Oil and Gas News Briefs
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Russia's Rosneft having trouble selling all its oil

(The Wall Street Journal; April 26) - Russia failed to sell a huge batch of oil, a sign that soon-to-be imposed sanctions against its state oil giant are playing havoc with the energy industry that undergirds its bruised economy. Moscow maintained a brisk pace of energy exports in the two months after the invasion as many U.S. allies left oil and gas shipments out of their harshest sanctions on Russia. Importers in India and elsewhere swooped in to buy cheap Russian oil at a time of rocketing energy prices.

But exports hit a snag in recent days when Rosneft struggled to find buyers for enough oil to fill a fleet of tankers, traders said. The producer, in which the government owns a large minority stake, had invited companies to bid for the oil last week, about 38 million barrels, according to traders and a document seen by The Wall Street Journal. The problems give an indication that European sanctions targeting Rosneft, and due to kick in on May 15, are starting to disrupt Russia's ability to move crude to overseas buyers.

If Rosneft keeps struggling to sell, it would represent a further shock for an economy already locked out of much of Western finance and commerce. The company says it is Russia's biggest taxpayer, providing a fifth of budget revenue. "If they can't sell, they'll have to start shutting down," said Adi Imsirovic, senior research fellow at the Oxford Institute for Energy Studies and former head of oil trading at a subsidiary of Gazprom.

Russian crude oil output may fall 17% this year to lowest since 2003

(Reuters; April 27) - Russia may see its oil production fall by as much as 17% in 2022, an economy ministry's document seen by Reuters showed on April 27, as the country struggles with Western sanctions. The U.S. has banned Russian oil imports, while Western sanctions against Russian banks and vessels had crippled the oil trade, one of Moscow's key sources of revenue. The European Union is also considering fully banning Russian oil. The scale of the production decline would be the most significant since the 1990s when the oil industry suffered from underinvestment.

Russian oil output started to decline in March and had fallen by around 7.5% by mid-April. Oil production in Russia recovered last year following a decline in 2021, its first annual fall since 2008, due to fallout from the pandemic. The International Energy Agency has said the impact of sanctions and buyers' aversion to Russian oil would take full effect from May onwards. According to the document, Russian oil output may decline to between 8.68 million and 9.5 million barrels per day in 2022 from about 10.5 million in 2021. That would be the lowest since 2003.

[Oil drilling, production starting to grow, but ‘pretty big’ hole to fill]

(EnergyWire; April 25) - Oil production is set to grow later this year, but it may not fully cure the price spikes caused by the Russian invasion of Ukraine, analysts and company executives said last week. Oil field spending in North America is likely to increase by over 35% this year, Halliburton CEO Jeff Miller said, up from the service provider’s previous estimate of more than 25%. National oil companies in the Middle East also may increase their activity. “What’s key is we’re seeing them both at the same time,” Miller said on a conference call with analysts.

Oil and gas prices hit their highest levels in more than a decade after Russia invaded Ukraine this year. The U.S. and the European Union promptly imposed economic sanctions on Russian companies, and a series of Western oil companies said they were abandoning projects in Russia. The U.S. has added 257 drilling rigs in the past year, for a total of 695, according to Baker Hughes. The number of hydraulic fracturing crews has more than tripled to 70 in the past two years, according to the data firm Enverus.

The uptick in drilling and fracking could push U.S. production up by 1 million barrels a day by the end of the year, said Al Salazar, vice president of intelligence at Enverus. But it still may not be enough to make up for the Russian production that’s been taken off the market by economic sanctions, he said. “The potential hole that has to be filled is pretty big,” Salazar said in an interview. Under those conditions, it’ll be hard for domestic oil prices to fall below $100 a barrel, he said.

[Oil field service companies report strong growth in exploration]

(Bloomberg; April 25) - The global oil industry is on pace to repeat or even surpass the heady days of 2008 when crude ascended to dizzying heights and drilling profits soared, according to the world’s biggest oil field contractor. In the sector’s most bullish forecast yet, Schlumberger told investors and analysts on April 22 that the widespread disarray set off by Russia’s invasion of Ukraine is creating growth opportunities last seen during the so-called supercycle of 14 years ago.

Exploration companies are now expanding the search for crude from onshore shale fields to the deep seas, spurred at least in part by a widespread aversion to Russia’s oil since it went to war in late February, Schlumberger CEO Olivier Le Peuch said during a conference call. “The combination of these effects creates an exceptional sequence for our sector, likely resulting in a cycle of higher magnitude and duration than previously anticipated,” Le Peuch said after the company disclosed its strongest first-quarter margins since 2015 and rewarded investors with a surprise dividend increase.

Le Peuch’s optimism was the culmination of a week in which his biggest rivals — Halliburton and Baker Hughes — unveiled similarly positive, if more modest, business outlooks. Halliburton, which controls more fracking capacity than any other company, predicted North American explorers will boost spending by 35% this year, up from a pre-war forecast of 25%. Meanwhile, Baker Hughes estimated that overseas growth will reach the low- to mid-double digits, while North America will see a 40% boost this year.

First supertanker of U.S. crude in six years docks in Spain

(Bloomberg; April 25) - A supertanker delivered U.S. crude to Spain for the first time in more than six years as Europe increasingly relies on American energy to replace supply disruptions from Russia's war in Ukraine. The Solana delivered some of its 2 million barrels into the Spanish port of Bilbao in mid-April before unloading additional oil in Wilhelmshaven, Germany, and Rotterdam, tracking data show. Solana had received its U.S. oil from smaller vessels while in the Gulf of Mexico before departing for Europe.

Historically, the vast majority of American crude oil shipments to Europe have been done on smaller ships that can carry between 600,000 and 1 million barrels, rather than via the 2-million-barrel supertankers more popular on longer routes, like between the U.S. and Asia. But as European buyers increasingly shun Russian oil following the country's invasion of Ukraine, U.S. supplies are proving critical to fill the void.

Supertankers will increasingly be "used to send U.S. crude to Europe as the continent's buyers seek to max out alternatives to Russian oil," said David Wech, chief economist for analytics firm Vortexa. Already this year, four supertankers have moved oil between the U.S. and Europe, up from just one during the same period last year, data compiled by Bloomberg show. The Solana's arrival in Spain marks the first supertanker of U.S. crude to make that journey since Washington ended its ban on oil exports in 2015.

Exxon announces even more oil discoveries offshore Guyana

(World Oil; April 27) - ExxonMobil announced three new discoveries offshore Guyana which will increase the estimate of the recoverable resource of the Stabroek Block to nearly 11 billion oil-equivalent barrels. The three discoveries are southeast of the Liza and Payara developments and more than double the number of discoveries made by ExxonMobil in Guyana in 2022, which now total five.

ExxonMobil has four sanctioned projects offshore Guyana. Liza Phase 1 is producing approximately 130,000 barrels per day using the Liza Destiny floating production storage and offloading (FPSO) vessel. Liza Phase 2, which started production in February, is steadily ramping up to its capacity of 220,000 barrels per day using the Liza Unity FPSO. The third project, Payara, is expected to produce 220,000 barrels per day, construction on its production vessel, the Prosperity FPSO, is running approximately five months ahead of schedule with start-up likely before year-end 2023.

The fourth project, Yellowtail, is expected to produce 250,000 barrels per day when the One-Guyana FPSO comes online in 2025. Guyana's Stabroek Block is 6.6 million acres. ExxonMobil affiliate Esso Exploration and Production Guyana is the operator and holds 45% interest in the Block. Hess Guyana Exploration holds 30% interest, and CNOOC Petroleum Guyana holds 25% interest.

Residents win in court, halt seismic work offshore South Africa

(Washington Post; April 25) - Shell planned to send a ship to conduct a seismic survey, using sound waves to map more than 2,300 square miles of geology beneath the deep waters off South Africa. Shell said there have been 35 such surveys conducted offshore near South Africa over the past decade, each one lasting about three months. “Our assessment was that we could conduct a similar acquisition in a safe and responsible manner,” said Bill Langin, Shell's senior vice president for deepwater exploration.

But this time was different. Everyone from fishers to surfers to eco-lodge owners joined to protect the pristine coast, home to legendary migrations of whales, dolphins, sardines and sea turtles. In December, they took Shell to court — and won. The survey vessel left. Shell had argued that the complaints about harm were “of a speculative nature.” A judge on one of South Africa's 13 regional high courts declared: “The expert evidence establishes that there is a reasonable apprehension of real harm to marine life.”

After decades when the promise of economic development drove decisions about when to permit drilling and exploration — especially in the developing world — the fight was a victory for people living along the South Africa coast who opposed the exploration. It was a setback for Shell at a time when concerns about climate change have made it increasingly hard for oil and gas companies to take advantage of drilling opportunities.

Though Shell said surveys would be 12.5 to 44 miles offshore, residents envision oil spills riding the undersea current — the world's second swiftest — down the coast and into nutrient-rich Antarctic waters in one of the planet's last truly untouched places. Opponents won a temporary stay of Shell's survey, declaring that they must be properly consulted and their consent given before any large-scale economic project can occur.

EU members consider steps short of a ban on Russian crude

(Financial Times; London; April 25) – European Union member states are looking at whether to impose a ceiling on what they would pay for Russian oil as a way to hit Kremlin revenues, as they shy away from an immediate blockade on Russian crude. An oil price cap is one of a number of proposals being discussed as EU ambassadors prepare for talks in coming days about more sanctions on Moscow — the sixth such package since Vladimir Putin ordered the invasion of Ukraine two months ago.

“[The talks are about] finding the best way to deny [Putin] the revenue that he needs,” said one person familiar with the conversations. Another alternative would involve imposing an EU tariff on Russian oil, analysts say, forcing Russia to cut prices to stay competitive. EU member states are divided over how aggressively to move against Russian energy, which is at the heart of the country’s economy.

Russia provides more than a quarter of EU crude oil imports and member states have paid Moscow almost $14 billion for oil since the war with Ukraine started, according to CREA, a research organization. Germany and others have ruled out an overnight ban on Russian oil imports because it would harm their own industries, while EU officials fear a ban could drive up oil prices and even increase the Kremlin’s revenues. Berlin is also wary of alternatives including the notion of a price cap on Russian oil.

Contractor says sanctions could slow work at Russian LNG project

(Bloomberg; April 25) – Technip Energies may have to considerably slow construction for Novatek’s Arctic LNG-2 project because of the latest European Union sanctions against Russia for invading Ukraine. It’s a blow to Netherlands-based Technip and the Russian gas producer, which is developing the $21 billion liquefied natural gas export terminal. “The EU sanctions now target LNG goods, and LNG technology and services more directly, making the execution of the project more complicated, even maybe highly complicated,” Technip CEO Arnaud Pieton said on a conference call April 25.

In a statement published earlier April 25, Technip said it expected to fulfill contractual obligations while complying with sanctions. While the engineering company is seeking more information about the EU sanctions imposed earlier this month, Technip already is “particularly cautious” about spending any more money on Arctic LNG-2, Pieton said. It’s been “working toward an orderly handover of the project” to Novatek.

Novatek holds 60% in Arctic LNG-2, with the remaining shareholders including French oil major TotalEnergies, as well as Chinese and Japanese firms. Assuming no further sanctions targeting LNG or Novatek, the Russian company could find a way to complete, or at least partly complete, one of the three liquefaction units at the site, Pieton said. Construction probably won’t “progress in the same way” for the other two, and future sanctions could completely end Technip’s involvement in the project, he said.

China looks to sell spare LNG supply as lockdowns crimp demand

(Bloomberg; April 25) - China, the world’s biggest importer of liquefied natural gas, is trying to sell some spare supply due to fears that demand-sapping virus lockdowns could spread from Shanghai to other parts of the country. Major buyers, including

CNOOC, are offering at least five shipments for summer delivery on the spot market amid the deteriorating domestic demand outlook, according to traders. The companies could look to offload more cargoes if COVID-19 restrictions around China increase, the traders said, requesting anonymity to discuss private details.

The continuing spread of the coronavirus in Asia's largest economy and Beijing's strict approach to try and contain it are spurring concerns that growth will take a bigger hit than anticipated. Iron ore, a key economic barometer, slumped on April 25 as news of mass testing of people in a neighborhood in the Chinese capital spooked the market. About half of China's gas consumption is in provinces marked by the government as having high or medium COVID-19 risk, according to BloombergNEF analyst Daniela Li.

The Chinese companies are trying to resell the LNG to buyers in Asia. The firms have scope to offload shipments of the fuel as they are sitting on relatively high inventories, according to traders. They will also be attracted by international prices that are well above domestic rates, they said. If Chinese demand continues to deteriorate, that could provide supply relief for Asian and European utilities and gas distributors.

Russia cuts off gas for Poland and Bulgaria

(The Associated Press; April 27) - Polish and Bulgarian leaders accused Moscow of using natural gas to blackmail their countries after Russia's state-controlled energy company said on April 27 it would stop supplying the two European nations. The gas cutoff came after Russian President Vladimir Putin said last month that "unfriendly" countries would need to start paying for gas in rubles, Russia's currency, which Bulgaria and Poland refused to do.

Russian energy giant Gazprom said in a statement that it hadn't received any payments from Poland and Bulgaria since April 1 and was suspending their deliveries starting April 27. If the countries siphon off gas intended for other European customers, deliveries to Europe will be reduced by that amount, the company said. Polish Prime Minister Mateusz Morawiecki told parliament that he thinks the suspension was revenge for new sanctions against Russia that Warsaw imposed over the war in Ukraine.

Morawiecki said the country was safe from an energy crisis thanks to years of efforts to secure gas from other countries. Hours later, Poland said it had received notice that Gazprom was cutting off its gas supplies for failing to adhere to the demand to pay in Russian rubles. Poland's gas company, PGNiG, said the gas supplies from the Yamal pipeline stopped early April 27, as Gazprom had warned they would. Bulgaria said April 26 it also was informed by Gazprom that its gas supplies would end at the same time.

United Arab Emirates looks to build second LNG export plant

(Natural Gas Intelligence; April 26) - The United Arab Emirates' plans to build a second LNG export facility and become a bigger regional exporter are gaining momentum as European leaders visited the Middle East to discuss replacing Russian energy imports. The proposed project, with two liquefaction trains at 9.5 million tonnes annual output capacity, is to be located at the busy oil port of Fujairah on the Gulf of Oman, outside the Strait of Hormuz choke point, a strategic site to deliver LNG to Europe and Asia.

State-owned Abu Dhabi National Oil Co. has changed its marketing tactics since building its first LNG export plant on Das Island in 1977. Prior to 2019, about 90% of Das Island LNG exports were delivered to Japan. In 2019, ADNOC diversified its supply portfolio, signing on several clients including Vitol, TotalEnergies and other buyers in South Asia, Japan and China. Along with the Das Island facility, with 6 million tonnes annual capacity, the new project would more than double the UAE's LNG capacity.

Although a final investment decision has yet to be reached for the LNG facility, engineering companies submitted bids in late March for the front-end engineering and design contract. ADNOC has high ambitions to develop its oil and gas production. The company is planning $127 billion in capital spending for 2022-2026. The plan is aimed at better developing the country's huge oil and gas reserves, including expansion of its Shah gas field project, and spending nearly $20 billion on other gas developments.

Canadian bank says climate change up against energy security

(CBC News; Canada; April 26) - Global ambitions to tackle climate change are being confronted by rising concerns about energy security, according to a new report by Toronto-based RBC, which is why oil and gas are going to be used for quite a while. Russia's war on Ukraine has sent energy prices soaring, as there are supply concerns for many commodities such as oil, gas and coal. As many countries grapple with energy security and affordability issues, there is less emphasis on climate change.

That's why the authors of the report say countries like Canada now have to figure out how to produce more oil and gas in the short term, all the while trying to meet climate goals. "Short of major additional action, oil and gas will likely remain critical and contentious energy sources for longer than some think," the report notes.

Global demand for oil keeps rising and is expected to increase for several more years, according to the International Energy Agency. The RBC report highlights that many governments around the world are also offering subsidies to offset high gasoline and power prices, including "usual climate leaders" such as Germany, California and British Columbia. Climate change is still a priority, said RBC economist Colin Guldimann, but there isn't as much momentum as six months ago after the UN climate conference.

Gas well fracking has its detractors in British Columbia

(CBC News; Canada; April 27) - When Kevin McCleary and his wife cleared 160 acres of land to build their home in Pouce Coupe, British Columbia, two decades ago, they didn't expect a hydraulic fracturing gas well pad would be built less than a quarter-mile from their front door. Now, McCleary says his family is bombarded by bright lights, foul smells and high-decibel industrial noise from the work site near the community, which is a couple miles southeast of Dawson Creek in the province's northeast.

While the industry is key to the B.C. government's economic plans and jobs, those with fracking sites near their homes feel they are being made to pay the price for energy development. In Farmington, about 15 miles northwest of Dawson Creek, Vicky Simlik said she feels under siege. The 80-acre property where she's lived for 30 years, raising horses and growing hay, used to be idyllic. But ever since a fracking well pad was built less than half a mile away, she avoids going outside because of the noise and smells.

The government and scientists are still studying fracking's impact on human health, the environment, greenhouse gas emissions and water supplies, as well as induced earthquakes. But while it feels like a threat to some, for others it's a major opportunity. Thousands of people are at work on the Coastal GasLink pipeline and LNG Canada's export facility under construction in Kitimat, B.C. The project is a boon to oil and gas services businesses, like family company Lindberg Construction in Dawson Creek. Gerald Lindberg said gas development has brought stability to the boom-and-bust cycle.

Biden administration reduces leasing acreage in Alaska reserve

(Reuters; April 25) - The Biden administration on April 25 overturned a controversial Trump-era policy that would have opened more acreage of Arctic Alaska to oil development. The Bureau of Land Management, part of the Department of Interior, resurrected Obama-era management policies in the National Petroleum Reserve-Alaska, a 23-million-acre area on the western side of Alaska’s North Slope.

Those reinstated policies, contained in a plan issued in 2013, allow oil leasing in about half of the National Petroleum Reserve-Alaska while boosting protections for areas considered important to the Arctic ecosystem and to Indigenous residents. The plan by the administration of former President Donald Trump, issued in 2020, sought to allow oil development on more than 80% of the reserve. It would have allowed leasing even at Teshekpuk Lake, the North Slope’s largest lake and an area prized for wildlife that had been protected under rules dating back to the Reagan administration.

The Trump plan was challenged by two lawsuits filed in federal court. No lease sales were ever held under it. The BLM action reinstating Obama-era management policies was part of Interior’s response to those lawsuits. The area has drawn interest from oil companies. Development is clustered in the northeastern corner of the reserve, the area closest to existing pipelines and oil fields on state land to the east. ConocoPhillips is the most active company in the reserve. Its interests there include the proposed multibillion-dollar Willow project, which holds an estimated 600 million barrels.

U.S. commits half-billion in debt financing for hydrogen hub in Utah

(Bloomberg; April 27) - The U.S. is backing a project to create the world’s largest hydrogen production and storage facility in Utah in a push to bring the clean-burning fuel into the mainstream. The Energy Department issued a conditional commitment for up to $504 million in debt financing for a hydrogen hub planned for Delta, Utah, that is designed to convert renewable energy into hydrogen, according to a statement April 26.

Developers of the Advanced Clean Energy Storage Project, which is expected to start operating in 2025, include Mitsubishi Power Americas and Magnum Development. The commitment is the Biden administration’s latest example of “prioritizing investments in clean-energy technologies,” Jigar Shah, a solar pioneer who now heads the Energy Department’s loan programs office, said in an emailed statement.

The project is expected to feature 220 megawatts of electrolyzers — machines that split hydrogen from water — powered by wind and solar energy, and storage caverns that will initially be able to hold 9 million barrels of hydrogen, said Michael Ducker, Mitsubishi Power’s head of hydrogen infrastructure. That will add to the global storage capacity of 11 million to 13 million barrels, he said. Construction is underway and co-developer Haddington Ventures aims to raise $650 million in equity financing for the project.

Egypt, UAE will work together on green-hydrogen project

(Reuters; April 24) - Egypt said on April 24 it would cooperate with the United Arab Emirate's Abu Dhabi Future Energy Co. (Masdar) on the production of green hydrogen. Masdar and Hassan Allam Utilities, a subsidiary of Hassan Allam Holding, will form a strategic alliance to develop green-hydrogen production plants in the Suez Canal Economic Zone and on the Mediterranean coast, to produce up to 480,000 tons of green hydrogen annually, the Egyptian cabinet said in a statement.

"In the first phase of the project, Hassan Allam Utilities and Masdar aim to establish a green-hydrogen manufacturing facility, which would be operational by 2026, producing 100,000 tonnes of e-methanol annually for bunkering in the Suez Canal,” Amr Allam, CEO of Hassan Allam Holding, was quoted as saying by the UAE's state news agency.

"The electrolyzer facilities in the Suez Canal Economic Zone and on the Mediterranean could be extended to up to 4 gigawatts by 2030 to produce 2.3 million tonnes of green ammonia for export as well as supply green hydrogen for local industries", he added.

Green hydrogen — obtained by passing renewably produced electricity through water to split the element from oxygen — has been touted by some as a key fuel for energy users looking to cut greenhouse gas emissions.

Floating Australia LNG project did not go as planned for Shell

(Australian Broadcasting Corp.; April 26) - When Shell decided to build a massive floating gas factory known as Prelude in 2011, it was billed as the dawn of a new era for the industry. Australia was midway through a once-in-a-lifetime A$300 billion splurge that would make the country the world's biggest producer of liquefied natural gas. Floating gas plants were supposed to be the logical evolution, vacuuming up gas wherever they went at sea and making fortunes for shareholders and taxpayers.

But Prelude has been racked by cost and time overruns, technical problems and warnings from regulators that the project came dangerously close to a catastrophic failure. What's more, critics say the facility may never pay a cent in royalties. Shell has not disclosed the development cost; analysts have estimated around A$20 billion. It is a far cry from the rhetoric of the past decade, when Shell's then-Australian chairwoman Ann Pickard said the 1,600-foot-long Prelude would "generate a tonne of tax revenues."

How did the reality diverge so widely from the rhetoric? For veteran industry analyst Peter Strachan, the answer is simple: "It was always an experimental project and they fell on their face, didn't they?" Unlike a conventional LNG plant on land, a floating facility could move from field to field to process the gas. Making the idea even more attractive was the expectation a floating plant could do it all cheaper and quicker than a traditional one. But Strachan said the execution had been poor and bedeviled by problems.

He said these started with the facility's construction at a South Korean shipyard, where work was still not finished when the vessel was floated in 2017. Since then, he said the difficulties had only grown. "Just building a liquefied natural gas plant anywhere is probably the most complex bit of equipment you can build," Strachan said. "It's much more complex than putting a man on the moon. … So then to redesign it and put it on a floating platform — i.e. a huge ship — was always going to be a challenge."

Qatar considering plan to make sovereign wealth fund larger

(Bloomberg; April 26) - Qatar, the world's richest country per capita, is considering a plan that would make its $450 billion sovereign wealth fund even bigger, according to people familiar with the matter. Officials are discussing a plan to make Qatar Investment Authority the money manager for major state-run companies, consolidating the nation's assets under one entity, said the people, who requested anonymity.

No final decisions have been made and it wasn’t immediately clear which state firms would be included. The strategy could help Doha cut costs while significantly boosting the total assets under QIA, which currently ranks as the world’s ninth-largest sovereign wealth fund, according to SWF Institute data. As part of Qatar’s economic diversification push, the fund has vowed to plow more money into Asia and the U.S. following years of substantial investment in Europe.

In the past year, QIA has climbed up the wealth fund rankings, bolstered by surging prices for liquefied natural gas — Qatar’s main export — as well as improving relations with neighboring Saudi Arabia.