Oil and Gas News Briefs
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June 27, 2022

Cheniere's Texas LNG plant emissions exceed original permit limits

(Reuters; June 24) - Cheniere, the largest U.S. exporter of liquefied natural gas, boasts that it's helping to "improve local air quality in communities globally" because the cleaner-burning fuel displaces coal in power plants. But in the Corpus Christi, Texas region, where Cheniere operates a large liquefaction and export terminal, the company is making air quality worse — with the consent of state regulators.

Cheniere's LNG plant has exceeded its permitted limits for emissions of pollutants such as soot, carbon monoxide and volatile organic compounds hundreds of times since it started up in 2018, according to a Reuters review of regulatory documents. Instead of levying penalties, the Texas Commission on Environmental Quality has responded by granting big increases in the plant's pollution limits, the documents show. The facility is now allowed to emit 353 tons per year, double the limit in its original permit.

The issue has infuriated nearby residents who cite the frequency of large flares, used to burn off excess gas to relieve pressure, and evidence that air quality has deteriorated significantly since the facility's start-up. They have petitioned the state to crack down on the plant's pollution. Texas regulators have acknowledged the plant's impact on air quality: In its annual enforcement report for fiscal year 2019, the agency blamed the region's 83% increase in emissions from the prior year in part on start-up of the facility.

Cheniere told Reuters it had initially underestimated emissions because it was required to apply for the original permit before its engineering work was finished. The company said its design and equipment adhere to federal standards requiring the "best available control technology." When emissions exceeded estimates, it sought amendments from regulators to "reconcile" the higher pollution with its early assumptions, the company said. The plant could not run consistently and efficiently under the lower pollution limits, which would require frequent shutdowns, the plant manager said in an interview.

Germany moves a step closer to natural gas rationing

(Al Jazeera; June 24) - Germany has moved closer to rationing gas as it raised the alert level under an emergency plan after Russia slashed supplies to the country. "Gas is now a scarce commodity in Germany," Economy Minister Robert Habeck said at a June 23 press conference. Triggering the second "alarm" level brings Germany a step closer to the third and final stage that could see gas rationing in Europe's top economy. The development reflects a "significant deterioration of the gas supply," Habeck said.

Russian energy giant Gazprom last week reduced supplies to Germany via the Nord Stream pipeline by 60% due to what the company said was a delayed repair. Germany has brushed aside the technical justification for the move, instead calling it a "political decision." Russia was using gas "as a weapon" against Germany in retaliation for the West's support for Ukraine following Moscow's invasion, Habeck said, with the aim of "destroying" European unity.

For homeowners and for people living in rented accommodation it does not mean that their gas supply is threatened right now. It's more serious for industrial consumers because the government is saying that a time is coming where it will have to potentially ration gas supply. "If we do nothing now, things will get worse," Habeck said. Germany has mandated gas storage facilities be filled to 90% by December. Currently, the country's stores stand at just under 60% full, above the average level of previous years.

Critics warn expanding dependence on LNG puts climate goals at risk

(The Wall Street Journal; June 25) - Europe's scramble to replace Russian gas has set in motion plans for new gas production and infrastructure worldwide that critics say risk throwing the world off-track in meeting climate targets. Europe is moving quickly to set up new liquefied natural gas import terminals. U.S. producers are expanding their export facilities as Europe adds to already-strong Asian demand. Such infrastructure can take years to build and is usually predicated on lifespans of decades. European utilities are negotiating long-term supply deals with gas exporters in the U.S., Mideast and Africa.

The moves threaten to lock Europe into a new dependency on non-Russian gas at a time when the West has promised to start pivoting from hydrocarbons to cut emissions of carbon dioxide and other gases that scientists say are causing the Earth to warm. "This push for gas is much, much bigger than replacing Russian gas," said Bill Hare, chief executive of Climate Analytics, a nonpartisan climate-science group. "That risks a lock-in of very high levels of carbon dioxide emissions."

Democratic members of Congress and lawmakers from the European Parliament wrote in a joint letter last month that "further expansion of fossil fuel infrastructure in the United States and Europe is destined to set us back during a moment when we should be doing everything within our power to avert climate catastrophe." For many capitals, the urgent need to find enough supplies to replace Russian gas is outweighing longer-term goals to slash emissions. In addition, European officials emphasize gas as a transitional fuel to renewables — not ideal, but better than higher-emitting fuels such as coal.

France could restart coal-fired power plant this winter

(Reuters; June 26) - The French government could restart a coal-fired power plant in the Lorraine region in north eastern France this winter, France's energy ministry said in a written statement June 26, confirming a report from broadcaster RTL. "As a precautionary measure, given the situation in Ukraine, we are reserving the option to reactivate the Saint Avold plant ... if needed this winter," the ministry said.

The plans will not affect the phasing out of coal plants in France, the ministry added, noting the operator would offset the emissions through measures like reforestation. Electricity production from coal will remain below 1%, officials said. Russia's invasion of Ukraine has thrown the spotlight on the Europe's reliance on Russian gas, prompting a scramble to find alternative energy sources. The heads of France's big energy companies on June 26 urged individuals and businesses to limit power consumption immediately to prepare for a looming energy crisis.

Europe balks at signing long-term LNG contracts with Qatar

(Bloomberg; June 22) - Qatar plans to insist on contract terms that will lock European Union countries in for two decades of liquefied natural gas purchases, a move that will complicate the bloc's goal to cut emissions while also reducing dependence on Russian fuel. The Persian Gulf state, one of the world's top LNG exporters, will demand that EU nations sign long-term contracts, according to people familiar with the situation who asked not to identified discussing a private matter. EU countries say they need a shorter term as they still plan to reach the region's pollution-reduction goals, the sources said.

A recent German deal for a 20-year U.S. LNG supply agreement bolstered Qatar's determination to push through its demands, the people said. However, the Europeans argue that the Qatari offers are too rigid, providing buyers little ability to divert supply — unlike U.S. contracts which allow buyers to take the gas wherever they choose. Negotiations on contract duration have been in deadlock since March, the people said.

State-controlled Qatar Energy and Qatargas, which operates the country's LNG facilities, didn't immediately respond to requests for comment. Neither did Germany's finance ministry. European nations, led by Germany, have been pushing back against Qatari pressure over fears the strict nature of those term contracts will mean they'll need to keep importing the fossil fuel even after the region aims to curb emissions. If Qatar doesn't relent, it threatens Europe's ability to diversify gas supplies from Russia as the Middle Eastern nation may move to sign more pacts in other regions like Asia.

Energy investments insufficient to lower prices, IEA report says

(The Wall Street Journal; June 22) - Investments in global energy supplies will jump this year, led by an expansion in no-emission or low-emission capacity, but the spending won't be sufficient to tame soaring energy prices or meet global climate targets, the International Energy Agency said. The most severe global energy crisis in decades, brought on in part by Russia's invasion of Ukraine, has caught companies and investors between longstanding efforts to transition to cleaner energy sources and more immediate demands to rapidly increase fuel supplies to contain soaring prices.

The latest investment figures, published by the agency in its annual report June 22, suggest investment levels are struggling in both regards, the IEA said. "As things stand, today's energy investment trends show a world falling short on climate goals, and on reliable and affordable energy," the report said. Total energy investment is forecast to rise by 8% this year to $2.4 trillion, above pre-COVID levels. A jump in spending on clean and renewable energy comprises the largest chunk of the rise, a promising sign for efforts to reduce carbon emissions following years of lackluster growth, the IEA said.

Oil and gas investments rose 10% in 2021 but remain below pre-COVID levels, the IEA said. Investment in coal supply rose 10% in 2021 and is expected to rise by a similar amount this year, despite global pledges to move away from the fuel. Despite all that new investment, there was little sign that extra energy supplies will be sufficient to bring an end to high prices. Soaring prices threaten to push millions in Asia and Africa back into energy poverty, the IEA said. "A massive surge in investment to accelerate clean-energy transitions is the only lasting solution," said IEA Executive Director Fatih Birol.

OPEC+ running out of production capacity, says Nigeria's oil minister

(Bloomberg; June 24) - The OPEC+ alliance of oil producers is running out of capacity to pump more crude, including its biggest member Saudi Arabia, according to Nigeria's petroleum minister. "Some people believe the prices to be a little bit on the high side and expect us to pump a little bit more, but at this moment there is really little additional capacity," Nigeria's Minister of State for Petroleum Resources Timipre Sylva said in a briefing with reporters June 24.

"Even Saudi Arabia, Russia, of course Russia, is out of the market now more or less." The coalition of oil-producing nations will meet June 30 to decide whether to proceed with a planned August production increase. Over the past year, the cartel has been boosting output in a series of planned increases. "At this moment I think the prices are firming up and I don't think there will be any surprises in OPEC in August," Sylva said.

Nigeria, Africa's biggest producer, has struggled with declining production for years, with international majors selling onshore and shallow-water fields to Nigerian independent producers for more than a decade. The country pumped 1.49 million barrels a day in May, according to a Bloomberg survey, with a quota to produce 1.77 million barrels a day in June and 1.80 million in July. Struggling to meet the quota has been “very sad for us,” Sylva said. Several OPEC+ member have been unable to meet their production targets for months, worsening the global supply squeeze.

[Iraq loses out on oil sales to discounted Russian crude]

(Bloomberg; June 23) - Iraq may end up as one of the biggest losers from cheap Russian barrels flowing to Asia with lukewarm demand for its key grades. There have been no spot purchases of Iraq’s Basrah Medium or Basrah Heavy crude so far in the current Asia trading cycle, while a tender to sell its Heavy oil grade didn’t get awarded, said traders. Typically, India and China are major buyers of these varieties, although they’ve boosted purchases of discounted Russian crude after the invasion of Ukraine.

Basrah Medium and Heavy crude are the two main grades exported by Iraq to international markets, so any cut to volumes or prices would be a blow to OPEC’s second-biggest producer. Sellers of Heavy oil discussed providing cargoes at a discount to official selling prices to entice buyers, traders said. Another aspect dulling the appeal of the Iraqi grades is the type of fuels that can be produced. Basrah Medium and Heavy tend to yield more, less profitable fuel oil, which is used in power stations and shipping. Refiners are seeking -- and are willing to pay higher premiums — for oil that yields more products such as diesel and gasoline, which are in high demand.

[Mexico’s newest oil refinery could cost double original estimate]

(Bloomberg; June 22) - A week before the grand opening of Mexican President Andres Manuel Lopez Obrador’s flagship oil refinery project, costs have reportedly spiraled out of control to reach as much as $18 billion — more than double its original price tag. Cost overruns are likely to continue due to soaring inflation, undermining the austerity pledges of the Mexican president. The situation also casts doubt on whether Pemex can fulfill its goal of producing all of its own gasoline, given how crucial the refinery is to the oil company’s efforts to end dependence on fuel imports.

The refinery will have the capacity to process 340,000 barrels a day of crude, which would add about 20% to its current refining capacity in Mexico. Industry officials and energy analysts were already questioning Pemex’s ability to raise fuel output given declining oil production for its refineries, lack of plant maintenance and a heavy debt burden, which is the highest of any oil company. The president pledged to build the facility in his home state of Tabasco, in the country’s southeast, as part of a campaign to return Pemex to its former glory and make Mexico self-sufficient in fuel.

The mega-refinery will be inaugurated at a July 1 event attended by the president, Pemex CEO Octavio Romero Oropeza and Energy Minister Rocio Nahle. The project's initial budget was $8 billion when it was proposed in 2019. Outside offers to build the facility were deemed too expensive by the president, while some bidders suggested that the project couldn't be done by the government's 2022 target. As a result, the president tasked Mexico's state oil company and energy ministry with completing the job.

West Africa sees potential in supplying natural gas to Europe

(Reuters; June 23) - Europe's move away from Russian natural gas provides a ready and lucrative market for a vast project being developed in West Africa, Mauritania's oil minister said on June 23. As Russia has reduced gas supplies to Europe and as Europe seeks to limit its dependence on Russian gas, Africa has an opportunity to fill the gap, but it needs to act now before a longer-term shift to low-carbon energy limits the continent's appetite for fossil fuel.

"In this 10-year period from now 'til 2030, priority is given to exploiting all the potential of the country in terms of gas," Abd Esselam Ould Mohamed Salah told the African Energy Forum in Brussels. "Recent prices have opened the opportunity for Mauritania, Senegal as well as other African countries to export more gas to Europe," he said. "Europe needs to diversify its supply … so that fantastic opportunity — we need not miss it."

The BP-operated the Greater Tortue Ahmeyim gas project straddling Mauritania and Senegal is scheduled to start production by December 2023, he said, while another smaller field could be online by 2025. German Chancellor Olaf Scholz visited Senegal last month to convey the major gas importer's interest in helping to develop gas resources there as it seeks alternatives to Russian supplies.

Pakistan rejects only LNG supply bid as too expensive

(Bloomberg; June 24) - Pakistan is facing an escalation of its power crisis after it failed to agree on a deal for natural gas supply next month. State-owned Pakistan LNG scrapped a purchase tender for July shipments of liquefied natural gas after it received an offer that would have been the most expensive shipment ever delivered to the nation, according to traders with knowledge of the matter.

This is the third time this month that Pakistan failed to complete an LNG tender for July. The country's inability to purchase fuel threatens to exacerbate electricity shortages just as hotter weather boosts air conditioning and power demand. "We're adopting an alternate strategy," said Zakaria Ali Shah, a spokesman for Pakistan's energy ministry. The government is attempting to boost energy conservation, has cut working hours for public servants and ordered shopping malls and factories to shut early in various cities. Prime Minister Shehbaz Sharif has pledged to take further steps to end blackouts.

Pakistan bought almost half of its LNG on the spot market last year, with the rest coming under long-term deals, according to data compiled by BloombergNEF. The tender that closed on June 23 attracted an offer for only one of four cargoes sought, and was priced at almost $40 per million Btu, about quadruple the rate paid a year ago.

Global gas supply squeeze drives up domestic prices in Australia

(Reuters; June 24) – Australia, one of the largest liquefied natural gas exporters in the world, is in the depths of a power crunch just as Europe is scrambling to meet shortfalls of Russian gas and winter takes hold Down Under. Europe's rush for supplies and an outage at the biggest U.S. LNG plant supplying Europe have had knock-on effects and are driving up power prices in Australia too. Australia over the past month has struggled to keep the lights on as gas prices have shot up to record highs.

Australian manufacturers have urged the new Labor party government to intervene in the market to push down prices, and in response policymakers are working on plans to tighten agreements requiring exporters to offer supplies to domestic users first, before offering them abroad. "If you take a global view of gas, the world seems likely to be short energy for some period of time. And given that, I don't think it would be wise to think of this as a short-term or transient problem," said Ben Eade, chief executive of Manufacturing Australia, which represents Australia's gas-dependent manufacturers.

Gas demand has surged in eastern Australia for heating amid a cold snap and for power generation due to a string of outages at coal-fired plants, sending prices up to around $42 per million Btu, four times normal. Resources Minister Madeleine King said she is considering how to improve the tools the government has to boost supply, including the Australian Domestic Gas Supply Mechanism. She also plans to negotiate a new agreement which currently requires the three East Coast LNG producers to offer uncontracted gas to domestic users before offering it to the overseas buyers.

Environmental report cites cost of gas pipeline leaks

(Reuters; June 23) - Over 2,600 hazardous gas pipeline leaks in the U.S. in the past decade caused more than $4 billion in damages and emergency services, killed 122 people and released 26.6 billion cubic feet of methane or carbon dioxide, according to a report released on June 23. The report, by the U.S. PIRG Education Fund, Environment America Research & Policy Center and Frontier Group, comes as the administration prepares in the coming months to unveil new safety-related rules to curb methane emissions from pipeline systems that transport gas from production to local distribution.

On average, a major new gas leak incident is reported to the federal government every 40 hours, while more minor leaks can go undetected and unrepaired for years. The report, which shows that the incidence of major pipeline leaks or explosions has not decreased over the past decade, makes the case that the U.S. should move away from the widespread use of natural gas in homes and businesses toward electrification.

The incidents included in the report were caused by an array of factors, from operator errors to equipment failures to natural causes. The report recommends policymakers step up incentives to fast-track the transition from a gas-dependent economy to one that is all-electric, encouraging homes and buildings to use electric heat pumps, stoves and other appliances. During the transition, the report says gas infrastructure investments should focus on fixing leaks.