Oil and Gas News Briefs
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Investment in renewables exceeds oil and gas spending worldwide

(ClimateWire; Oct. 17) - Investment in wind and solar is set to outpace oil and gas drilling for the first time this year, says one analyst — a milestone in the worldwide transition to clean energy that comes in spite of a spiraling energy crisis and calls to increase fossil fuel production. The projection by Rystad Energy is in line with a prediction by DNV GL, another Norwegian company that tracks energy markets. DNV thinks a short-term boost for coal in developing countries is no match in the long term for the march of falling renewable costs, electrification and increasing carbon prices.

These forecasts — and others like it — suggest the clean-energy transition has remained durable in the face of prevailing headwinds. The International Energy Agency estimates the growth of low-carbon electricity generation this year will lead to a slight decrease in fossil fuel generation. And the U.S. Energy Information Administration projects renewables will generate more power in the United States this year than coal.

“The turbulence in the energy market does not dramatically alter the decarbonization pathway toward midcentury,” Remi Eriksen, DNV president, said in a statement. “The strongest engine of the global energy transition is the rapidly reducing cost of solar and wind energy, which will outweigh the present short-term shocks to the energy system.” In 2022, capital spending on wind and solar is projected to reach $494 billion, eclipsing the $446 billion spent on upstream oil and gas production, according to Rystad.

BP pays $4 billion for renewable natural gas bioenergy firm

(S&P Global; Oct. 17) - BP has agreed to acquire Archaea Energy, a U.S. producer of renewable natural gas (RNG), for $4.1 billion in cash and debt as part of plans to expand its bioenergy business and meet its decarbonization targets, the energy major said Oct. 17. Houston-based Archaea operates 50 RNG and landfill gas-to-energy facilities across the U.S., producing around 6,000 barrels per day of oil equivalent of RNG, which would boost BP's biogas supply volumes by 50%, BP said.

Archaea also has a development pipeline of more than 80 projects that underpin the potential for about a five-fold growth in RNG production by 2030. As a result, BP said the deal has the potential to take BP's biogas supply volumes to around 70,000 barrels of oil equivalent per day globally by 2030. Biogas is generated by the decomposition of organic material at landfill sites, waste management facilities and dairy farms and can be used interchangeably with fossil fuel-based natural gas.

Bioenergy is one of five strategic transition growth engines that BP intends to build rapidly through this decade. The company expects investment in its transition growth businesses to reach more than 40% of its total annual capital expenditure by 2025, aiming to grow this to around 50% by 2030. Archaea has expanded rapidly since it was founded by owners of a Pittsburgh-area landfill in 2018 and has recently struck a few scale-boosting deals with companies along the RNG value chain.

Without tanker insurance, oil output at Russia's Sakhalin-1 collapses

(Reuters; Oct. 17) - Oil output at the Exxon-led Sakhalin-1 Russian Far East project collapsed following the U.S. major's refusal to accept local insurance for tankers after Western insurers pulled out due to sanctions, industry sources told Reuters. Western insurers withdrew cover from tankers operated by state-run Sovcomflot, Russia's biggest shipping group, which was sanctioned following Moscow's invasion of Ukraine.

Some cargoes meant for delivery to Indian refiners were also hit as Exxon did not recognize the alternative coverage Sovcomflot had arranged from Russian insurers, according to the sources. Sovcomflot and Exxon did not immediately respond to requests for comment. The developments have unfolded as the European Union is due to impose a ban on Russian oil tanker insurance and shows the major impact ship insurance and re-insurance guarantees can have on operations.

Russia's state oil champion Rosneft, a partner in Sakhalin-1, has blamed Exxon for falling output, saying that since mid-May the project produced hardly any oil. Exxon's Russian unit has cited difficulty chartering tankers due to sanctions. Russian newspaper Kommersant reported that Sakhalin-1 production collapsed following Exxon's refusal to work with Sovcomflot. Output fell to just 10,000 barrels per day earlier this year from 220,000 before Russia invaded Ukraine. President Vladimir Putin has signed a decree creating a new operator for Sakhalin-1 that will be managed by a Rosneft subsidiary.

Russia blocks Exxon's effort to sell its stake in Far East project

(The Wall Street Journal; Oct. 17) - The Kremlin has pushed ExxonMobil out of a major Russian oil-and-gas project and transferred the Texas oil giant's stake to a Russian entity, according to the U.S. company. Moscow blocked Exxon's efforts to transfer operatorship and sell its 30% stake in the Sakhalin-1 venture in Russia's Far East for months, and has now wiped out Exxon's stake entirely. As a result, Exxon has pulled out of Russia, the company said Oct. 17.

The Kremlin didn't provide any indication it would pay Exxon for the value of its stake. Exxon said it has legal options under its production-sharing agreement and international arbitration law. If the company pursues legal action, the matter could take years to resolve. The company vowed in March to leave Russia shortly after the invasion of Ukraine. It had cultivated ties with Russia for decades, but had withdrawn from at least 10 other joint ventures after the U.S. and allies imposed sanctions on Russia following its 2014 invasion of Crimea. Sakhalin-1 hadn't been covered by those sanctions.

Exxon declared force majeure in April, and reduced production. It also took a $3.4 billion accounting charge related to its Russia exit in the first quarter. Exxon's exit from Sakhalin-1 was particularly complicated because it operated the project and is responsible for safety and environmental measures. The project hasn't been fully shut down, in part because it provides power to the residents of Sakhalin Island, which is an environmentally sensitive area. Finding a counterparty capable of handling the complex project had been a difficult task. Exxon had operated Sakhalin-1 since the 1990s.

Russian LNG developer finds new technology partner in UAE

(High North News; Oct. 17) **-** Following the departure of Western companies from its Arctic LNG-2 project, Russia's Novatek is looking to use a newly founded Emirati company to source crucial technology to complete its project. Novatek, Russia's largest independent gas producer and a key developer of liquefied natural gas in the Arctic, is shifting gears from European partners to a new company in the United Arab Emirates. According to reports, Novatek hopes that the new company, Green Energy Solutions, will enable it to secure technology that its former Western partners intended to provide.

A number of Western companies, including France's Technip, Italy's Saipem and Baker Hughes from the U.S., exited Novatek's Arctic project as a result of sanctions. The implementation of economic sanctions following Russia's invasion of Ukraine has had a profound effect on Novatek operations. While the import of Russian LNG into the European Union remains permitted, the financing and exporting of key technology to construct new LNG projects, including those in Russia's Arctic, has been banned.

Novatek is looking for new international partners outside the purview of EU sanctions to secure much needed Western technology to complete the $20 billion Arctic LNG-2 project. According to industry publication Intelligence Online, Novatek's staff at the central construction yard near Murmansk have been informed that all matters related to technology previously provided by Technip and Saipem will now flow through the Emirati company. Novatek had planned to start gas production at the plant next year.

Biden well sell more oil from reserves; refill later when oil at $70

(Reuters; Oct. 19) - President Joe Biden announced a plan on Oct. 19 to sell 15 million barrels of crude oil from the nation's emergency supply and begin refilling the reserve as he tries to dampen high gasoline prices ahead of midterm elections on Nov. 8. The move came two weeks after the Saudi Arabia-led Organization of the Petroleum Exporting Countries rankled Biden by siding with Russia and agreeing to a production cut, raising fears of a new spike in U.S. pump prices.

Biden's plan aims to add enough oil supply to the market to prevent price spikes that could hurt consumers and businesses, while also assuring the nation's drillers the government will swoop into the market as a buyer if prices plunge too low. The president, facing criticism from Republicans who charge he is tapping the Strategic Petroleum Reserve for political reasons and not because there is an emergency, also said he would refill the nation's stockpiles in the upcoming years.

Biden announced the record release of 180 million barrels from the SPR earlier this year to combat a potential supply crisis brought about by sanctions on oil-rich Russia. The SPR, which is now at its lowest levels since 1984, is over half full with more than 400 million barrels of oil, Biden said, “more than enough for any emergency drawdown.” He said his aim would be to replenish stocks when U.S. crude is around $70 a barrel, a level that would still allow companies to profit while still being a good deal for taxpayers.

More Russian crude heading to China, India and Turkey

(Bloomberg; Oct. 17) - The three countries that helped Moscow to maintain crude exports in the wake of its invasion of Ukraine appear to be stepping back into the market for Russian barrels, with Turkey taking a lead role in the latest buying. A marked increase in the volume of crude on tankers that have yet to signal a final destination makes the task of monitoring Russia’s exports more complicated, but most of those vessels end up in India, with a smaller number heading further east to China.

Adding those ships into the calculation shows a steady increase in the combined flow of Russian crude to Turkey, China and India in recent weeks. Almost all tankers carrying Russian crude that signal destinations such as Egypt, Gibraltar or “for orders” eventually end up in one of those three countries. Time is running out to deliver crude from Russia’s Baltic ports to China and India before European Union sanctions that will deprive vessels of insurance and other services come into effect on Dec. 5.

Tankers have until about Oct. 21 to depart the Russian ports of Primorsk or Ust-Luga if they are to reach discharge terminals in eastern China before that deadline. Flows to China, India and Turkey peaked in June at 2.2 million barrels a day.

LNG spot-market charter rates at record high $450,000 a day

(The Wall Street Journal; Oct. 19) - Daily freight rates to ship liquefied natural gas are at a record high and prices are expected to climb further as winter nears. Spot rates for

LNG carriers are at $450,000 this week, a sixfold increase since the start of this year, according to the Baltic Exchange, a London-based, freight-information provider. Brokers expect daily rates along main trade routes, including one from Texas to Northern Europe, to climb to $500,000 this month as the demand to charter ships remains high.

In 2021, rates were in a range from $30,000 to $300,000 a day. A record has been established several times since Russia's invasion of Ukraine and disruptions to fuel-supply lines. Freight rates are set depending on the type of ship, the distance sailed and the route. They are usually fixed weekly. The record rates for LNG sailings contrast with plunging ocean rates for container box ships amid slowing global economic conditions and lower demand from retailers and factories to move cargo.

Brokers and shipowners say nearly all gas carriers in the global fleet are in operation to move LNG to customers, a majority of whom are in Asia. Meanwhile, U.S. exporters are adding capacity for cargoes to Europe as the continent works to cut its dependence on Russian gas. "Every natural gas buyer who is serious has taken LNG carriers into their portfolio," said Omar Nokta, head of shipping research at New York-based financial adviser Jefferies. "There is very limited capacity … and it's super expensive to get."

Energy security bigger priority than decarbonization for China

(Bloomberg; Oct. 16) - President Xi Jinping has promised a slow and steady end to the growth of planet-warming emissions in China, though with energy security taking top priority as the country contends with a flagging economy and tumult in global fuel markets. In a two-hour speech to kick off the weeklong Communist Party Congress, Xi said prudence would govern China's efforts to peak and eventually zero-out carbon emissions. The cautious wording comes after a spate of high-profile power shortages in recent years, and as energy costs have soared after Russia's invasion of Ukraine.

The speech made China's path to decarbonization clear: It won't stop burning fossil fuels until it's confident that clean energy can reliably replace them. "We will work actively and prudently toward the goals of reaching peak carbon emissions and carbon neutrality," Xi said in his address. "Based on China's energy and resource endowments, we will advance initiatives to reach peak carbon emissions in a well-planned and phased way, in line with the principle of getting the new before discarding the old."

China is the world's largest emitter of greenhouse gases, and Xi charged up climate activists two years ago when he vowed to reach carbon neutrality by 2060. That announcement sparked a massive surge in investment in clean energy by local governments and state-owned firms. But last year the focus began to return to China's mainstay fuel of coal after a shortage triggered widespread power curtailments to factories, slowing economic growth. The country vowed to increase mining capacity, and coal production has risen to record levels this year.

Chinese government tells importers to stop reselling LNG

(Bloomberg; Oct. 17) - China told its state-owned gas importers to stop reselling LNG to energy-starved buyers in Europe and Asia in order to ensure its own supply for the winter heating season. The National Development and Reform Commission, the nation's top economic planner, asked PetroChina, Sinopec and CNOOC to keep winter LNG cargoes for domestic use, according to people with knowledge of the matter who asked not to be named as the information isn't public.

While the sales had offered some relief to European buyers, rapidly filling inventories in Europe and record-high shipping costs have reduced the appeal of reshipping fuel, the sources said. Forecasts for a small gas supply deficit likely spurred the move by Beijing, which has pledged to keep houses warm this winter.

The resales had marked a stark turnaround for China, which last year overtook Japan to become the world's biggest importer of LNG on the back of increased purchases on the spot market but may post its first ever drop in gas consumption in 2022. A move by China to retain its own supply could drain shipments to Europe and exacerbate the region's energy crunch in the case of a cold winter. China holds large contracts to purchase LNG from exporters, including the U.S.

High prices, worry of winter supply reduce interest in low-carbon LNG

(Reuters; Oct. 19) - Europe's energy crisis has cooled efforts to lower the carbon intensity of liquefied natural gas shipments, as buyers worried about a winter supply crunch prioritize securing shipments of any kind over burnishing their green credentials. Natural gas can be certified as low- or no-carbon if its producers can prove they have reduced greenhouse gas emissions associated with getting it to market, or if they purchase carbon offsets to cut its net climate impact.

But the number of deals to ship carbon-neutral LNG around the world has dropped to less than 10 so far this year, from 30 in 2021, according to energy research firm Wood Mackenzie. And demand for the greener fuel has dried up, according to Reuters interviews with nine LNG market analysts, industry officials and traders. "Lower-carbon or carbon-neutral LNG cargoes have lost their appeal in the current high-price environment," said Felix Booth, head of LNG at energy analytics firm Vortexa. "Energy security and affordability is front of mind for all buyers."

The decline in demand for "greener" gas is a potential setback in the fight against climate change because it removes a financial incentive for producers to reduce their climate impacts. The market for such fuels had taken off a few years ago with a flurry of international deals that sparked industry optimism that producers would be able to reliably cover their costs for cutting emissions or buying offsets — which can run into millions of dollars per shipload.

Partner in LNG Canada says electrification key to expansion

(Globe and Mail; Canada; Oct. 16) - A proposal to double LNG Canada's export capacity hinges on the economic viability of using innovative electric technology to help produce liquefied natural gas, said the CEO of Petronas Energy Canada. The Shell-led C$40 billion megaproject in Kitimat, British Columbia, is the only LNG export terminal under construction in the country, with Phase 1 scheduled to open in 2025. Malaysia's state-owned energy giant Petronas is the second-largest partner in the venture.

Electric-drive technology for the proposed Phase 2 would be designed to reduce carbon emissions in the production process for supercooling natural gas into liquid form, Izwan Ismail said in a phone interview from Calgary. "It's something you have to look at in terms of cost competitiveness and actual supply of electricity," he said. By contrast, Phase 1 under construction in Kitimat will be equipped with turbines powered by gas.

Kuala Lumpur-based Petronas wholly owns Calgary-based Petronas Energy Canada, which is the upstream unit that oversees gas assets in the North Montney region of northeast British Columbia. The Malaysian company owns 25% of LNG Canada. The goal under Phase 1 is to export 14 million tonnes a year of LNG to Asia. If Phase 2 is approved by the partners, it would double the capacity to 28 million tonnes a year. "All things being equal, Phase 2 will have obviously certain advantages because you're going to have existing infrastructure already being built under Phase 1," Ismail said.

Company exec sees cost of clean hydrogen falling in 10 years

(Bloomberg; Oct. 18) - The cost of clean hydrogen will fall to that of liquefied natural gas in a decade as global efforts to replace fossil fuels accelerate, according to Europe's biggest operator of gas infrastructure. "Green hydrogen today is not economically competitive against alternative energy sources, which will not be the case in 10 years' time," Thomas Baudlot, CEO of energy solutions for Asia-Pacific at French utility Engie, said in an interview. The fuel is "very much part of the strategy of Engie."

Interest in hydrogen, which is considered green if it is made using electricity from renewable sources such as wind and solar, is rapidly growing amid a global effort to cut dependence on coal and natural gas, which intensified after Russia's war on Ukraine curbed fuel supplies and increased prices. While the clean technology is still in early stages, 35 countries have a hydrogen plan and 17 are preparing one, helping reduce the cost of the electrolyzers needed to produce the fuel, according to BloombergNEF.

The energy crisis is accelerating demand in Asia for renewable energy. Part of Engie's Asia expansion will include marketing green hydrogen, with Australia serving as the region's production hub. Liquefying hydrogen presents a "dilemma" because it requires vast amounts of energy, Baudlot said. The process is expensive and consumes over 30% of the energy of the fuel, according to the U.S. Energy Department. Transporting it at scale would require new ships, infrastructure and technology. “We can’t afford to rule it out,” he said. “Once those are more advanced, natural selection will happen.”

Backlog of LNG tankers wait to unload in Europe

(Reuters; Oct. 17) - Dozens of ships carrying liquefied natural gas circling off the coast of Spain unable to secure slots to unload have prompted grid operators for the country to warn they may have to suspend loading to deal with this "exceptional situation.” Europe is facing an energy supply squeeze as Russia has cut gas flows. The region has had to find other gas supplies, but the arrival of multiple LNG cargoes has exposed Europe's lack of regasification capacity, as plants that convert the fuel back to gas are operating at maximum limit.

If the backlog is not cleared soon, the ships may start looking for alternative ports outside Europe to offload. There are more than 35 LNG-laden vessels drifting off Spain and around the Mediterranean, with at least eight vessels anchored off the Bay of Cadiz alone, traders, analysts and sources familiar with the situation said on Oct. 17.

Spain is offering just six slots at its regas terminals this week, an industry source said, less than a fifth of the number of vessels queuing off its coasts. In a statement issued Oct. 17 and entitled "declaration of exceptional operational situation,” Spain's national gas grid operator Enagas said it may have to reject unloads of LNG due to overcapacity at its terminals. There are also LNG vessels at anchor near other European countries which could mean dozens more are waiting, one source said.

LNG imports overwhelm Europe’s capacity until winter demand hits

(Bloomberg; Oct. 18) - So much liquefied natural gas is flowing into Europe that the region’s import facilities are struggling to keep up with the incoming tankers, according to Spain’s gas network operator. Enagas may limit the number of cargoes its LNG system handles until the first week of November as a “significant” reduction in industrial demand since August and high storage levels left it little room to absorb excess imports, it said. “This situation is not an isolated event in the Spanish gas system, it’s also taking place in other countries around us,” Enagas said, without being more specific.

The warning from Spain, whose six LNG terminals make up Europe’s largest regasification network, highlights the volatile conditions in the continent’s gas market this year. After the rush for LNG to replace shrinking flows from Russia to fill winter reserves, soaring fuel costs have forced industry to cut back on gas and the warmer-than-normal weather is curbing heating demand, creating infrastructure bottlenecks.

LNG imports into Northwest Europe and Italy reached a total of 1.9 million tons over the week of Oct. 10-16, about 58% higher than the same period a month earlier, according to BloombergNEF. The unusually high utilization of Europe's regasification terminals is creating a modest glut that's put downward pressure on prices, analysts at Morgan Stanley wrote last week. The bottlenecks may ease as winter approaches and demand increases. Also, Europe's biggest gas consumer, Germany, is rushing to install at least two LNG import terminals for this winter to reduce dependence on its neighbors.

Drone video appears to show 160-foot gap in Russian gas line

(Reuters; Canada; Oct. 18) - Damage to the Nord Stream gas pipeline from Russia to Europe was caused by powerful explosions, Danish police said Oct. 18, echoing earlier findings into leaks that erupted in the network under the Baltic Sea and that have been blamed on sabotage. In what a Swedish newspaper said was the first publicly released footage of damage to the line, film from a private drone appeared to show a gaping rupture in one pipe. Expressen reported a 160-foot section missing from the pipeline.

European states — after blaming the Nord Stream leaks on sabotage — have stopped short of saying who was behind the ruptures that were discovered on Sept. 26. Danish power and gas grid operator Energinet said it had expedited inspections of its own pipelines in the wake of damage to Nord Stream 1 and 2, but said it found nothing abnormal. Russia, which built the pipelines with foreign partners, also said the damage was caused by sabotage but has pointed at the United States and its allies.

Swedish and Danish authorities have been investigating four holes in the Nord Stream 1 and 2 pipelines. Denmark's findings appeared to be similar to those of Swedish prosecutors, who had earlier said two holes seemed to have been caused by blasts. Copenhagen police said "powerful explosions" caused the leaks, saying this was based on preliminary investigations.

U.K. energy bills could double after price freeze ends in April

(Bloomberg; Oct. 19) - British families may see their energy bills almost double when the government ends its price freeze in April. Chancellor Jeremy Hunt announced on Oct. 17 that Prime Minister Liz Truss's flagship policy would be scrapped at the end of winter. It was supposed to run for two years, keeping bills stable for households amid the worst cost-of-living crisis for decades. Scrapping the price freeze — set at £2,500 per year for the average household (about US$2,800) — may add £200 per month in gas and electricity costs for a typical working family with two children.

That would propel monthly bills to a level four times higher than the same period this year, according to spending patterns aggregated by Nous, an app that helps individuals track and predict cost-of-living changes. While the Treasury is investigating a replacement program that better targets low-income households, families are already preparing to go without heating for longer this winter. Even with the price freeze, energy costs exceed a fifth of the disposable spending of the poorest 10% of households, according to Greg Marsh, founder and chief executive officer of Nous.

FERC gives LNG developer more time on proposed Texas project

(Reuters; Oct. 14) - U.S. energy regulators extended to June 2028 the time Sempra Infrastructure has to complete the proposed Port Arthur liquefied natural gas export plant in Texas. Sempra Infrastructure, a unit of California energy company Sempra Energy, requested the extension in July. The Federal Energy Regulatory Commission approved it on Oct. 13. The development is planned for up to 13.5 million tonnes per year of LNG production.

FERC first approved construction of Port Arthur in April 2019, requiring Sempra to complete the LNG plant and associated pipelines by April 2024. Like other projects that have sought more time to complete their projects this year, such as an expansion at Freeport LNG in Texas, Sempra said its project was delayed by the adverse market conditions and logistical delays caused by the COVID-19 pandemic.

In addition to Port Arthur, Sempra Infrastructure, which owns part of the operating Cameron LNG plant in Louisiana, is building an export plant at its Costa Azul LNG import facility in Mexico. The company is also developing second phases for Cameron and Costa Azul and looking at other sites in Mexico for LNG export terminals.

Tight gas supply could stress New England power producers

(The Wall Street Journal; Oct. 17) - New England power producers are preparing for potential strain on the grid this winter as a surge in natural gas demand abroad threatens to reduce supplies that they need to generate electricity. New England, which relies on liquefied natural gas imports to bridge winter supply gaps of domestic gas, is now competing with European countries for cargoes following Russia’s halt of most pipeline gas to the continent. Severe cold spells in the Northeast could reduce the amount of gas available to generate electricity as more of it is burned to heat homes.

The region’s power-grid operator, ISO New England, has warned that an extremely cold winter could strain the reliability of the grid and result in the need for rolling blackouts to keep electricity supply and demand in balance. The warning comes as executives and analysts predict power producers could have to pay several times more than last year for gas deliveries if severe weather creates urgent need for spot-market purchases.

Power producers in New England are limited in their ability to store fuel on site and face challenges in contracting for domestic gas supplies, as most pipeline capacity is reserved by gas utilities serving homes and businesses. The region has been struggling for more than a decade because of limited pipeline capacity. Imports of LNG can make up more than a third of the region's gas supply during periods of peak demand. Most generators tend to procure only a portion of imports with fixed-price agreements and instead rely on the spot market, where prices have been volatile, to fill shortfalls.

Coalition of Indigenous people and locals fight LNG projects in Texas

(The Texas Tribune; Oct. 18) - When Juan Mancias was a child, his grandmother told him the story her parents told her, of the place at the Great River's end. All good things ended up there, she said, carried from the high deserts across 1,000 miles to the sea, where they spilled across the vast Rio Grande Delta, teeming with life. There, Mancias' grandmother told him, the first woman was born from all the good things that washed down the river. And there, developers now want to build two liquefied natural gas export terminals to sell fracked Texas gas on international markets.

Mancias, chair of the Carrizo Comecrudo tribe, has spent his past year engaged in a global campaign to thwart the LNG facilities proposed for his people's sacred site. Supported by the Sierra Club, a coalition of Indigenous leaders and local organizers have traveled Europe to lobby customers and funders that developers need for their buildout in the valley, a historically marginalized zone in Texas on the Mexican border.

"When you steal the land, you're stealing us," said Mancias, 68. Since the fracking boom, developers have eyed undeveloped patches along the Gulf Coast for massive terminals to liquefy and export the gas on oceangoing tankers. The opposition campaign has managed for years to thwart financing agreements, dissuade committed customers, and cause one terminal's cancellation and years of delays on the remaining two. The COVID-19 slump in energy prices helped the case. But the war in Ukraine has energized energy markets and renewed developers' search for funding and financing.