Oil and Gas News Briefs
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Federal Trade Commission will look hard at gas station competition

(Reuters; Aug. 30) - The Federal Trade Commission will crack down on practices that may harm consumers at the gasoline pump and will seek to deter "unlawful" mergers in the oil and gas industry, FTC Chair Lina Khan told the White House in a letter last week. The letter, obtained by Reuters, was addressed to White House economic adviser Brian Deese and promised to start an investigation of abuses in the "franchise market" for retail fuel stations, among other steps.

Deese, in an initial Aug. 11 letter to Khan, had asked the FTC to investigate why "gas prices tend to rise more quickly to adjust to spikes in oil prices than they fall when the price of oil declines." Khan replied: "I am especially interested in ways that large national chains may 'restore' higher prices through collusive practices, and I will direct our staff to investigate any signs of this type of conduct."

Khan told Deese she also was concerned that the FTC's approach to merger reviews in recent years had enabled significant industry consolidation and created "conditions ripe for price coordination and other collusive practices." Khan said the FTC would "identify additional legal theories" to challenge mergers in which dominant players in the industry were buying up family-run businesses. She said the commission would study its policies that require divestiture in mergers of gas stations in overlapping markets to ensure it was not encouraging further consolidation and anticompetitive behavior.

Insurance underwriting of oil and gas next climate battle

(Bloomberg; Sept. 1) - For the insurance industry to fulfill its stated commitment to combat climate change, it may want to accelerate its efforts to exit the oil and gas industry. To date, just one insurer has promised to take “significant action” in this regard, according to analysts at Societe Generale. Australia’s Suncorp was the first to announce it would no longer provide coverage for new oil and gas production projects.

While insurers (23 in all) have moved to end their underwriting of coal-related activities, they have been slow to act on oil and gas. That’s mainly because the insurance market for those fossil fuels is considerably larger, with estimated premiums of more than $17 billion in 2018, compared with $6 billion for coal power, said Peter Bosshard, program director at the Sunrise Project and global coordinator of Insure Our Future.

Reducing exposure to oil and gas has to be the next environmental objective for the insurance industry, said Nick Holmes, the London-based head of the insurance research team at SocGen. “We feel momentum is starting to gather in this area,” he said. The floods last month in central Europe caused about $7.6 billion of damage, making clear that insurers have a vested interest to combat climate change, he said.

Insurers can have a huge impact on the oil and gas industry by refusing to provide coverage for the very worst aspects of the industry when it comes to atmospheric and environmental destruction — oil sands, oil shale and Arctic drilling — and by refusing to insure new projects, the SocGen analysts wrote in their 26-page report.

China may help Venezuela boost oil production

(Bloomberg; Sept. 1) - China’s top oil producer is laying the groundwork to revive output in Venezuela as President Nicolas Maduro finalizes legislation to attract more international investment. Once a major investor in the OPEC nation, China National Petroleum Corp. is sending engineers and commercial staff there and vetting local companies for maintenance work at an oil-blending facility it operates with Petroleos de Venezuela, according to people with direct knowledge of the firm’s actions.

CNPC is also contacting local service providers to potentially boost crude output at five other ventures with the Venezuelan state producer, the people said. Tighter U.S. sanctions against Maduro’s regime and oil-market turmoil in the past few years have left Venezuela isolated and without much-needed foreign investment to sustain production. The country is now trying to recover with legislation that would give international partners more control over operations.

CNPC’s moves are the first signs that one of Venezuela’s most important international partners is considering returning to the country after two years of scant investment. The Chinese producer has yet to take key steps, such as signing procurement or service contracts with local firms. For Maduro, CNPC would be an important investor as he seeks to triple the country’s crude production by the end of this year. Venezuela, which holds the world’s largest oil reserves, saw production plunge as international partners left. Current output of about 500,000 barrels a day is a sixth of peak production in 2008.

OPEC continues to restore production, but some members struggle

(Bloomberg; Sept. 2) – While OPEC boosted crude production last month as it restores supplies halted during the pandemic, some members have struggled to keep up. The Organization of Petroleum Exporting Countries lifted output by 290,000 barrels a day, slightly more than stipulated by its road map for restoring output, according to a survey by Bloomberg. Saudi Arabia and Iraq were the main drivers of the increase. However, the group is pumping about 10% below its overall quota as some members — notably Angola and Nigeria — suffer from deteriorating production and technical disruptions.

OPEC and its partners agreed on Sept. 1 to continue with their plan for restoring the unprecedented volumes they took offline when the pandemic crushed fuel demand last year. The coalition's gradual drip-feed of barrels back to the market is steadying oil prices near $70 a barrel, high enough to salve their economies while largely avoiding the kind of price rally that would aggravate inflation. OPEC+, as the group is known, will continue with its plan to bring back an additional 400,000 barrels a day in October.

As the market recovers, many market observers expected — based on the group's history — that OPEC's discipline would soon unravel and members would pump in excess of their quotas. The opposite appears to be happening, as some countries suffer from a buildup of technical problems resulting from years of investment constraints. In the broader OPEC+ coalition, Russia also encountered production difficulties last month. Its total oil output fell about 0.5% to 10.43 million barrels a day after a fire at a Gazprom processing plant in West Siberia, according to data from the Energy Ministry.

OPEC report forecasts surplus world oil supply in 2022

(Bloomberg; Aug. 31) - OPEC and its allies expect global oil markets will continue to tighten this year even as they revive their output, but then flip into surplus again in 2022. The data, presented to the group's Joint Technical Committee on Aug. 31, ought to reassure the Organization of the Petroleum Exporting Countries and its partners that they can proceed with their expected output increase for October.

Fuel stockpiles will continue to decline during the rest of this year even as OPEC+ proceeds with its agreement to add 400,000 barrels a day of supply each month, the data indicates. World inventories of stockpiled crude will diminish at an average rate of 825,000 barrels a day over the next four months. But the numbers reveal a fresh challenge for Saudi Arabia and its partners in 2022 as they continue to reverse output cuts that helped rescue the global oil industry last year. Markets are projected to tip back into surplus in January and remain oversupplied throughout 2022.

World supply will exceed demand by an average of 2.5 million barrels a day next year, causing inventories to grow by 913 million barrels, according to source familiar with the data. The projections assume the group will restore all of the almost 6 million barrels a day that remains offline — an unlikely feat as many nations may struggle to reach their full targets. The volume that OPEC+ theoretically holds offline is based on questionable figures. Russia has an inflated baseline, and others have outdated capacity numbers.

U.S. Gulf production slow to recover after Hurricane Ida

(Reuters; Sept. 1) – More than 1.4 million barrels per day of oil and 1.88 billion cubic feet per day of gas production remained shut in Sept. 1 in the U.S. Gulf of Mexico after Hurricane Ida lashed Louisiana's coast, the federal Bureau of Safety and Environmental Enforcement said. The loss is equivalent to 80% of U.S. Gulf oil output and 83% of U.S. Gulf natural gas output and has been lengthier than typical as power outages, flooding and other damage have complicated energy companies' efforts to resume operations.

Staff at 249 oil and gas production platforms and nine rigs in the area have not returned to work, compared with 288 evacuated platforms before the storm's landfall, the offshore regulator said. About 1.7 million barrels per day of refining capacity, several pipelines, terminals and ports also remain out of service after Ida. More than two dozen oil tankers scheduled to discharge imported crude for Louisiana refineries or load oil for exports anticipate delays, according to tanker tracking data and shipping sources.

The Gulf's oil production was fully re-established roughly 10 days after tropical storms Marco and Laura last year, but it could take two or more weeks after Ida, analysts estimated. "Due to the size and strength of Ida, it will take operators some meaningful time to assess any damages before sending personnel back offshore," said Mfon Usoro, senior energy analyst at Wood Mackenzie.

New Mexico flush with money from rising tax revenues, oil production

(The Associated Press; Aug. 27) - New Mexico is flush with cash because of a quick recovery of oil and gas markets and higher than expected gross receipts tax revenues as consumers spend federal stimulus checks and tap into other recovery aid, state finance officials and legislative analysts said. The officials briefed a key panel of state lawmakers on Aug. 27. The forecast shows what analysts described as a significant upward revision in recurring revenues for the current fiscal year — an increase of more than $632 million from estimates made just six months ago.

That means lawmakers will have more money than ever before to spend on education, roads, public safety and other government programs. It also means more money is expected to be funneled into the state’s permanent endowments. However, some lawmakers warned that the federal recovery aid won’t be around forever and urged Legislative Finance Committee members to continue building up the state’s reserves.

Officials said total wages and salaries in the state neared pre-pandemic levels in the first quarter, and total personal income reached record heights during the pandemic and continues to grow. As for oil and gas, Dawn Iglesias, the committee’s chief economist, said New Mexico is now the second largest producer in the U.S. and is the only top producing state so far to have recovered to above pre-pandemic production levels. New

Mexico in April reached a record level of oil production with more than 1.2 million barrels a day. Natural gas production hit a record of 6.5 billion cubic feet a day in May.

Carbon dioxide pipelines could be a growth industry

(Financial Times; Sept. 1) - The U.S. oil and gas pipeline industry is looking for new opportunities to lay steel in the ground to carry the carbon dioxide produced when fossil fuels are burned. The midstream energy sector has clashed with climate campaigners who oppose pipeline projects as infrastructure that locks in greenhouse gas emissions. Wall Street is pushing the industry to show how it will adapt to demands for a lower-carbon world. In response, pipeline operators see potential as a link in carbon capture and storage systems, in which CO2 emissions are trapped in underground reservoirs and kept out of the atmosphere. Pipelines would move CO2 to the reservoirs.

"It's hard to see how climate objectives are met without pretty widespread carbon capture and sequestration," Steven Kean, CEO of Kinder Morgan, one of the largest U.S. pipeline companies, recently told analysts. "We think we've got the expertise on the pipeline side of it." The U.S. already has about 5,150 miles of CO2 pipelines. The network is tiny compared to the web of oil and gas pipes, but it's the largest in the world.

The lines are mostly clustered around the Permian Basin oil fields of Texas, where CO2 is injected into wells to squeeze out stubborn crude deposits. But future growth hinges on far more widespread deployment. Pipes would funnel CO2 exhaust from emitters such as power plants, cement factories and oil and biofuel refineries to underground sites in some cases hundreds of miles away. The business opportunity is potentially immense. A July report from the U.S. Council on Environmental Quality said that a CCS industry large enough to help meet the country's goal of net-zero emissions by 2050 could require 68,000 miles of new CO2 pipelines at a cost of as much as $230 billion.

Enbridge oil sands line to U.S. close to start-up

(Bloomberg; Sept. 1) – Enbridge is getting ready to ship crude in the first new cross-border oil sands conduit built between Canada and the U.S. in years. The company is offering 620,000 barrels a day of capacity in its Line 3 pipeline in October, according to a notice it sent to shippers. The project will replace an older Line 3 that can ship about 390,000 barrels a day. The new line is scheduled to go into operation in the fourth quarter, according to an email from Enbridge.

"The capacity provided to shippers is still an estimate as there are numerous factors including line-fill, system outages for construction and tie-in work that need to be completed," an Enbridge spokesman said. The start of Line 3 is expected to bring relief to Canada's oil sands producers, which have struggled for years with a shortage of export lines as projects face increasing scrutiny from courts and regulators. President Joe Biden, on his first day in office, rescinded a permit for TC Energy's Keystone XL project that would have boosted shipments of Canadian crude to the U.S. Gulf Coast.

The expected start of the pipeline comes after Enbridge spent years fighting regulatory and court battles to replace the older conduit between Alberta and Wisconsin. The project has been fiercely opposed by some environmental and indigenous groups, who have staged protests this summer along the construction route.

Eni announces large oil discovery offshore Ivory Coast

(Reuters; Sept. 1) - Italian energy group Eni said on Sept. 1 it had made a giant oil discovery offshore of the Ivory Coast that could hold as much as 2 billion barrels of oil. It said in a statement it had found light oil in a block, adding there could be 1.5 billion to 2 billion barrels of oil in place and 1.8 trillion to 2.4 trillion cubic feet of associated gas. "An evaluation program will be carried out to assess the significant upside potential of the overall structure" that extends into an adjacent block operated by Eni.

"This is a really big find and could be good news for Eni if it decides to monetize its stake further down the road," said Jason Kenney, energy analyst at Santander. "We'll have to see what investors make of this, given pressure to move away from fossil fuels. But undoubtedly this is a valuable find". Oil majors around the world are coming under fire to clean up their businesses and shift traditional portfolios toward greener solutions.

Eni has set ambitious targets to slash planet-warming emissions to net-zero by 2050, while rapidly expanding its renewable power generation and biofuel capacity. It has said its oil production will peak in 2025 to be increasingly replaced, in its upstream portfolio, by gas. Eni is one of Africa's biggest foreign oil and gas producers with assets in Libya, Nigeria and Angola. It is developing large gas discoveries in Mozambique and Egypt.

More LNG export capacity coming online in U.S. Gulf

(Natural Gas Intelligence; Aug. 27) - Both the Calcasieu Pass LNG export terminal under construction in Louisiana and a sixth-train expansion at the Sabine Pass LNG terminal, also in Louisiana, recently signaled that they could be up and running by the end of the year. Venture Global LNG sent an implementation plan to the Federal Energy Regulatory Commission this month for Calcasieu Pass, and Cheniere Energy was recently granted approval to take further steps to bring its train online.

Wood Mackenzie said in a note to clients after the filings that it expects the sixth train at Sabine Pass to be liquefying gas by December and fully operational in the first quarter of 2022. The expansion would boost the terminal's output capacity to 30 million tonnes per year, by far the largest on the U.S. Gulf Coast and among the largest in the world.

In anticipation of the start-up of production, Venture Global issued a tender earlier this year to supply 12 cargoes from Calcasieu Pass as soon as October, in an indication the terminal could start exporting commissioning cargoes by the end of 2021. The facility is being constructed with a series of 18 smaller, modular liquefaction units, rather than the more traditional design of large-capacity production units. Total capacity at full build-out would be more than 10 million tonnes per year. Project cost is reported at $4.5 billion.

China poised to overtake Japan as world's leading LNG buyer

(Natural Gas Intelligence; Aug. 30) - As the global natural gas market has grown and become more liquid in recent years, its dominant suppliers and end-users have shifted as well. For the past half-century Japan has held the title of the world's largest liquefied natural gas buyer, but that's poised to change this year. China is set to take the crown as its economy continues to rebound from COVID-19 and the government further supports natural gas. The country is aiming to be a net-zero emitter by 2060, and coal-to-gas switching is expected to drive continued LNG demand.

China has accounted for most of the world's LNG demand growth this year. Wood Mackenzie said earlier this year that China may drive 11 million tonnes of demand growth in 2021. If that's the case, the country would account for more than half of the 18 million tonnes of overall global demand growth forecast for 2021. Japan's LNG imports in 2020 were down almost 3% from 2019, according to the International Group of Liquefied Natural Gas Importers (GIIGNL).

In China, it was the opposite case, as it saw the biggest increase in LNG imports last year, jumping by about 12% to 68.9 million tonnes. At that time, China was the world's second-largest importer, followed by South Korea, India and Taiwan. China is likely to overtake Japan as the world's top LNG importer as most of the receiving terminals now under construction are located there and in South Asia. The U.S. again accounted for most of the world's new volumes, exporting 44.8 million tonnes to Asia, Europe and South America last year, compared with 33.75 million in 2019, according to GIIGNL.

Cheaper, dirtier fuels may gain from high spot-market LNG prices

(Bloomberg; Aug. 31) - Pakistan and Bangladesh are among developing nations in Asia that can no longer afford to pay surging liquefied natural gas prices, raising the risk of power rationing or burning dirtier fuels this winter. Bangladesh's state-run Petrobangla plans to stop buying spot LNG cargoes for the rest of the year after a quadrupling of prices over the past year to a seasonal high. Pakistan has repeatedly canceled and reissued LNG purchase tenders in an effort to get better offer prices, without success.

The evolution marks a stark turnaround after developing Asian nations helped drive a surge in trading of the fuel and built LNG import strategies on the premise that spot shipments would be abundant and cheap. Unlike richer counterparts in the region that can pass on this year's historic price rally to end-users, some governments may need to rethink LNG procurement strategies and reduce exposure to the volatile spot market, switch to dirtier fuels such as coal or oil, or even curb electricity production.

"With spot prices so high … these countries may not be able to afford the current sky-high prices for gas on the global market," said Ron Smith, senior oil and gas analyst at BCS Global Markets. A return of power rationing this winter "seems quite possible" for Bangladesh and Pakistan. On an energy-content basis, fuel oil prices in Asia were about $11.60 per million Btu on Aug. 31. That's about $7 below spot LNG prices. The main difficulty is that "gas tariffs are regulated" and importers can't pass through all supply costs to consumers, said Abhishek Rohatgi, an analyst at BloombergNEF.

South Korean energy firm plans push into hydrogen, renewables

(Argus Media; Sept. 1) - South Korean energy firm SK E&S has laid out a detailed plan to expand its hydrogen, LNG and renewables operations by 2025. SK E&S, the natural gas arm of South Korean refiner and energy conglomerate SK, has set a target to produce 280,000 tonnes per year of mainly blue hydrogen, supply 10 million tonnes per year of "eco-friendly" LNG, and operate 7 gigawatts of renewable energy by 2025, in a plan it aims will increase the value of the company fivefold to 35 trillion won ($30.2 billion), chief executive Choo Hyung-wook said Sept. 1.

The plan relies heavily on the production of blue hydrogen from LNG, using carbon capture, storage and utilization technologies to reduce the emissions. SK E&S sees hydrogen as being able to supplement intermittent renewable energy and help overcome the limitations of electric vehicle batteries in meeting environmental needs, Choo said. The company plans to install about 100 hydrogen refueling stations in South Korea by 2025. It is partnering with U.S. firm Plug Power, in which it owns a 10%, to invest in other Asian markets such as China and Vietnam.

Shell says wind and solar will power new offshore Malaysia platform

(Natural Gas Intelligence; Aug. 30) - The Timi field, a natural gas discovery sanctioned offshore Malaysia, is set to feature the nation's first wellhead platform powered by a solar and wind system, according to Shell. The company's subsidiary, Sarawak Shell

Berhad, announced a final investment decision for the sweet-gas field discovered in 2018. As designed, Timi could produce up to 50,000 barrels of oil equivalent a day.

“Timi, which is powered by a solar and wind hybrid power system, demonstrates Shell’s capabilities to innovate and deliver safe, reliable, and sustainable projects, in line with our commitment to achieve net-zero emissions by 2050 in step with society,” said Shell upstream director Wael Sawan. The unmanned platform development, to include two wells, is about 124 miles off the coast of Sarawak, Malaysia. Shell is the lead partner.

China’s demand for crude recovering after monthslong slowdown

(Reuters; Aug. 31) - China's demand for spot crude appears to be recovering after nearly five months of a slowdown caused by a shortage of import quotas, draws from high inventories and COVID-19 lockdowns that muted Chinese fuel consumption. Softer buying since April by the world's top crude importer and a drop in China's refining output to 14-month lows in July depressed the prices of staple grades to multi-month lows.

But traders and analysts say Chinese importers are now increasing the pace of purchases and paying higher premiums to secure supplies from November onward as lockdown restrictions ease. A rebound in demand by China may tighten supplies and support global oil prices. Oil demand in the world's No. 2 consumer looks to be on a recovery path as Beijing eases lockdown measures after largely containing several outbreaks of the COVID-19 Delta variant since it emerged in China in July, traders said.

Traders hope Beijing will soon wrap up a probe into the resale of oil import quotas and tax evasion by importers that has created uncertainty in the market. A batch of quotas is expected to be issued this fall, which could revive demand from independent refiners, known as teapots, which take a fifth of China's imports. "Chinese majors' crude stocks are very low, and once the government wraps up inspections and finalizes punishments, teapots will once again import crude," Energy Aspects said in an Aug. 23 note.

Wisconsin shipyard building 3-million-gallon LNG barge for Shell

(WLUK; Green Bay, WI; Sept. 1) - A Sturgeon Bay, Wisconsin, shipbuilder will help construct what it believes to be the largest LNG bunkering barge ever made in the United States. Fincantieri Bay Shipbuilding is partnering with Crowley Maritime on the project. The 416-foot-long vessel will hold up to 3.17 million gallons of LNG, and when complete it will be the largest Jones Act-compliant vessel of its kind, becoming the second Jones Act-compliant bunker barge Shell has under long-term charter in the U.S. Bunkering barges can be used to refuel vessels which use LNG, or to deliver the fuel to shore-based customers. The vessels in-service date is 2024.