

Oil and Gas News Briefs

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Price drop reflects view that oil supply crisis may be easing a bit

(The Wall Street Journal; July 13) - The worst oil supply crisis in decades is showing tentative signs of easing as flagging economic growth weighs on demand for crude, while sanctions on Russia are having less impact on oil production than expected, the International Energy Agency said July 13. The agency cut its forecasts for oil demand for this year and next. Historically high oil prices are cutting into consumer demand as weakening global economic growth — itself a product of high inflation and central bank policies — is undermining demand, the IEA said in its monthly oil market report.

Meanwhile, U.S. and Canadian oil producers are leading an increase in global output, while sanctions on Russia are having less of an effect on its production levels than initially expected. That combination was already showing signs of weighing on oil prices. Brent crude, the international oil benchmark, slumped 7.1% on July 12 to \$99.49 a barrel, bringing it close to its lowest level since the war in Ukraine began in February. (*Prices mid-morning July 14 had fallen under \$96 a barrel for Brent crude.*)

The IEA has reduced its global demand forecast for this year by 240,000 barrels a day, while raising its production forecast by 300,000 barrels a day. Oil prices had soared this year, rising close to \$130 a barrel in the immediate wake of Russia's invasion of Ukraine. Major oil producers have been slow to raise output at the same pace as rebounding global demand, adding to market tightness. Western sanctions on Russia have shut down millions of barrels from one of the world's biggest exporters, though Russia has successfully sought alternative buyers in China and India.

High fuel costs 'take their toll' on demand, IEA says

(Bloomberg; July 13) - Oil prices pose a high risk to the global economic recovery, with signs that fuel costs are starting to "take their toll" on demand growth, the International Energy Agency said. The Paris-based adviser trimmed forecasts for oil consumption this year and next amid growing fears of a recession, warning that high prices also threaten stability in emerging economies. Still, the demand weakness is being offset by tightening supply as sanctions hit Russia and OPEC+'s spare capacity dwindles.

"Rarely has the outlook for oil markets been more uncertain," the agency said in its monthly market report on July 13. "A worsening macroeconomic outlook and fears of recession are weighing on market sentiment, while there are ongoing risks on the supply side." Crude prices remain near \$100 a barrel despite a recent pullback, as

global supplies and refining infrastructure fail to keep pace with the post-pandemic rebound in fuel use. Inventories are “critically low,” and sanctions on Russia following its invasion of Ukraine threaten to disrupt energy flows significantly, the IEA said.

“With readily available spare capacity running low in both the upstream and downstream, it may be up to demand-side measures to bring down consumption,” the agency said. “The IEA “marginally” lowered its estimates for global oil demand growth this year, to 1.7 million barrels a day, or about 1.8% growth. Consumption will average 99.2 million barrels a day in 2022, then surpass pre-COVID levels in 2023 with a further increase of 2.1 million barrels per day.

IEA director says world has not seen ‘the worst’ of energy crisis

(Bloomberg; July 12) - A global squeeze on energy supply that’s triggered crippling shortages and sent power and fuel prices surging may get worse, according to the head of the International Energy Agency. “The world has never witnessed such a major energy crisis in terms of its depth and its complexity,” IEA Executive Director Fatih Birol said July 12 at a global energy forum in Sydney. “We might not have seen the worst of it yet. This is affecting the entire world.”

The entire energy system is in turmoil following the February invasion of Ukraine by Russia, at the time the biggest oil and natural gas exporter and a major player in commodities, Birol said. The soaring prices are lifting the cost of filling gas tanks, heating homes and powering industry across the globe, adding to inflationary pressures and leading to deadly protests from Africa to Sri Lanka.

Like the oil crises of the 1970s, which saw huge gains in fuel efficiency and a boom in nuclear power, the world may see a jump in energy policies that speed the transition to cleaner energy, Birol said. In the meantime, security of oil and gas supplies will continue to pose a challenge for Europe, and also for other regions, he said. “This winter in Europe will be very, very difficult,” Birol said. “This is a major concern, and this may have serious implications for the global economy.”

Oil majors at risk if Russia suspends Kazakhstan pipeline

(Reuters; July 11) - Western energy majors will cut output and lose billions of dollars if Russia, as is feared, suspends a pipeline that is almost the only export route for oil from land-locked Kazakhstan, company sources, traders and analysts say. The closure of the CPC pipeline that carries oil from Kazakhstan to the Black Sea Russian export terminal in the port of Novorossiisk would shut in more than 1% of global oil supply, exacerbating what is already the most severe energy crunch since the Arab oil embargo in the 1970s.

The pipeline, which runs through Russian territory, is owned by a venture of Western, Asian, Russian and Kazakh companies, has been in the spotlight since Russia invaded Ukraine. On July 6, a court in Novorossiisk ordered CPC to suspend operations for 30 days, citing concern about oil-spill management. A Russian court has overturned the ruling against CPC and instead fined it about \$3,300. The sources, however, said they still think major disruption likely on the line that can move 1.3 million barrels per day.

Storm damage in March has already interrupted flows. Major oil companies, including Chevron, ExxonMobil, Shell and Italy's Eni, have stakes in the CPC line, and Western companies hold stakes in Kazakh oil fields. The line is the route for nearly all Kazakh oil exports. Three sources at Western oil companies operating in Kazakhstan said they expected a prolonged CPC pipeline suspension. One trader at a Western major said such an outage would result in a decline of 1 million barrels per day because land-locked Kazakhstan has limited alternative export routes.

Japan will consider voluntary plan to conserve natural gas

(S&P Global; July 11) - Japan's Ministry of Economy, Trade and Industry intends to introduce a plan asking city gas consumers and large end-users to conserve gas in times of serious supply disruptions, a METI source said July 11, amid growing concerns over LNG supply from Russia. METI discussed the idea of gas-saving measures during a working group under its electricity and gas policy subcommittee July 11, when expert committee members pointed to the need in the event of Russian supply disruptions.

The working group intends to compile an interim policy report "as soon as possible," with an eye to implementing the plan by the winter demand season, the source said. Once implemented, it will be the first-of-its-kind measure for gas use in Japan, although there are various types and levels of saving measures for electricity use in the country.

"As the global LNG procurement environment is increasingly becoming severe, should there be any disruption in (LNG) procurement from long-term contracts, a basic response is to avert any shortage in the supply and demand (balance) by working out the security and procurement of LNG with the maximum possible effort," METI said in its documents presented at the working group. METI intends to consider a plan to reduce gas use by voluntary efforts without hindering consumers' life and economic activities. Japan's city gas demand typically peaks over December-February for heating purposes.

China steps up long-term LNG contracts to secure supply

(Nikkei Asia; July 10) - As global competition for liquefied natural gas intensifies in response to the Ukraine war, China is increasingly turning to long-term contracts of a decade or more to ensure the country's growing needs will continue to be met years into

the future. Chinese demand for gas grew at the fastest rate on record in 2021. LNG demand jumped 18% to 78.9 million tonnes, surpassing Japan as the largest importer.

Spot contracts accounted for 39% of China's LNG imports last year. But contracts lasting 10 to 20 years make up a rapidly growing portion of those with delivery dates in 2022 and beyond. Chinese players signed 23 long-term contracts for a total of 27 million tonnes of LNG in 2021, according to Mika Takehara at Japan Oil, Gas and Metals National Corp. Both figures were among the largest on record, she said.

Most of the LNG was purchased by China's three state-owned energy groups — China National Petroleum Corp., CNOOC and Sinopec. But energy companies owned by regional governments and private-sector utilities are also increasingly dealing directly with overseas suppliers. Between January 2021 and this April, Chinese companies signed 10 contracts for about 14 million tonnes of LNG from American entities alone.

The rise in long-term contracts "stems from the government's push for better energy security, as well as policies toward liberalizing the gas market," Takehara said. "These long-term contracts can't continue forever at this pace," she said, although China's LNG demand is projected to grow to 130 million tonnes in 2030 and 160 million in 2040.

Global LNG trade grew 4.5% last year to 370 million tonnes

(U.S. Energy Information Administration; July 11) - An average of 49 billion cubic feet per day of liquefied natural gas was traded globally during 2021, an increase of 2.2 bcf per day (4.5%) from 2020, according to The LNG Industry GIIGNL Annual Report 2022 by the International Group of Liquefied Natural Gas Importers (GIIGNL). New LNG export capacity, primarily in the United States, and rising global demand for natural gas drove continued growth in global LNG trade last year to more than 370 million tonnes.

Global LNG export capacity has increased by 29%, or 14 bcf per day, over the past five years (2017–21). The growth was led primarily by capacity additions of 9.6 bcf per day in the United States, 2.2 bcf per day in Australia, and 1.7 bcf per day in Russia. Last year, LNG exports increased the most from the United States, a 2.9 bcf per day increase compared with 2020.

U.S. manufacturers group opposes more LNG exports

(Natural Gas Intelligence; July 12) - The Industrial Energy Consumers of America has targeted Energy Transfer's request to extend the timeline of liquefied natural gas exports from its proposed Lake Charles project as a part of what group leadership calls "a line in the sand." The manufacturers advocacy group has moved to intervene in

Dallas-based Energy Transfer's request to the Department of Energy to extend export authorization until 2050.

IECA, which represents more than 11,700 facilities nationwide, has been arguing for years that expansions in U.S. LNG export volumes drives up domestic energy prices, harming consumers. IECA CEO Paul Cicio said the glut of approved export projects in operation, under construction and still pending has reached a level the group believes is unsustainable. In response, IECA plans to intervene in any authorization request it can, like in the case of Lake Charles LNG.

"We've put a stake in the ground that says no extension and no expansion of exports," Cicio said. "The entire reliability of the natural gas and the electricity market is at stake here." The Energy Department in June published Energy Transfer's request to extend its export authorization. The Louisiana project has been permitted since 2015, but has remained unsanctioned as the company works to secure off-take contracts. Energy Transfer has netted at least five off-take agreements for Lake Charles LNG this year, all with Asian firms, as competition for future volumes has accelerated this year.

African nations supply gas to Europe but use little of it at home

(Bloomberg; July 10) - Near the tip of Nigeria's Bonny Island, a speck of land where the Atlantic Ocean meets the Niger Delta, a giant plant last year produced enough liquefied natural gas to heat half the U.K. for the winter. Most of it was shipped out of the country, with Spain, France and Portugal the biggest buyers. Just 17 miles away in Bodo, people still use black-market kerosene and diesel to light wood stoves and power generators. The fuel is made with crude stolen from the foreign giants — Shell, TotalEnergies and Eni — that co-own the Bonny Island facility along with the Nigerian government.

"The gas here goes to Bonny and Europe to power homes and industries but we have no benefits from it," said Pius Dimkpa, chairman of Bodo's local community development committee. "Nothing comes to us." Nigeria has 3% of the world's proven gas reserves. Like most African countries, what has been extracted is mostly sent to Europe, which now wants to import even more to make up for supplies lost to Moscow's invasion of Ukraine. Italy in April struck fresh deals to buy gas from Angola and the Republic of Congo, while Germany has been looking to secure supplies from Senegal.

While African leaders are eager for the millions in revenue that the deals are likely to bring in, they're calling out the sudden interest in their resources as a double standard that perpetuates the West's exploitation of the region. They question why Africa must move away from dirty fuels — thereby delaying access for hundreds of millions of people to electricity — even as its gas is used to keep the lights on in Europe. Rich countries have been reluctant to fund pipelines and power plants that would facilitate the use of gas in Africa because of its emissions, yet haven't delivered on promises to help finance green projects that could be an alternative source of energy.

Congo could join the ranks of Africa's LNG exporters

(Rigzone; July 11) - Italian giant Eni will accelerate and increase gas production in the Democratic Republic of Congo by deploying a pair of modular, midsize, floating liquefaction units with a combined capacity of about 2 million tonnes per year in its Marine XII block offshore Congo. It is hoped that the facility, which will provide LNG for both export and domestic power generation, will revitalize Congo's hydrocarbon sector and shift its revenue reliance away from oil exports. Start-up could come in late 2023.

Eni is hardly a newcomer to the area; its presence in Congo reaches back more than 50 years. It currently delivers gas from Marine XII to two onshore thermal power plants that generate 70% of the country's electricity. The projects are coming on board when Africa is at a crucial point in its development — and while it struggles to access energy. The continent's population is projected to reach 1.68 billion people by 2030, 42% more than in 2015. Yet less than a quarter of all sub-Saharan Africans have access to electricity.

Congo is just the latest African nation to join the series of countries that have benefited from LNG export opportunities. Algeria is the continent's de facto LNG pioneer, with first production in 1964, and Nigeria has seven LNG facilities, its first dating to 1989. Among the gas-rich African nations participating in the escalating LNG market is Equatorial Guinea, which delivered its first cargo in 2007. Cameroon became an exporter in 2018, also using a floating liquefaction facility — a converted tanker.

Austria seeks support to challenge EU 'green' label for gas, nuclear

(Reuters; July 13) - Austria is seeking support from other European Union countries for its legal challenge to the bloc's rules labeling investments in gas and nuclear power plants as climate-friendly, the climate minister said on July 13. The anti-nuclear government, which has also criticized the EU's plan to label gas, a fossil fuel, as green, has prepared a lawsuit to challenge the EU law adding the fuels to the system of labeling green investments.

"We have several other states who've been very critical of, and very vocal also in their criticism, on the delegated act. And so we will also look for further allies in the lawsuit," Austrian Climate Minister Leonore Gewessler said. Luxembourg has already backed the lawsuit. The gas and nuclear rules have been subject to a year of intense debate, with EU governments deeply divided. The European Parliament last week approved the law, which Brussels says will help the EU shift to clean energy, but which campaigners say undermines Europe's leadership in tackling climate change.

"We will file a lawsuit at the European Court of Justice to prevent this greenwashing program," Gewessler said when she arrived at a meeting of EU environment ministers. Austria's lawsuit will argue that neither fuel deserves a green label. When burned to make energy, gas produces planet-warming emissions that are fueling climate change.

But it emits less than coal, and some EU states see it as a temporary option to replace the dirtier fuel. Nuclear is free from CO2 emissions but produces radioactive waste.

Russia starts sending oil and gas tankers on Northern Sea Route

(Barents Observer; Norway; July 10) - Two aging oil tankers are among the first ships sailing across Russia's Northern Sea Route this year, along with the LNG carrier Nikolai Yevgenov. The powerful liquefied natural gas carrier in mid-June set out from Sabetta in Yamal and sailed eastward toward Asian markets. The Yevgenov sailed most of the route independently without icebreaker escort. The 20- and 30-year-old oil tankers have only limited ice protection and needed nuclear-powered icebreaker assistance to move through the ice sheet that still covers major parts of the Arctic shipping route.

As of July 10, there were four vessels on the remote route. In addition to oil tankers Svaytoy Petr and Ice Eagle, there were two LNG carriers. It is mid-summer, but major parts of the waters that connect the Bering Strait in the east with the Barents Sea in the west still remain covered by sea ice. Ice maps from Russian meteorological service Roshydromet show that ice layers in late June were most comprehensive in the area of the Vilkitsky Strait, the New Siberian Islands and in the Chukchi Sea.

Russia's ambitions for Arctic shipping remains high in Moscow. Top Russian government officials argue that Western sanctions will only make shipping on the Northern Sea Route more important. In early June, Russian Deputy Prime Minister Yuri Trutnev underlined that better transport corridors to markets in Asia are needed as other markets close. At the same time, Aleksei Chekunkov, the minister of the Far East and Arctic, said that Russia's path toward the East goes through the Arctic.

Marathon unit asks FERC for more time to decide on Kenai LNG plant

(EnergyNow.com; July 11) - Marathon Petroleum's Trans-Foreland Pipeline Co. unit wants more time to convert the Kenai, Alaska, liquefied natural gas export plant into an import terminal, U.S. regulators said July 11. A Federal Energy Regulatory Commission notice said that Trans-Foreland last week sought an extension until December 2025 to complete the project. FERC approved Trans-Foreland's request to modify the plant in December 2020 and gave the company until December 2022 to place it into service.

Trans-Foreland said it has yet to make a final investment decision to build the project because the COVID-19 pandemic and the war in Ukraine have worsened economic and logistical conditions. "Uncertainty and volatility in the global LNG market have made it difficult for Trans-Foreland to secure a suitable supply arrangement that would provide the financial certainty necessary for the project," Trans-Foreland said in its FERC filing.

Trans-Foreland has said the facility would import up to four cargoes of LNG per year and deliver the gas to its adjacent refinery, which currently buys its natural gas from the high-cost Cook Inlet Basin. The Kenai export plant entered service in 1969. It has not exported in more than six years. ConocoPhillips sold the plant in 2018 to Andeavor, which was bought by Marathon later that year. It was the only LNG export facility in North America until Cheniere Energy's terminal in Louisiana entered service in 2016.

Collection work continues at Gulf of Mexico spill that started in 2004

(gCaptain.com; July 12) - When Taylor Energy's MC20 oil platform collapsed due to an underwater mudslide during 2004's Hurricane Ivan, it set off what has become known as the longest-running oil spill in U.S. history, which continues to leak in the Gulf of Mexico 11 miles south of the Louisiana shoreline. After the collapse of the platform, the spill went unnoticed for years until it was identified in 2008 as the source of daily sheening reports. In 2015, the U.S. Bureau of Safety and Environmental Enforcement estimated that oil continued to leak at a rate of approximately 1 to 55 barrels per day, but the exact amount of oil released to date has never been definitively determined.

This week, the U.S. Coast Guard and partner agencies announced that one million gallons of oil have now been contained and collected from the site since a temporary containment system that was finally put in place in April 2019, which collects the vast majority of oil released from the site. According to the Coast Guard, the subsea containment system continues to collect an average of 900 gallons of oil per day, and as of July 12 the Coast Guard reports that 1,016,929 gallons have been collected from the site in the more than three years since the containment system was set up.

In December 2021, the federal government and Taylor Energy reached a \$43 million settlement for civil penalties, removal costs and resource damages. The settlement stipulated that the company transfer all funds in the Taylor Energy Decommissioning Trust to the U.S. to be used to decommission the wells at the site. In 2022, the Coast Guard said more than \$432 million from the trust has gone to the Bureau of Ocean Energy Management to fund ongoing efforts to plug the well and stop the spill.

New report says fireball at Texas LNG blast was 450 feet high

(Bloomberg; July 12) - The explosion that shut the Freeport LNG export facility in Texas last month created a 450-foot-high fireball and occurred on a section of pipe that had been inspected several weeks earlier, according to a report. A filing that was briefly posted July 12 on the Federal Energy Regulatory Commission's website offered several new details about the June 8 accident and the investigation being conducted by regulators. IFO Group, a Texas-based consultancy, is preparing the draft report, which will be released later this month.

Freeport LNG still plans a partial restart of the plant in October, it said in an emailed statement. The accident slashed the volume of liquefied natural gas exported from the U.S. at a critical time for consumers in Europe, who face a historic squeeze as Russia reduces supplies. The shutdown of the plant has also pushed domestic natural gas prices lower in recent weeks, as the gas stayed home instead of leaving the country.

Contractors performing maintenance work on a storage tank reported hearing unusual sounds the morning of the blast, according to the filing. Plant officials responded by conducting an inspection, but didn't observe any anomalies. The sounds were reported two days after an investigation into a nearby "pipe movement." The explosion occurred along a 700-foot section of pipe where LNG had become trapped, causing pressure to build. The ensuing rupture released a cloud of gas that ignited. The fireball lasted for five to seven seconds, while the fire burned for 30 minutes. No injuries were reported.

Canadian refinery will produce hydrogen for its own use

(The Canadian Press; July 12) - Irving Oil is expanding hydrogen production capacity at its Saint John, New Brunswick, oil refinery in a bid to lower carbon emissions and offer clean energy to customers. The family-owned company said July 12 it has a deal with New York-based Plug Power to buy a five-megawatt hydrogen electrolyzer that will produce two tonnes of hydrogen a day — equivalent to fueling 60 buses with hydrogen — using electricity from the local grid.

Hydrogen is a key part of the refining process; it's used to lower the sulfur content of petroleum products like diesel, but most refineries produce hydrogen using natural gas, which creates carbon dioxide emissions. "Investing in a hydrogen electrolyzer allows us to produce hydrogen in a very different way," Irving director of energy transition Andy Carson said. "Instead of using natural gas, we're actually using water molecules and electricity through the electrolysis process to produce ... a clean hydrogen."

Irving plans to continue to work with others in the province to decarbonize the grid and ensure the electricity being used to power its hydrogen electrolyzer is as clean as possible, he said. New Brunswick Power's electrical system includes 14 generating stations powered by hydro, coal, oil, wind, nuclear and diesel. The utility has committed to increasing its renewable energy sources. Irving said it will be the first oil refinery in Canada to invest in electrolyzer technology.