Oil and Gas News Briefs
Compiled by Larry Persily
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Global energy turmoil 'is Qatar's moment' to profit from LNG

(The New York Times; Dec. 9) - Russia's war in Ukraine has jolted global energy markets, leaving Europe short of natural gas, raising prices for all fossil fuels and threatening a global recession. But one country has maneuvered effectively to gain economic and political advantage from the turmoil: Qatar. Long a big exporter of liquefied natural gas to Asian countries, Qatar is poised to become a critical energy source for Europe, which is pivoting away from its dependence on Russia.

Qatar is also drawing closer to China, undermining Russian hopes of diverting to Asia most of the energy Europe is no longer buying. Qatar, many experts said, is becoming the Saudi Arabia of gas — an indispensable supplier with vast reserves and very low costs. This means Qatar will be able to sell gas longer and more profitably than other major exporters, even as climate change forces many countries to reduce their use.

"This is Qatar's moment," said Ben Cahill, an energy expert at the Center for Strategic and International Studies. "Everyone in the world needs them." Qatar is virtually tied with Australia and the U.S. as the largest producer of LNG. Experts say Australian exports have likely peaked. New terminals are being built in the U.S. but at a relatively modest pace that has been limited partly by investors who are less willing to put money into fossil fuels than they were a few years ago, due to concerns over climate change.

Russia is also a major exporter of gas, much of which it has long sold to Europe via pipelines, but that has slowed to a trickle. That leaves Qatar, a Mideast monarchy with a population of just 3 million people, in prime position. Last year, it started building four giant new liquefaction plants, investments that will increase its export capacity more than a third by 2026, with two more LNG production units coming soon thereafter.

Cheap — but questionable — oil floating around, looking for buyers

(Bloomberg; Dec. 8) - The offer seemed too good to be true: Up to 200,000 barrels of heavy-sour crude at a $30 discount to the U.S. benchmark. The sales pitch came from Jonathan Plemel of little-known trading house Sidewalks Holdings. Plemel had documents saying the crude was from Mexico, said he'd even visited a lab in Coatzacoalcos for quality tests. But the prospective buyers he approached were wary. "I couldn't say for certain where the oil was coming from," Plemel told Bloomberg.

Plemel isn't the only Houston middleman marketing crude of hazy provenance as high prices spur more bargain-hunting in the oil market. Besides those approached by Plemel, two other area traders have received offers for mysteriously sourced crude in the past year, they told Bloomberg. Such propositions are unusual in the U.S., where the market is tightly regulated and traders risk running afoul of sanctions.

Ultimately, traders interviewed by Bloomberg said they passed on Plemel's cheap oil, concerned about where it came from. But with Russia's invasion of Ukraine upending trade flows and fueling massive price swings, the appetite for cheap crude is high. "It wouldn't be surprising to find that some of the oil of questionable origin has entered the U.S.," said Alejandra Leon, a director of Latin America upstream at S&P Global.

Elsewhere, the black market for oil is booming with sanctions on Russia, Venezuela and Iran creating opportunities for buyers to find bargain deals. The three countries together may be exporting over 4 million barrels a day of discounted oil, according to the U.S. Energy Information Administration and Bloomberg. Front companies typically execute the deals, skirting sanctions by painting over ship names or using fake documents.

Chevron takes over operation of Venezuela oil facility

(Bloomberg; Dec. 7) - Chevron will formally take over operational control of a key Venezuelan oil-processing facility this week during a joint visit to the site by company and government representatives, according to a person familiar with the plan. Oil Minister Tareck El Aissami and the head of Chevron's operations in the country, Javier La Rosa, are set to visit the Petropiar upgrader at the Jose Petrochemical Complex near Barcelona in northeast Venezuela on Dec. 7, the person said.

Chevron will take operational control after the inspection, according to the person who asked for anonymity as the details have not been announced. Chevron will use the plant to process tar-like crude from Venezuela's fields that will be shipped to U.S. refineries in the Gulf of Mexico under a sanction's waiver granted by the Treasury Department last month. The first shipment of 1 million barrels is expected to be loaded later this month.

Under the license and contracts Chevron signed with Venezuela's government, the company will retake control of operations, financing and trading in joint ventures with state oil company Petroleos de Venezuela. Chevron, the last major international firm still operating in Venezuela, has the capacity to increase production from the joint ventures to about 200,000 barrels a day within a year from a low of around 50,000 barrels.

Oil spill in Kansas shuts down Keystone pipeline from Canada

(Associated Press; Dec. 9) - A ruptured pipe dumped enough oil into a northeastern Kansas creek on Dec. 7 to nearly fill an Olympic-sized swimming pool, becoming the largest U.S. onshore crude pipeline spill in nine years and surpassing all the previous ones on the same pipeline system combined, according to federal data. The Keystone pipeline spill in a creek running through rural pastureland in Washington County, Kansas, about 150 miles northwest of Kansas City, was the biggest in the system's history, according to U.S. Department of Transportation data.

The operator, TC Energy, said the line that runs from Canada to Oklahoma lost about 14,000 barrels. The spill raised questions for environmentalists and safety advocates whether TC Energy should keep a federal permit that has allowed pressure inside parts of its line — including the stretch through Kansas — to exceed the typical maximum permitted levels. The pipeline was immediately shut down after the spill, stopping the flow of about 620,000 barrels per day. A lengthy shutdown could lead to Canadian crude getting bottlenecked in Alberta. Cleanup crews planned to work all weekend.

A federal report last year said there had been 22 previous spills along the Keystone system since it began operating in 2010. The total from those 22 events was a little less than 12,000 barrels, the report said. TC Energy and the U.S. Environmental Protection Agency said the latest spill has been contained. The EPA said the company built an earthen dam across the creek downstream from the pipeline rupture to prevent oil from moving into larger waterways. Past Keystone spills have led to outages that lasted about two weeks. The company said it still is evaluating when it can reopen the system.

Germany's rush to set up LNG import terminals appears successful

(Wall Street Journal; Dec. 8) - In March, the German government asked energy companies to weigh a seemingly impossible engineering task. Could a new liquefied natural gas import terminal be erected in the port city of Wilhelmshaven by year's end? After three days deliberations, the company that is building the 19-mile pipeline portion concluded that if everything went perfectly, the project could be done by Christmas.

Since then, it has had to contend with potentially toxic soil and environmental regulations protecting frogs and bats. When workers encountered high groundwater, they had to drain pipeline trenches, then backfill them. Another company building a jetty for the floating terminal needed to scan the seabed for unexploded World War II-era munitions and scour construction sites across Europe for supplies. "This project is really a race against time," said pipeline project manager Franz-Josef Kissing. "It's a battle."

To speed up process, the German bureaucracy made adjustments, too. The parliament passed an LNG Acceleration Act, speeding up review and approval of LNG projects. Uniper, the utility which will operate the terminal, said that if all goes according to plan, the first tanker carrying LNG will arrive at the start of next year. Cut off from most Russian gas, Europe is rushing to set up floating, shoreside LNG import terminals. Dozens are slated for construction across the European Union in coming years, which would allow Europe to buy more gas from nations such as Qatar and the U.S.

Germany’s LNG import terminals will cost three times initial estimate

(Bloomberg; Dec. 11) - Germany’s bill for new floating liquefied natural gas terminals is ballooning, with the cost now more than three times higher than initially budgeted. The facilities are estimated to cost €9.7 billion ($10.2 billion) for the period from 2022 — when the first units are set to start — until 2038, German Economy Ministry spokeswoman Beate Baron said at news conference in Berlin on Dec. 10.

The price tag of the terminals, which Germany is investing in to replace Russian gas, was already more than twice as high as the €3 billion in the program’s initial budget, according to estimates that Economy Minister Robert Habeck gave less than three weeks ago. The government in Berlin has chartered five floating LNG terminals, with two due to go into operation this winter — the first one in January.

Once operational, the facilities will be able to cover around one third of Germany’s current gas demand, according to a government estimate. However, the fuel will also come at a high cost, with prices for imported LNG expected to stay at elevated levels until new supply arrives by the middle of the decade as new projects are completed.

Companies team up for $4 billion green hydrogen plant in Texas

(Wall Street Journal; Dec. 8) - Industrial-gas manufacturer Air Products and Chemicals and power company AES are planning to build a $4 billion renewable-powered hydrogen factory in North Texas, the latest large investment in green energy since Congress passed significant tax credits for such projects. The factory, which is slated to start operations in 2027 and will be built on the site of a retired coal plant, will use solar and wind power to manufacture the hydrogen, the companies said Dec. 8.

It will be able to produce more than 73,000 metric tons of hydrogen a year, making it the largest such facility in the U.S. and among the top 10 worldwide, according to data from the Paris-based International Energy Agency. The investment reflects increasing interest in hydrogen as a climate-friendly alternative to fossil fuels — particularly green hydrogen, so-called because it is produced from water using electricity from renewables, in a process that doesn’t emit carbon dioxide.

Hydrogen is seldom found on its own and must be separated out of compounds such as water or natural gas. That process is expensive, takes a lot of energy and can emit large amounts of carbon dioxide, particularly when the hydrogen is made from natural gas, as most is today. But green hydrogen has been prohibitively expensive to make, and most plants so far have been pilot projects. The passage of U.S. legislation in August that offers tax incentives for clean-power projects is changing those economics and starting to make low-carbon hydrogen commercially viable, the companies said.

[TotalEnergies in court over billion-barrel Uganda oil project]

(Deutsche Welle; Germany; Dec. 8) - French petroleum giant TotalEnergies plans to develop the oil and gas resources of the Tilenga project from near Lake Albert in western Uganda, which it estimates at over 1 billion barrels. Once completed, a buried pipeline about 930 miles long would cross neighboring Tanzania and link the oil field to the Indian Ocean. The company has said the development, which includes 400 wells, dozens of which fall inside the Murchison Falls National Park, will create tens of thousands of jobs. But its environmental and human impact has been controversial.

On Dec. 7, a French court began hearing a case brought against TotalEnergies by four Ugandan and two French environmental and civil rights groups aiming to stop the project. "Total’s plans … jeopardize the 2015 Paris climate accords and the very survival of humanity," said Louis Cofflard, one of the plaintiffs' lawyers, during the one-day hearing in Paris. “We're demanding for it to be suspended immediately.” The case is based on a 2017 French law, the first of its kind in the world.

According to the legislation, multinational companies with headquarters in France need to set up a "vigilance roadmap" for activities by subsidiaries in other countries. This requires them to document and offset their projects' impact on the environment, local populations and human rights. If they fail to comply, parent companies risk having to pay damages and suspend their projects. TotalEnergies has established such a roadmap, but the plaintiffs have alleged it's not detailed enough and does not include the necessary mitigation measures. The company refutes those accusations.

[New pipeline segment expands Russia’s gas deliveries to China]

(South China Morning Post; Dec. 8) - Russian natural gas now can reach eastern China’s Yangtze River Delta, as a new section of the east-route gas pipeline between the two countries came into operation on Dec. 7. The 466-mile section, which links Taian city in Shandong province and Taixing city in Jiangsu, was completed in 23 months, six months ahead of schedule, according to state media.

Part of the China-Russia eastern-route gas pipeline, the new section joins another signature gas route — the West-East Gas Pipeline, which connects the Xinjiang Uygur autonomous region with Shanghai. The new section will help alleviate gas-supply bottlenecks in the Yangtze River Delta, one of China’s most important economic powerhouses, according to the state-owned PipeChina.

The new pipeline will increase the gas supply capacity of the Yangtze River Delta region to almost 1.8 billion cubic feet per day, alleviating the reliance on imported liquefied natural gas along the route, the company said. State broadcaster CCTV reported that the daily capacity had been about 1 bcf per day. Meanwhile, Russia’s biggest pipeline into China — the Power of Siberia line — has been ramping up supply since its opening three years ago, and is scheduled to reach full capacity of about 3.6 bcf a day by 2025.

Floating LNG import terminal will start up in Finland in January

(Reuters; Dec. 8) - The floating liquefied natural gas import terminal chartered by Finland to replace Russian gas supplies will arrive with a full cargo in the coming days, with commercial operations starting in January, the head of operator Gasgrid told Reuters. Finland has agreed to a 10-year charter for the Exemplar floating storage and regasification vessel that will serve its domestic needs and the Baltic market, providing additional resources as Europe grapples with an energy crisis.

"The ship will come (to Finland) and will be commissioned in the coming days, in December," Olli Sipila, the head of gas system operator Gasgrid, said in an interview. A subsidiary of Gasgrid will operate the terminal at Inkoo port. The ship will arrive in Finland fully loaded but the terminal will remain in implementation mode until the start of commercial operations on Jan. 15, Sipila said.

The start of operations is welcome news for Finland, which risks blackouts this winter after Russia stopped all exports of gas and power over disputes in the wake of the war in Ukraine and amid the delayed start-up of a new nuclear power reactor in Finland.

U.K. approves first new coal mine in 30 years

(BBC News; Dec. 7) – The U.K. Secretary for Levelling Up, Housing and Communities, Michael Gove, has approved the country’s first new coal mine in 30 years, despite concerns about its climate impacts. The proposed mine in Cumbria would dig up coking coal for steel production in the U.K. and across the world. Critics say the mine would undermine climate targets and demand for coking coal is declining. But supporters claim the mine, near Whitehaven, will create jobs and reduce the need to import coal.

The fate of the West Cumbria mining project had been hanging in the balance for two years after the local county council initially approved the mine in 2020. The project's approval was suspended in early 2021, ahead of the COP26 climate conference in Glasgow, after the government's climate change adviser said it would increase carbon emissions. Planning authorities reviewed the original decision and sent a report to the Secretary for Communities to review and make a final judgment.

Gove has agreed with the latest planning inspector's recommendation to approve the mine. He said he was "satisfied that there is currently a U.K. and European market for the coal." He agreed with the assessment that the effects of the development on carbon emissions "would be relatively neutral and not significant." But opposition parties and environmental groups condemned the decision as harmful for the climate and the U.K.'s transition to a greener economy.

Tanker backlog over Turkey's insurance concerns appears resolved

(Bloomberg; Dec. 11) - A backlog of tankers waiting to haul oil through Turkey's vital shipping straits appeared to start clearing, offering hope that authorities in Ankara have resolved a spat with the insurance industry that arose following sanctions on Russia. A port agent listing on Dec. 11 showed that there were 19 tankers waiting to pass through the country's Bosphorus and Dardanelles straits, chokepoints through which almost 700 million barrels of oil were shipped last year. There were 27 tankers waiting a day earlier.

One shipping official said that previously blocked tankers are now being allowed through. The traffic jam built up, halting millions of barrels of mostly Kazakh crude, because G-7 sanctions on Russia created doubt that tankers would be insured against risks like collisions and spill — longstanding environmental concerns for Turkey. The government in Ankara demanded letters proving that each individual shipment was covered for transit, something insurers initially resisted to provide.

The U.S. and U.K. pressed Turkey to revise its approach. On Dec. 10, Turkey distributed a sample letter to insurers that it would find acceptable as proof of cover, according to the shipping official and a port agent report. On Dec. 5, Group of Seven sanctions on Russia imposed a $60 a barrel cap on the price of the nation's crude oil. Anyone paying above $60 would be denied access industry standard insurance. The problem for Turkey was being able to know which shipments were bought under the cap — and hence had industry standard insurance — and which were not.

Oil tanker delays in Turkish waters could cost shippers millions

(Bloomberg; Dec. 8) - The snarl-up that's delayed millions of barrels of oil near Turkey's key shipping straits is already spiraling into an enormous and contentious bill for the waiting time. Based on the delays of tankers currently near the Bosphorus and Dardanelles straits, about $13 million of extra freight costs have been incurred by the ships because they can't pass through. Day rates for waiting have been around the $100,000 or more in recent weeks, according to shipbrokers, owners and traders.

So far, about 26 tankers have been unable to pass through the straits after Ankara imposed a new rule requiring owners to provide proof their ships are insured for transit, tracking data compiled by Bloomberg show. Turkey estimates a smaller number. Turkey said the move was due to a G-7 and European Union price cap on Russian oil that made it hard to check whether cargoes would be covered. Insurers, for their part, are worried about making such guarantees for individual parts of voyages.

In general, shipping charters contain provisions for the payment of something called demurrage — effectively a waiting cost — when ships get stuck. Whether the companies hiring the tankers will pay it isn’t certain. At least one owner with a vessel in the queue has been informed by charterer that they don’t intend to pay, according to correspondence seen by Bloomberg. If they don’t pay, not only would the ships spend days of earning nothing, they would also face missed-earnings opportunities. Suezmax oil tankers are currently earning about $115,000 a day on the global market.

TotalEnergies quits board of Russian gas producer

(Reuters; Dec. 9) - French oil and gas giant TotalEnergies said on Dec. 9 it was withdrawing its two members from Novatek's board and would take a $3.7 billion hit in its fourth-quarter accounts for the write-down of its stake in the Russian natural gas company. Unlike London-based rivals BP and Shell, TotalEnergies has held on to several investments in Russia after the country invaded Ukraine, and faced criticism for doing so. Among its Russian investments are a 19.4% stake in gas producer Novatek and minority holdings in Novatek-operated projects Yamal LNG and Arctic LNG.

"In view of the European sanctions in force since the beginning of the war, the two directors representing TotalEnergies on the board of directors of Novatek are led to abstain from voting in meetings of the board of directors of this company, in particular on financial matters," a statement from the company said. "Under these circumstances, the board of directors of TotalEnergies has decided to withdraw the representatives of the company from the board of Novatek with immediate effect."