

Oil and Gas News Briefs

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Report calls out 'laundromat' countries that refine and sell Russian oil

(Forbes; April 18) - Five countries have expanded imports of Russian oil in the wake of the Ukraine invasion and refined the crude into products they are selling to countries that have sanctioned Russian oil, according to a report released April 18 by the Centre for Research on Energy and Clean Air. Their "laundering" operation is undermining the price cap on Russian oil and fueling the invasion, the analysts say.

In the year following Russia's invasion of Ukraine, the five laundering countries increased seaborne imports of Russian crude oil by 140% over the previous year, according to CREA. They are absorbing 70% of Russia's crude oil exports. "This is currently a legal way of exporting oil products to countries that are imposing sanctions on Russia as the product origin has been changed," according to the report. "This process provides funds to Putin's war chest."

CREA identifies China, India, the United Arab Emirates, Turkey and Singapore as "laundromat countries" that increased imports of Russian oil after the Ukraine invasion. They also increased exports of refined products to the "price-cap countries" that sanctioned Russian oil, including the European Union, Australia, Japan, the United Kingdom, Canada and the U.S. "The EU, G7 and Australia ... continue to import Russian fuels as refined oil products from third countries and allow transportation on their vessels and insurance," said Isaac Levi, a co-author of the report.

Persian Gulf states buy discounted Russian oil, refined products

(Wall Street Journal; April 17) - As Russia scours the globe for buyers of its energy products, it is finding eager trade partners in an unlikely place: The oil-rich petrostates of the Persian Gulf. Since Western sanctions over the war in Ukraine cut off Russia from many of its established trading partners, state companies from Saudi Arabia and the United Arab Emirates have stepped in to take advantage of discounted prices for Russian products, according to oil executives and industry analysts.

Despite U.S. objections, the Gulf countries are using the discounted Russian products internally, including for consumption and refining purposes, and exporting their own barrels at market rates, boosting their profits. The Gulf countries, especially the UAE, have also become key storage and trading hubs for Russian energy products that can't be as easily shipped around the globe because of the war. Russia is shipping 100,000

barrels a day to Saudi Arabia, according to Kpler, compared with virtually none before the war. That would equate to more than 36 million barrels annually.

The counterintuitive shift, in which countries with the world's largest reservoirs of oil are eager buyers of more, is an illustration of the unexpected consequences of Western sanctions and another example of waning U.S. influence over the Middle East. Russian oil exports to the UAE more than tripled to a record 60 million barrels last year, according to data-commodity provider Kpler. Russia now accounts for more than one in 10 barrels of gas oil stored in Fujairah, the UAE's main oil-storage hub, second only to Saudi Arabia, according to Argus Media, a market-data provider.

U.S. LNG developers compete amid rising costs, financing strains

(Financial Times; London; April 16) - Intense competition between developers and escalating costs are complicating efforts to bring new liquefied natural gas projects online in the U.S., even as the fallout from Russia's invasion of Ukraine creates huge appetite for American fuel exports. A new wave of multibillion-dollar LNG projects on the U.S. Gulf Coast has gathered pace over the past year as the energy upheaval triggered by the war prompts a global dash to secure supply from vast U.S. shale fields.

Since Moscow began its full-blown invasion of its neighbor 14 months ago, four U.S. LNG export projects, together worth \$40 billion, have reached the crucial final investment decision milestone. But others have faced repeated delays as they vie with each other to secure the long-term purchase agreements needed to underwrite their projects and contend with sharply escalating construction and financing costs.

"It's dramatically more expensive," said Charif Souki, who pioneered the U.S. LNG industry more than a decade ago. "There are fewer and fewer construction companies that can actually handle these kinds of loads." Souki, who now heads up developer Tellurian, has seen his \$25 billion Driftwood project flounder after a fundraising failure last year led pivotal buyers to abandon the project. This month, Tellurian announced plans for the sale and leaseback of land as it scrambles to raise funds.

Projects under construction or entering service will increase U.S. capacity by roughly 70% once they all come online by 2027, making the country the world's pre-eminent LNG superpower. If every potential project in the pipeline was to come online, they would triple U.S. capacity by 2030, according to Wood Mackenzie. But analysts expect many of these to fail, as a race to build them intensifies and funding for long-term fossil fuel projects in a decarbonizing world becomes harder to secure.

German cabinet approves ban on most new oil and gas heat systems

(Reuters; April 19) - The German cabinet on April 19 approved a bill that bans most new oil and gas heating systems from 2024, the economy minister said, a policy designed to cut greenhouse gas emissions, though critics warn it could be costly for poorer households. Berlin's ruling coalition last month agreed that almost all newly installed heating systems in Germany should run on 65% renewable energy from 2024, both in new and old buildings. The draft law will now be debated in parliament.

The plan is part of Germany's ambition to become climate neutral by 2045. Houses could use heat pumps that run on renewable electricity, district heating, electric heating or solar thermal systems as alternatives to fossil fuel heating, according to the bill. The policy has met resistance from within Chancellor Olaf Scholz's coalition, with critics calling it too costly and a burden on low- and medium-income households and tenants.

Such a shift could cost Germans about 9.16 billion euros (\$10 billion) annually until 2028, the draft bill showed. The costs would fall to 5 billion euros from 2029 as Berlin expects renewable energy expansion and a ramp-up of heat pump production to make the switch cheaper. The government will offer a subsidy of 30% for residential properties occupied by owners and 10% extra if the owners opt for an earlier climate-friendly heating switch than required by law, regardless of the household income. The bill allows some exemptions, such as for homeowners over 80 years old and living in hardship.

Report says oil and gas industry methane leaks higher than estimated

(CNN: April 17) – Planet-warming methane pollution from the U.S. oil and gas industry was 70% higher than the Environmental Protection Agency's own estimates between 2010 and 2019, scientists reported April 17. The study, published in the Proceedings of the National Academy of Sciences, suggests the government's system for detecting methane leaks from pipes, wells and compressors is inadequate. Recent studies show similar results, and scientists say the EPA needs to use new technology to get a fuller picture of how much of this potent greenhouse gas is escaping into the atmosphere.

Methane, the main component of natural gas and a byproduct of fossil fuel drilling, has more than 80 times the warming power of carbon dioxide in the first two decades it's in the atmosphere. The oil and gas industry is the main source of methane emissions, according to the International Energy Agency. Levels have risen precipitously in recent years, and scientists are looking at the gas as a target to cut climate emissions quickly.

While researchers used data from satellite instruments to paint a picture of methane leaks, oil and gas operators and the EPA often rely on engineering models and hand-held infrared equipment to track leaks, which experts say is inadequate. "This has been known for a while, at least in the atmospheric science community," said Daniel Jacob, one of the study's lead authors and a professor of atmospheric chemistry at Harvard. New satellite instruments can monitor methane leaks with high accuracy, and there are emerging remote-sensing technologies that can help pinpoint leaks at specific locations.

China's refineries set daily processing record as demand builds

(Bloomberg; April 17) - China's vast oil industry is setting records as the nation's post-COVID-zero recovery gathers pace and refinery capacity is added. Refiners processed 63.29 million tons of crude in March, up 8.8% on a yearly basis, government data showed on April 18. That's the highest ever for the month of March, and equals 14.97 million barrels a day, the biggest volume ever, according to Bloomberg calculations.

China is the world's largest crude importer and consumption this year was widely forecast to expand to unprecedented levels after anti-virus curbs were ditched. The boom in processing may offer further support for crude futures prices, which have surged more than 13% so far in 2023 as the Organization of Petroleum Exporting Countries and its allies reduced production.

Refiners in China have been increasing production to respond to better-than-expected gasoline and jet fuel demand, with more cars running on streets and more people traveling on planes. In addition, PetroChina's 400,000 barrels-a-day Guangdong Petrochemical complex, which started trial runs in October, was in the process of ramping up in March, adding to demand.

China started with no LNG imports in 2006 and grew quickly

(Natural Gas Intelligence; April 19) - It is easy to forget that China is a relatively new member of the LNG importers club. The first liquefied natural gas cargo didn't arrive until the Guangdong terminal in Shenzhen was commissioned in 2006. Within 16 years, Chinese LNG imports had grown to exceed roughly 3.5 trillion cubic feet of gas a year, overtaking Japan in 2021 to briefly give China the title of largest LNG importer. The story is one of fuel displacement more than anything else — the government is ensuring a phased approach to the displacement of coal by gas and renewables.

In addition to introducing the Chinese growth juggernaut to the LNG world, the early Guangdong contract was also notable for its commercial structure and origins. The import venture orchestrated what was likely the first successful large-scale purchase tender — forcing large LNG exporters to compete on price. This was successful in achieving an unheard of low price that the producers eventually asked to renegotiate.

The sustained growth rate of Chinese LNG imports this century is nothing short of breathtaking. Within the first 10 years, China's imports had reached 1.3 tcf a year, at that point lagging only Japan and South Korea. It only took two more years for imports to double from that elevated level. What is more remarkable is that LNG imports only account for about one third of the total increase in the country's gas supply. Over half of the demand increase was met by higher domestic production, and approximately 15% was met with pipeline imports from neighboring countries that started in 2010.

Renewable energy supporters say LNG is not the answer

(The Canadian Press; April 16) - The progressive side of Canada's fossil fuel energy debate is pushing back against the prospect of relying on natural gas as a path to a carbon-free future. High prices and a spike in demand, largely the result of Russia's war in Ukraine, are giving momentum to the idea that liquefied natural gas could replace coal-fueled power around the world. But critics call it a short-sighted, counterproductive notion that ignores economic and practical realities in Canada and around the globe.

Nichole Dusyk, a senior policy adviser with the International Institute for Sustainable Development, said renewable energy sources like wind and solar are growing more viable every day. Dusyk said renewables have the added advantage of not being global commodities subject to the whims of market forces. "High prices are clouding people's judgment about the long-term economic prospects of natural gas," she said in an interview. "The global outlook for natural gas is going down, not going up."

The idea of gas as an interim solution to the challenge of meeting present-day demand for energy while reducing carbon emissions has been gaining traction in recent months. A report by the Future of Business Centre at the Canadian Chamber of Commerce proposed ramping up Canada's LNG export capacity and advancing it as an alternative to coal-fired energy around the globe. However, Japan, host of a global climate summit last weekend, has come under criticism for a proposed strategy that depends heavily on LNG, ammonia and other cleaner fossil-fuel derivatives to help lower emissions.

Environmental groups sue EU over 'green' label for gas and nuclear

(Bloomberg; April 17) - Greenpeace said it's suing the European Union's executive over its decision to grant some gas and nuclear power stations a green label under EU sustainable finance rules. Four other environmental groups — Transport & Environment, WWF, ClientEarth and BUND — are also objecting to including gas in the EU's green designation. They said the cases will be filed at the EU's General Court on April 18.

"Polluters are already using this fake label to siphon green finance away from where it's needed," said Ariadna Rodrigo, EU sustainable finance campaigner at Greenpeace. By rejecting the European Commission's "dishonest attempt to greenwash gas and nuclear, the court can give the EU a fighting chance of reaching the finish line." The EU's list of economic activities, from car manufacturing to IT, was compiled to be in line with the bloc's legally binding goal to be climate neutral by the middle of the century.

The inclusion of gas has been particularly controversial because burning the fuel emits carbon dioxide, albeit less than coal. Activists say the extra investments in gas could be in breach of the EU's climate goals. While nuclear power is emissions-free, there are still environmental concerns over the waste it produces and that it could pull investments away from renewable technologies like wind and solar. Last September, the

environmental groups urged the commission to review the inclusion of gas and nuclear. In February, the commission replied saying it had acted lawfully.

Japan's Mitsui buys 92% stake in Texas gas field

(Reuters; April 20) - Japan's Mitsui has bought a 92% stake in an unconventional natural gas asset in Texas and plans to promote its gas business as a "pragmatic solution" for the energy transition, it said on April 20. Mitsui said it bought the stake from the operator of the asset, Silver Hill Eagle Ford E&P, for an undisclosed sum and aimed to produce more than 200 million cubic feet of gas per day from the field.

The field had access to the U.S. Gulf Coast with liquefied natural gas export terminals and ammonia plants. Mitsui said gas and LNG would play an important role in the transition to renewable energy, and the company would "continue to contribute to stable energy supply ... by further promoting our global natural gas and LNG businesses."

The deal comes after the Group of Seven rich nations over the weekend set big new collective targets for solar power and offshore wind capacity, agreeing to speed up renewable energy development and the phase-out of fossil fuels. G7 energy and climate officials agreed that investments in the gas sector "can be appropriate" to address potential market shortfalls caused by Russia's invasion of Ukraine, if implemented in a manner consistent with climate objectives. Energy-poor Japan wants to keep LNG as a transition fuel for at least 10 to 15 years.

Finland puts Europe's largest nuclear reactor into regular service

(Agence France-Presse; April 16) - Hours after Germany closed out its atomic era by turning off its last three nuclear reactors, the largest single reactor in Europe entered regular production in Finland, its operator said April 16. The next-generation Olkiluoto 3, now producing around 14% of the country's electricity, is expected to remain operational for "at least the next 60 years," according to the site's operator TVO. At 1,600 megawatts, Olkiluoto 3 is the single largest nuclear reactor in Europe.

Germany officially ended decades of nuclear energy use by turning off its last three reactors on April 16. Europe's largest economy had been looking to leave behind nuclear power since 2002, but the phase-out was accelerated by then-Chancellor Angela Merkel in 2011 after the meltdown at the Fukushima nuclear plant in Japan.

In Finland, the European pressurized-water reactor was put into regular service some 18 years after construction on the reactor began, and 14 years after it was originally scheduled to go into commercial production. Built by the French-led Areva-Siemens consortium, the reactor was first started up in December 2021 and connected to the

Finnish power grid in March last year. "Test production has been completed and regular electricity production started today," TVO said. "From now on, about 30% of Finnish electricity is produced in Olkiluoto," which already had two working reactors.

Report recommends extending gas line network north to Barents Sea

(The Barents Observer; Norway; April 18) - A report commissioned by Norway's Ministry of Petroleum and Energy proposes to extend the country's gas pipeline grid north to the Barents Sea. It will be economically favorable to build new gas infrastructure based on proven resources in the area, the authors of the report conclude. "There is a potential for significant additional resources." The additional gas could boost exports to Europe.

The report is written by Gassco, the Norwegian state transportation company for natural gas. The Norwegian pipeline grid stretches north to the Aasta Hansteen field in the Norwegian Sea. An extension to the Barents Sea would be several hundred miles long and cost billions of euros. "Today's export capacity from the Barents Sea is limited to the Hammerfest LNG ... (and) without increased capacity, other gas resources will be locked in for a long time," Minister of Petroleum and Energy Terje Aasland said.

"The Barents Sea is the area with the biggest expectations for undiscovered gas resources and the lack of available export capacities affects the companies' interest in exploration," Aasland added. However, despite major expectations, companies have made sparse discoveries in the Barents Sea over the past decade. Today, there is only one natural gas field in operation, Snøhvit, and one oil field, Goliat. Equinor is in the process of developing the Castberg field, due to come into production in 2024.

Canadian natural gas producer gets into truck fueling business

(Calgary Herald columnist; April 18) - Canada's largest natural gas producer is set to enter a new game, investing with a partner to build a network of compressed natural gas stations across the country. It marks another way that Canadian petroleum producers are looking to expand the market for natural gas while also searching for ways to lower emissions. Several Canadian cities already use compressed natural gas to fuel some transit buses, including in Calgary.

On April 18, Tourmaline Oil unveiled an agreement with California-based Clean Energy Fuels to jointly build and operate up to 20 compressed natural gas stations in Western Canada, primarily serving heavy-duty trucks. The \$70-million joint investment will see the two companies commission the stations over the next five years. Under the agreement, new stations are expected to start up in the first half of next year.

“It’s the next big step in replacing diesel with natural gas,” Tourmaline CEO Michael Rose said at a news conference. The network will be operated by Clean Energy Fuels. CNG has a lower carbon footprint than diesel or gasoline. Ian Archer, an associate director with S&P Global Commodity Insights, said CNG has been available for many years and has advantages — including lower emissions — but it faces competition from hydrogen and electric vehicles, while the engines are more expensive than diesel ones.

Norwegian parliament not ready to approve plan to electrify LNG plant

(Reuters; April 18) - Norway’s parliament on April 18 told the government to consider an alternative way to cut carbon emissions at Western Europe’s largest liquefied natural gas production plant, but stopped short of outright halting a controversial plan to use power from land. Oil and gas producer Equinor and partners are seeking approval to replace the use of gas at the plant with electrical power from the national grid, thus reducing its emissions. The site is one of Norway’s largest emitters of carbon dioxide.

In a unanimous vote, parliament ordered the government to assess carbon capture and storage as an alternative to electrification by 2029, even though Equinor has said that would be too expensive. However, parliament did follow a recommendation from the energy committee to reject proposals that would have seen any outright stop or delay to the electrification project. Lawmakers debated the topic in depth last week.

The project is contentious with locals due to its perceived clash with green industry development, rising power prices as well as the rights of Indigenous Sami reindeer herders. With Norwegians heading to the polls in local elections later this year, the plan for the LNG plant has become a top concern for voters in the region.

New Mexico pushes producers to plug inactive oil and gas wells

(Associated Press; April 19) - More than 200 inactive oil and gas wells in New Mexico have been plugged as land managers have tried to crack down on producers as part of an accountability and enforcement program in one of the top producing states in the U.S., officials said April 19. The State Land Office estimates it has saved taxpayers at least \$20 million in cleanup costs over the past few years by having the industry pick up the tab. The efforts are separate from work funded by the federal government.

In New Mexico, the State Land Office says its work has resulted in a nearly 20% drop in the number of abandoned wells on state trust lands, property that was allocated to New Mexico by the federal government more than a century ago so it could be used to raise revenues for schools, hospitals, colleges and other public institutions. Several inactive wells dated to the 1980s, including one that hadn’t produced anything since 1982. Another well that went on the inactive list in 2020 had been drilled in 1925.

Land Commissioner Stephanie Garcia Richard said the idea is to keep the state — and ultimately taxpayers — from having to pay for any messes that companies create on state trust lands. Home to a portion of the Permian Basin, New Mexico has become the No. 2 oil-producing state in the U.S. Much of the development has been on federal land, but state officials have been using a new satellite imagery program to identify spills on state trust lands. They also have ramped up auditing of royalties owed by producers.