in recent months but not many new projects. Woodfibre said it will sell 0.75 million tonnes per year of LNG to BP’s gas marketing arm over 15 years. This latest agreement will increase BP’s total LNG offtake to 1.5 million tonnes from Woodfibre’s proposed 2.1-million-tonne plant.

Woodfibre is one of a dozen companies developing North American LNG export plants that have said they could make a final investment decision to start construction in 2021. Woodfibre has said it could make an FID in 2021 that would put the plant on track to produce its first LNG in 2025. The project is estimated at about C$1.6 billion to C$1.8 billion. The venture is bankrolled by a Singapore owner. The terminal is planned for the waterfront site of a former pulp mill.

[Proposed Oregon LNG project loses key local permits]

(Jefferson Public Radio; Oregon; May 5) - The proposed Jordan Cove LNG project in southwest Oregon was dealt another setback this week when a pair of local permits was overturned by the state land-use board. On May 4, the Oregon Land Use Board of Appeals reversed a pair of key permits, one issued by Coos County, the other by the Town of Coos Bay. Between them, the permits would have cleared the way for expanded dredging and other site preparation in the Coos Bay estuary.

The work is required for the planned liquified natural gas export terminal proposed by Calgary-based Pembina. Both permits were challenged by conservation groups and tribes, who claimed they were illegally issued. The appeals board agreed, and — in an unusual move — reversed both permits, rather than send them back to the city and the county for reconsideration. This is the latest in a string of failures by Pembina to get key permits and authorizations at the state and local level for the controversial project.

This comes less than two weeks after Pembina said in a federal appeals court filing that it was “pausing” the LNG project and the 229-mile pipeline to the coastal liquefaction plant and marine terminal. The Federal Energy Regulatory Commission issued a permit to Jordan Cove in March 2020. Conservation groups, tribes, and landowners along the pipeline route appealed that decision. Pembina filed the notice that it had "decided to pause the development … while [we] assess the impact of recent regulatory decisions involving denial of permits or authorizations necessary for the project to move forward."

[Malaysia sells LNG pegged to Canadian natural gas price]

(Reuters; May 6) - Malaysia’s state-owned Petroliam Nasional said on May 7 it had signed its first liquefied natural gas deal using a Canadian pricing indexation as the basis. Petronas sold a spot LNG cargo to a buyer in the Far East for August delivery, using the Canada Alberta Energy Co. index, the company said. AECO is a Canadian natural gas price benchmark, similar to the Henry Hub index in the United States, but is not typically used as a pricing basis for LNG spot contracts.

In Asia, the S&P Global Platts’ Japan-Korea-Marker has been increasingly used as pricing basis in spot contracts. But with Shell’s massive LNG Canada export project in

British Columbia under construction and expected to produce its first LNG in 2024, there is a push by sellers to price cargoes off the AECO price index, a Singapore-based trader said. LNG Canada is a joint venture between Shell, Petronas, PetroChina, Mitsubishi, and Korea Gas.

Petronas said the introduction of AECO is part of its plan to include additional pricing option for its customers. Other pricing benchmarks used in spot LNG contracts include the Japanese Crude Cocktail and Brent futures — both oil-price-linked indexes — and the U.K. National Balancing Point gas price. AECO tends to price below the U.S. Henry Hub benchmark, due to less access to better markets. As of May 6, the Henry Hub pricing for June delivery was $2.94 per million Btu versus US$2.34 at AECO.

U.S. LNG suppliers look to carbon capture to boost competitiveness

(Bloomberg; May 6) - U.S. LNG developers seeking to burnish their green credentials and boost their competitiveness on a crowded global stage are touting a costly and largely untested technology: carbon capture. Over the past 24 hours, both Cheniere Energy and Sempra Energy, two of the largest U.S. exporters of liquefied natural gas, announced they are looking to add carbon capture and sequestration to their projects.

The moves come as the industry works to clean up its image and bring stalled projects forward by landing contracts with environmentally conscious buyers in Europe and elsewhere. While U.S. LNG is among the cheapest in the world thanks to shale gas, its carbon footprint is significant. The European Union, a key export market, has sought to pressure U.S. firms to slash their emissions as the bloc tightens its own carbon goals.

“The greening up of the value chain here in North America is something the sell side and buy side should follow because I suspect that it will make America increasingly competitive over time,” Sempra CEO Jeff Martin said during an earnings call May 5.

Sempra is looking at adding technology that would capture and store carbon at its proposed Port Arthur LNG export terminal in Texas and its operating Cameron LNG plant in Louisiana. Cheniere, the largest U.S. LNG exporter, is likewise looking to add carbon capture and storage to its Corpus Christi plant in Texas and Sabine Pass terminal in Louisiana. The moves remain largely hypothetical, however, with neither company offering up a timeline or a budget for the green projects they floated. Carbon capture isn’t currently economic and hasn’t been deployed at a commercial scale.

Total left with Papua New Guinea LNG after Mozambique delay

(Australian Financial Review; May 6) - Papua LNG is now Total’s only liquefied natural gas project targeting the Asia-Pacific market after the suspension of Mozambique LNG in the northern province of Cabo Delgado, where attacks by Islamic State militants against security forces and civilians have been intensifying. Total declared force majeure on April 26 and withdrew all personnel from the Mozambique work site. The venture was due to supply customers starting in 2024, but that will be delayed.

The Total-led development in Papua New Guinea is working toward engineering and design in 2022, a final investment decision in 2023, and production start-up by 2027. The insurgency also threatens the Exxon-led Rovuma LNG project in Mozambique, which is yet to reach financial close, putting in doubt 28 million tonnes a year of new supply, according to research firm Rystad Energy.

Accounting for the latest delays, Rystad analyst Kaushal Ramesh said he expects Mozambique LNG could start up in 2026 and Rovuma about 2029. That reduces an expected oversupply in the global LNG market in 2026-28 and points to a supply deficit in 2029 instead of a previously expected small surplus. “The delays for Mozambique LNG and Rovuma LNG are sobering news for LNG buyers and sellers alike,” he said.

China’s greenhouse gas emissions have tripled in past 3 decades

(CNBC; May 6) - China’s greenhouse gas emissions in 2019 exceeded those of the U.S. and the developed world combined, according to a report published May 6 by research and consulting firm Rhodium Group. China’s emissions more than tripled during the past three decades, the report said. China is now responsible for more than 27% of total global emissions. The U.S., which is the world’s second-highest emitter, accounts for 11% of the global total. India is responsible for 6.6% of global emissions, edging out the 27 nations in the E.U., which account for 6.4%, the report said.

The findings come after a climate summit President Joe Biden hosted last month, during which Chinese President Xi Jinping reiterated his pledge for the nation’s emissions to peak by 2030. He also repeated China’s commitment to reach net-zero emissions by mid-century and urged countries to work together to combat the climate crisis. Xi said China would control coal-fired generation plants and limit increases in coal consumption over the next five years with reductions taking place in the five years following that.

However, Chinese officials have emphasized that economic growth, which is still largely dependent on coal power, remains a priority. The nation is still increasing construction of coal-fired power plants. The China Development Bank and Export-Import Bank of China together funded $474 million worth of coal projects outside China in 2020. And coal accounted for more than half of China’s domestic energy generation last year, said Li Gao, director general of China’s ecology ministry’s department of climate change.

Climate-change activists pressure boards at shareholder meetings

(Bloomberg; May 6) - As Europe's oil majors prepare to host their annual shareholder meetings, one topic is garnering almost all the attention. Climate change looms large for Shell, BP, and Total, with investors at all three energy giants calling for greater action. Shareholder resolutions on cutting carbon emissions are set to dominate this month's shareholder meetings, even as the companies talk up their own, competing proposals.

Key activist group Follow This, which has been a thorn in their side in recent years, is putting forward a motion at BP on May 12 and Shell six days later, urging the companies to set emission goals aligned with the Paris Agreement. Shell's board has snubbed the idea, insisting its own plan to pump less oil, produce more natural gas and renewables, and slash emissions over the next 30 years is "more comprehensive." BP is also asking investors to reject the Follow This resolution.

Since the votes are non-binding, they'll have only a limited impact on strategy, yet they ratchet up pressure on companies still reliant on fossil fuels to fund the shift to cleaner energy. "This has all come along faster than everyone expected," said Shu Ling Liauw, lead global analyst at the Australasian Centre for Corporate Responsibility. "It's a bit of game theory and opportunism (for companies) to cement themselves as having endorsed climate plans."

Alberta works on carbon capture research

(Reuters; May 7) - At a research site in rural Alberta, carbon dioxide is injected deep into the ground. Using remote sensors, scientists monitor its movement to ensure the planet-heating gas does not migrate upward. "Basically, think of ultrasound on bodies — we're doing ultrasound on the Earth," said Don Lawton, director of the Containment and Monitoring Institute and a geophysics professor at the University of Calgary.

The research is shared with oil and gas companies exploring ways to capture carbon dioxide during production before the greenhouse gas goes into the atmosphere, such as storing it underground or using it for other purposes. "If you pick up a rock, it's not totally solid — it's like a sponge, right? It's got lots of little holes in it," Lawton said. "Those have held oil and gas for millions of years, so the conclusion is then they'll be able to hold CO_2 as well." Alberta has invested in carbon capture projects since the 2000s and boasts two major projects out of just a few dozen large-scale operations globally.

The oil sands in Alberta contain one of the world's largest deposits of crude oil with more than 165 billion barrels of bitumen in the ground, according to the Alberta Energy Regulator. But Alberta's oil and gas industry has contributed to making Canada the world's fifth-largest greenhouse gas emitter per capita. For Alberta, capturing and storing carbon could prove a key tool for cutting those emissions and smoothing its transition from Canada’s largest polluter to a lower-carbon economy.

[Norway wants to run cleaner electricity to more oil and gas platforms]

(Bloomberg; May 7) - Norway is trying to make its dirtiest industry as clean as possible, but the multibillion-dollar plan will do little to reduce the nation’s overall climate impact. The Nordic country will use land-based green hydropower to electrify dozens of offshore oil and gas platforms. That will help meet national climate targets, allowing the lucrative industry to keep pumping fossil fuels for decades more.

But most of the emissions from oil and gas come when it’s burned — not when it’s extracted — so the initiative will do little to rein in pollution globally. The move, which is mostly funded by the taxpayer, shines a light on how some countries and companies are finding ways to meet their own climate goals without jeopardizing their economic interests — and without benefiting the planet much either. Norwegians may buy more electric vehicles than conventional cars, but the country is a massive exporter of carbon.

“The oil industry is the biggest polluting sector, so if you want to cut emissions in Norway to meet the climate targets you will not get far without electrifying it,” said Kjetil Lund, head of the Norwegian Water Resources and Energy Directorate, which regulates the energy supply. Though Norway’s oil and gas industry released almost 28% of the country’s greenhouse gas total in 2019, direct emissions from Norway’s oil and gas facilities are just a fraction of the sector’s true climate impact.

[Restocking for summer demand drives up LNG prices]

(Reuters; May 7) - Asian spot prices for liquefied natural gas rose to a nearly four-month high this week as cargoes were pulled into Europe amid strong restocking demand and for power generation demand in summer, trade sources said on May 7. The average LNG price for June delivery into Northeast Asia was estimated at about $9.65 per million Btu, up 80 cents from the previous week, they said.

Firm demand from Europe and China as buyers replenish diminished gas inventories was supporting prices, traders said. China's April LNG imports rose about 11% from the previous month to 6.48 million tonnes, ship tracking data from Refinitiv Eikon showed. Buyers in India, however, are diverting cargoes as soaring coronavirus cases dent the country's gas demand. A total of seven ships that had signaled India as their destination have been diverted so far, said Rebecca Chia, analyst with data intelligence firm Kpler.

U.S. push to cut maritime emissions likely to encounter backlash

(The Wall Street Journal; May 5) - A new U.S. push to cut ship emissions will kick into high gear a multibillion-dollar quest for non-fossil fuels to power oceangoing vessels, but likely will face a backlash from Asian and South American nations that fear rising export costs. The U.S. has stayed on the sidelines of a multiyear effort by the International Maritime Organization, the United Nations' global maritime regulator, to slash carbon dioxide emissions from ships by half in 2050 compared with 2008 levels.

But in April, U.S. Special Presidential Envoy for Climate John Kerry signaled a change of stance, saying the IMO should push for the tougher target of zero emissions in that time frame. The move is part of the Biden administration's policy to address climate change after bringing the U.S. back into the Paris Agreement to limit greenhouse-gas emissions. Under the Trump administration, the State Department told the United Nations in 2019 that it would pull out of the accord.

The American U-turn is set to bring to the fore divisions among IMO members when the body meets in 2023 to consider revising the 50% emissions-reduction target, which was agreed to in 2018, according to shipping executives and government officials who are involved in the organization. Some members, including Japan and some Northern European nations, are expected to join the U.S. call for more stringent emissions cuts. But others, such as Brazil, Argentina, and many African countries, are expected to push for compensation as a condition of backing a more ambitious emissions-reduction goal.

Oil sands producers will avoid higher cleanup security payment

(Reuters; May 6) - Alberta said May 6 it will allow oil sands mining companies to change how they calculate environmental liabilities this year, to take into account the wild swings of 2020 when oil prices briefly turned negative. Producers would be on the hook for billions of dollars in extra security payments if they calculated liabilities under the old formula, government officials told a news conference. However, that cash would likely have to be repaid to companies next year because oil prices have recovered.

Canada's oil sands hold the third-largest crude reserves in the world. About half of oil sands output, roughly 1.5 million barrels per day, comes from seven huge strip-mining operations in northern Alberta owned by Imperial Oil, Canadian Natural Resources and Suncor Energy. The province requires companies to pay security to cover the cost of environmental cleanup at the end of the mines' lives. If the value of a company's assets drops too low compared with its liabilities, it is required to pay extra security.

The crude price collapse last year dragged down the value of oil assets, which would have triggered billions of dollars in additional payments. "It is a short-term blip in the price of oil that has caused this impact to their assets," said Lisa Sadownik, with Alberta Environment and Parks. Additional security payments have never been triggered before and the companies did not ask for the one-time change to the formula, she said. Producers now will be able to base asset value on a formula known as "deemed netback," which is long-term revenue, minus operating costs, divided by sales volume.