Oil and Gas News Briefs
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California lawmakers consider fine for excessive oil company profits

(Associated Press; Dec. 5) - California could become the first state to fine big oil companies for making too much money, a reaction to the industry's supersized profits following a summer of record-high gasoline prices in the nation's most populous state. Gov. Gavin Newsom and his Democratic allies in the state Legislature introduced the proposal on Dec. 5 as lawmakers returned to the state Capitol in Sacramento for the start of a special legislative session focused solely on the oil industry.

The proposal is missing key details, including how much profit is too much and the fine companies would have to pay for exceeding it. Newsom's office said those details would be sorted out later in negotiations with lawmakers. Any money from the fines would be returned to the public. Gas prices are always higher in California because of taxes, fees and environmental regulations that other states don't have. But in October, the average price of a gallon of gasoline in California was more than $2.60 higher than the national average — the biggest gap ever. Newsom said there was no good way to justify that.

It could be a popular proposal with voters, who have been paying more than $6 per gallon of gasoline on average for much of the year. But that doesn't mean it will be easy to get it through the Legislature, where the oil industry is one of the top spenders on lobbyists and campaign contributions. Crucially, the legislative proposal classifies the fine as a "civil penalty" and not a tax. That means only a simple majority would be needed for passage, instead of the two-thirds majority that is required to raise taxes.

Oil prices fall to lowest this year; Brent down to $77, WTI at $72

(CNBC; Dec. 7) - The price of oil fell to its lowest level this year on Dec. 7, forfeiting all of the gains since Russia's February invasion of Ukraine exacerbated the worst global energy supply crisis in decades. The commodity had surged to nearly $140 a barrel in March, close to an all-time record. But the market has been steadily declining as economists brace for weakened worldwide growth in part due to high energy costs. The Dec. 7 losses were driven by bigger-than-expected increases in U.S. fuel stocks.

Brent futures fell $2.18, or 2.8%, to $77.17 a barrel, settling below the year's previous closing low of $78.98 a barrel touched on the first day of trading in 2022. U.S. West Texas Intermediate crude fell $2.24 to $72.01 a barrel. The recent declines have come against what should be a supportive backdrop for prices. China, the world's biggest crude importer, announced the most sweeping changes to its anti-COVID regime since the pandemic began. The country's crude oil imports in November rose 12% from a year earlier to their highest in 10 months, data showed.

G7 nations kicked off implementation of a price cap to restrict Russian exports that could cause that nation to reduce output in the coming year. However, U.S. distillate stocks posted a build of 6.2 million barrels, according to the Energy Information Administration, far exceeding estimates for a 2.2 million barrel rise. Gasoline inventories climbed 5.3 million barrels against expectations for an increase of 2.7 million barrels.

Oil companies, trash businesses, utilities invest in landfill gas

(Wall Street Journal; Dec. 5) - The highest prices in years have made producing natural gas profitable just about anywhere. But with companies trimming their emissions and new tax breaks for waste-to-energy projects, some of the most lucrative places to extract gas are garbage dumps. At the Keystone Sanitary Landfill in Throop, Pennsylvania, a knot of pipes, membranes and compressors draws fumes from within the mountain of rotting trash, separates the methane from other gases, and pumps it into northeast Pennsylvania's natural gas grid.

The trash-fed gas plant, called Project Assai, is the largest of its kind, producing enough gas each day to fuel more than 65,000 homes. It is a model for what its builder, Archaea Energy, is installing at landfills around the country. The gas is a fraction of what flows from big shale wells, but the output from landfills doesn't decline as quickly as it does from fractured rock. Plus, landfill has is rewarded with renewable-fuel credits, which can be traded separately and make the price multiples of what gas from drilling fetches.

Archaea's ambitions are getting a boost from BP, which has agreed to buy the 4-year-old company for $4.1 billion. It is the largest bet yet on the biogas bonanza that has major oil companies, utilities, waste haulers, pipeline owners and private-equity firms digging in. Waste Management, North America's biggest landfill operator, is investing $825 million in gas projects at its properties. NextEra Energy, a leading renewable-power developer, said in October that it would pay $1.1 billion for a group of landfill gas facilities. Shell agreed last week to buy a European biogas producer for $2 billion.

India will continue to buy discounted Russian oil

(Associated Press; Dec. 5) - India will prioritize its own energy needs and continue to buy oil from Russia, its foreign minister signaled Dec. 5, as Western governments press Moscow with a price cap to squeeze its earnings from oil exports. Minister of External Affairs Subrahmanyam Jaishankar made the comments after holding talks with his visiting German counterpart, Annalena Baerbock, in which they discussed bilateral relations and Russia’s war in Ukraine. Jaishankar said it isn’t right for European countries to prioritize their energy needs but “ask India to do something else.”

India has so far not committed to the $60-per-barrel price cap on Russian oil set by the Group of Seven major industrialized countries and European Union. The move is an attempt by Western governments to limit fossil fuel earnings that support Moscow’s budget, its military and its invasion of Ukraine, while also avoiding a possible sharp price spike if Russia’s oil is suddenly taken off the global market.

Jaishankar did not make any direct reference to the price cap but said the European Union was importing more fossil fuel from Russia than India. Indian officials have defended buying Russian oil, saying the lower price benefits India. Since the Russian invasion of Ukraine, India has steadily increased its purchases of discounted Russian oil. Indian imports hit a record high in October, with Russia becoming India’s top oil supplier in terms of barrels per day, the Press Trust of India news agency said.

Pakistan says Russia has agreed to sell oil and diesel at discount

(The Express Tribune; Pakistan; Dec. 5) – Pakistan’s State Minister for Petroleum Musadik Malik revealed on Dec. 5 that Russia has decided to provide crude oil, petrol and diesel at discounted rates. Earlier this month, Finance Minister Ishaq Dar had indicated that Pakistan had overcome U.S. opposition to the purchase of Russian oil and stressed that Islamabad intended to enter into the fuel import deal with Moscow on discount terms similar to those accepted by India.

Last week, Malik and the petroleum minister flew to Russia for talks on issues including oil and gas supplies, sources told Reuters on condition of anonymity. Addressing a press conference, the minister said, “Russia has decided to provide Pakistan crude at discounted rates. … This is the oil that refineries use to produce diesel and petrol. Russia will also give petrol and diesel to Pakistan at reduced prices.” Faced with Western sanctions, Russia has been selling its crude at a discount to global prices

Malik said Russia also is interested in sending pipeline gas and liquefied natural gas to Pakistan. He said the domestic gas supply from Pakistani wells is decreasing 8% to 10% every year while demand had increased, prompting the need for more imports.

India and China take 68% of Russian seaborne crude in November

(S&P Global; Dec. 6) - Russia's seaborne crude exports were little changed in November at just over 3 million barrels per day after flows to India surged to a record high, absorbing barrels displaced from Europe where imports sank to all-time lows ahead of the European Union’s Dec. 5 import ban and G7 price cap, according to tanker tracking data. Seaborne exports of Russian crude averaged 3.07 million barrels per day in November, according to S&P Global Commodities at Sea data, just below the pre-war average of 3.1 million in January and February.

While Russian crude flows to the EU slumped 308,000 barrels per day to average a record low of 464,000 in the month, Indian refiners stepped up their buying of Russian oil by 272,000 barrels per day to a record 1.17 million. With Russian crude flows to China little changed from recent levels at 918,000 barrels per day, together with India the two energy-hungry Asian importers accounted for 68% of seaborne Russian crude exports in November, the data showed, up from 58% in the previous month.

The data came days after the G7 set its price cap on Russian crude at $60 per barrel and the EU's own embargo on seaborne Russian crude came into effect Dec. 5. The price cap and EU embargo will extend to Russian refined product exports from Feb. 5. Russia's medium sour Urals crude, once viewed as the key indicator for medium sour crudes trading in Europe, was assessed by Platts at $53.47 on Dec. 2. As the Dec. 5 deadline approached, discounts for the Urals to benchmark Dated Brent again widened.

Oil tankers stack up offshore Turkey on first day of sanctions

(Reuters; Dec. 5) - Oil tankers formed a traffic jam off the coast of Turkey on day one of the West's price cap on Russian crude, with Ankara insisting on new proof of insurance for all vessels, the Financial Times reported on Dec. 5. About 19 oil tankers were waiting to cross Turkish waters, the report said, citing ship brokers, oil traders and satellite tracking services. A $60-per-barrel price cap imposed by the Group of Seven nations, Australia and the 27 European Union states on Russian seaborne crude took effect this week, the latest Western measure to punish Moscow over its war on Ukraine.

The agreement allows Russian oil to be shipped to third-party countries using tankers from G7 and EU member states, insurance companies and credit institutions, but only if the cargo is bought at or below the cap. According to the Financial Times' report, four oil industry executives said Turkey had demanded new proof of full insurance coverage for any vessels navigating its straits. Turkey’s ministry of transport and infrastructure did not immediately respond to a Reuters request for comment.

Libya invites oil companies back to work, pledges security

(S&P Global; Dec. 6) - Libya's Government of National Unity has lifted the force majeure on oil and gas exploration in the North African country and called on international oil companies to resume their operations amid an improvement in security. The Tripoli-based government said in a Dec. 5 statement that it would provide support and ensure safety, while the state-owned National Oil Corp. said companies with exploration and production agreements need to restart their exploration activities in the country.

A few international oil companies are beginning to consider resuming exploration in OPEC member Libya, which holds the largest oil and gas reserves in Africa. But progress has been slow due to the fluid security situation. Russian oil company Tatneft recently resumed upstream work in the Ghadames Basin. The National Oil Corp. is now hoping to court more international oil companies like BP, Eni, TotalEnergies, ConocoPhillips, OMV and Repsol to resume upstream work in the country.

Libya is desperate to expand the presence of international oil companies as its recent production recovery has been stymied by a lack of funds and aging infrastructure. Libya's production has steadily increased since the summer when political fighting worsened with continued bickering between the U.N.-backed government and the eastern authorities — the Government of National Stability and the self-styled Libyan National Army, led by Khalifa Haftar. Libyan crude production rose to a 15-month high of 1.18 million barrels per day in October, up 20,000 from September.

Total plans investment decision on Papua New Guinea LNG next year

(Argus Media; Dec. 5) - TotalEnergies plans to include carbon capture and storage with its Papua LNG project in Papua New Guinea as part of the firm's efforts to reach a net-zero greenhouse gas emissions target by 2050. French energy major TotalEnergies plans to make a final investment decision on Papua LNG by the end of next year. The project is proposed for 5.4 million tonnes a year of LNG output, and would reinject the carbon dioxide from gas production back into the underground reservoir.

TotalEnergies projects to be operating CCS with nameplate capacity of between 50 million and 100 million tonnes per year by 2050 compared with about 7 million tonnes at present, TotalEnergies senior vice president for Asia Pacific exploration, production and renewables Julien Pouget told delegates at the 16th Papua New Guinea mining and petroleum investment conference in Sydney.

TotalEnergies would be the operator of Papua LNG, which could produce its first gas in late 2027 or early 2028. It will the country’s second LNG production facility, after the ExxonMobil-led PNG LNG project that started operations in 2014. The venture partners led by Total earlier this year started the initial phase of engineering and design studies for the project's upstream production facilities. If the project is sanctioned, a PNG state company will have the right to take a 22.5% stake, leaving TotalEnergies with 31.1%, ExxonMobil with 28.3% and Australian independent Santos with 17.7%.

Australia may help Papua New Guinea finance stake in LNG project

(Reuters; Dec. 6) - Papua New Guinea's state-owned Kumul Petroleum is in talks with Australia's export credit agency to help fund a $1.1 billion acquisition of a 5% stake in the 8-year-old PNG LNG project from Santos, the company's head said on Dec. 6. Kumul Petroleum Managing Director Wapu Sonk said backing from Export Finance Australia (EFA) was the government’s way of aiding its northern neighbor.

"We're also working with other financing partners to complement the EFA financing," he said. The Papua New Guinea government would eventually like to buy a total stake of 10% in PNG LNG from Santos, Petroleum Minister Kerenga Kua said on Dec. 6. "Santos wants to give 10% up. That's no question on their part,” he said. “But who gets it is the question," Kua told Reuters. "State wants it, but our challenge is how do we finance 10% and not just 5%," he said. Santos is selling a stake to raise capital.

Sonk said Kumul aimed to complete its acquisition of the 5% stake by June or July. He said acquiring a further 5% is currently off the table but Kumul had the option to buy another 5% stake if Santos were to put it up for sale.

Appeals court denies argument against LNG projects in Texas

(Natural Gas Intelligence; Dec. 2) - A potential obstacle to construct the proposed Rio Grande and Texas LNG export facilities in South Texas has been cleared after a federal appellate court upheld a decision to dismiss a lawsuit over leases. The 13th Court of Appeals, which serves the South Texas area, ruled that a trial court correctly dismissed a case by project opponents against the Brownsville Navigation District. The district has lease agreements with several liquefied natural gas export terminal developers.

The lawsuit was filed in 2020 by the City of Port Isabel, adjacent to Brownsville, and city officials. The appeals court also agreed that the plaintiffs’ arguments that the projects were approved without a sufficient environmental analysis were “attempts to use artful pleading” to circumvent Federal Energy Regulatory Commission authority, according to the opinion written by Judge Clarissa Silva.

FERC in 2019 approved NextDecade’s Rio Grande LNG and Glenfarne Group’s Texas project. In the lawsuit filed by Port Isabel, plaintiffs argued that underrepresented impacts from pollution associated with the LNG terminals would damage the area’s economy as a fishing and tourist destination. Neither project is yet sanctioned for construction, as both are working toward lining up customers, investors and financing.

Sempra signs up another customer for proposed Texas LNG project

(Houston Chronicle; Dec. 6) - Port Arthur LNG has signed a long-term contract with French utility Engie, the Texas liquefied natural gas project's third such deal in three weeks. Sempra said it expects to reach a final investment decision — which is a precursor to construction — during the first quarter of next year. It aims to start operations in 2027, at a planned annual capacity of 13.5 million tonnes. ConocoPhillips would be a partner in the development.

Under the 15-year agreement announced Dec. 6, Engie will buy 875,000 tonnes of LNG annually from the facility. The deal between Engie and San Diego-based Sempra, which owns Port Arthur LNG, stipulates that the gas Engie buys must be sourced from producers that are independently certified according to environmental, social and governance criteria.

It's been a busy month for Port Arthur LNG, which has announced a wave of agreements as it prepares to launch construction of the multibillion-dollar project early next year. The contracts mean that almost half of its expected LNG production will go to specific buyers. The latest deal is the second with a European buyer in as many weeks, demonstrating that buyers there remain interested in Texas gas despite concerns of extracting and burning fossil fuels. The latest deal also sets a framework for Port Arthur to explore ways to reduce the carbon intensity of the liquefied gas produced there.

Defeat against Indigenous lawsuit could delay Australia gas project

(Natural Gas Intelligence; Dec. 6) - Santos may be facing a further delay before it can proceed with its $3.6 billion Barossa project to extend liquefied natural gas exports from Australia after a federal court denied an appeal. The Barossa project, sanctioned last year, is intended to provide more gas supply for the Darwin LNG export terminal, possibly extending the life of the 3.7 million-tonne-per-year plant. The terminal is fed by gas from the Bayu-Undan field, which has been gradually declining. Santos would operate Barossa in a joint venture with JERA (Japan) and South Korea's SK E&S Co.

The federal court sided with a group of indigenous Tiwi Island residents that argued traditional owners were not properly consulted before government approval for the project was given last February. "Santos has always sought to meet its consultation responsibilities and is continuing the process of revising the drilling environment plan to address the matters contained in the (court) judgment," company officials stated.

Santos plans to continue to move forward to seek approvals, as ordered by the court. It also is maintaining its timeline for first gas produced from the Barossa field by the first half of 2025. Energy analyst Bruce Robertson at the Institute for Energy, Economics and Financial Analysis told Australia's ABC News that future approvals for Barossa, and other oil and gas projects, could take "more time" to achieve all the appropriate parties for consultation. Santos was issued a court order in September requiring it to halt drilling activities in the Barossa field offshore northern Australia.

Germany close to LNG financing deal with commodity trader

(Bloomberg; Dec. 4) - Commodities trader Trafigura is close to agreeing on a German government-backed loan for natural gas supplies, as Berlin steps up efforts to secure energy and other natural resources following Russia's invasion of Ukraine. The loan of $3 billion to $4 billion would be linked to Trafigura supplying Germany with liquefied natural gas, according to people familiar with the matter, who asked not to be identified because the discussions are private.

It would be the second such deal in recent months, after Trafigura in October announced it had secured an $800 million loan to supply metals to Germany. The government is offering backing for commodity traders through a program known as untied loan guarantees, managed via Euler Hermes — an export-credit unit that's now part of Allianz. A Euler Hermes spokeswoman declined to comment and referred questions to the economy ministry. A spokesperson for the ministry declined comment.

Germany has had to retool its energy policy since the war in Ukraine forced it to end a longstanding dependence on cheap Russian gas. Chancellor Olaf Scholz has traveled to Saudi Arabia and Qatar seeking energy deals, and last week Qatar announced a long-term agreement to supply Germany with LNG starting in 2026. For trading houses like Trafigura, the German government deals represent relatively cheap financing at a time when high commodity prices and extreme volatility have increased their need for credit and have left some banks reluctant to add exposure to the sector.

Japan looks to boost gas-fired power capacity to provide reserves

(Nikkei Asia; Dec. 4) - Japan is seeking to enlist private companies in a program to boost the country's natural gas-fired power capacity by the equivalent of seven or eight power plants to cope with projected power shortages, Nikkei Asia has learned. The Ministry of Economy, Trade and Industry envisions 6,000 megawatts coming on line by fiscal 2030. Support will be given to developers to recover building and investment costs, a move to counter hesitation by corporations to take part in new projects due to unpredictable LNG prices and the overall movement toward decarbonization.

Companies will be recruited between fiscal 2023 and 2025. The target is equivalent to 3% more than the country's peak demand in winter and summer. Support will be provided not only for new projects but for projects that have already begun design and construction in time for the fiscal 2030 target date. About a third of conventional fossil-fuel plants owned by major power companies have been in operation for 20 to 29 years.

Modern gas-fired power plants have relatively low carbon dioxide emissions, and if coal-fired power plants are rebuilt to use gas, emissions can be cut in half. Natural gas is a major power source, accounting for the largest share of the country's power generation at 34% in fiscal year 2021. In fiscal 2023, Japan will launch a program to support decarbonization that collects money from electricity retailers to fund a pool from which power generators can earn a certain set amount of income for the first 20 years of operation, making it easier to project a payback on investments.

Morocco may partner with Asian investor on hydrogen development

(Bloomberg; Dec. 6) - Morocco is considering partnering with Gautam Adani — Asia's richest person — on a large-scale hydrogen project amid a renewable energy push to meet demand at home and in Europe. Authorities are thinking of signing final investment decisions for "at least two competitive industrial projects" in 2023, Moroccan Energy Transition Minister Leila Benali told Bloomberg.

Benali cited Indian private conglomerate Adani Group as among the firms interested in the Moroccan hydrogen proposition. Spokespeople for Adani couldn't immediately be reached for comment. Morocco is attracting growing interest from investors seeking to ship the green fuel to the European Union, given its geographical proximity and free trade agreement with the bloc.

Morocco would be one of several nations in North Africa and the Middle East to go big on hydrogen development, next to countries like Saudi Arabia, the United Arab Emirates and Egypt. Moroccan fertilizer giant OCP announced plans over the weekend to tap green hydrogen in order to produce green ammonia, with the long-term goal of ending its status as the world's top importer of ammonia. It is taking on green hydrogen after a multibillion-dollar push since the late 2000s in solar and wind power generation projects

Russia's seaborne coal exports climb to near highest on record

(Bloomberg; Dec. 7) - Russia's seaborne coal exports returned to near the highest levels on record after the European Union loosened restrictions on transporting the commodity, making it easier to redirect volumes to Asia. Shipments in October were almost 16.6 million tons — just shy of the level in June, which was the highest since at least 2017, figures from analytics firm Kpler show. Exports have slipped a bit since then, in line with normal seasonal volatility.

The EU banned the import of Russian coal and other goods into the bloc as of Aug. 10. In September, the European Commission issued revised guidance, saying that providing services — like shipping, financing and insurance — needed to transfer the coal and other products outside the EU should be permitted in order to fight energy and food insecurity worldwide. Russia is traditionally among the world's top three coal exporters, though the industry accounts for just a sliver of the Russian economy.

“Coal shipment destinations have changed since the start of the year, with Turkey being one of the keys to Russian success, while China contributed too,” Kpler analyst Viktor Katona said by e-mail. Kpler’s analysis is based on data for coking and thermal coal shipped at sea. It doesn’t include Russia’s coal exports by rail. Europe is still not allowed to import Russian coal, but European companies are now allowed to ship the commodity to third countries. Coal use has surged since the war began, as nations across the globe seek cheaper alternatives to volatile natural gas prices.