Oil and Gas News Briefs
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U.S. oil and renewables industries work together on permit reform

(Financial Times; London; April 23) - America's renewables industry has formed an unlikely alliance with Big Oil as they lobby Congress to overhaul a permitting process they say stymies new energy development. The campaign has intensified in recent weeks with oil and clean-energy lobbyists hoping negotiations between Democrats and Republicans over the debt ceiling offer an opportunity to cut a deal on permitting reform.

"In the last several months all the key associations looked across the table and realized we were arguing for the same thing," said Jason Grumet, head of the American Clean Power Association, the leading renewables industry group. "This is Big Wind and Big Solar coming to the table and saying we want to get things done." The coordinated push from unlikely allies underlines broad frustration across the energy industry at repeated failures to streamline the permitting system, in particular the lengthy review process and avenues for litigation offered by the 1970 National Environmental Policy Act.

Representatives of the oil and gas, renewables and utilities industries are hoping reforms could be ushered through as part of a debt ceiling deal — though people involved in the talks said such compromise remains distant. "We want to make sure when the time comes for a deal, we are united in our goals," said Mike Somers, head of the American Petroleum Institute. "We believe that the debt limit deal could be a vehicle for permitting reform. But the clock is ticking." Raúl García, vice president of policy and legislation at Earthjustice, said the question is where the political middle-ground lay.

U.S. Energy Department will tighten review of LNG export extensions

(Reuters; April 21) - The U.S. Department of Energy on April 21 announced it will change how it approves requests by companies to push back start dates for liquefied natural gas export projects so that it can get a better picture of demand for the fuel. The DOE will no longer consider an application for a seven-year commencement extension unless companies prove they have physically started construction or face extenuating circumstances. The new policy will not apply to companies with applications pending.

The measure is one in a series of new orders announced by the Department's Office of Fossil Energy and Carbon Management aimed at keeping the U.S. on track to meet its goal of net-zero emissions by 2050 while supplying allies with gas. DOE has approved over 49 billion cubic feet per day of LNG exports for non-free trade agreement countries

— of which more than half are held by LNG projects that are not yet operating or under construction and have asked for extensions to when they will commence exports.

This new policy “will allow DOE to better assess whether new … applications are in the public interest; provide more certainty to the U.S. and global LNG export markets; and ensure that DOE is making decisions utilizing the latest market information and analytical tools,” the department said. An official said it would help newer LNG projects that use more modern technology and pollution controls compete for approval.

FERC reissues delayed approval for proposed LNG project in Texas

(S&P Global; April 20) - The Federal Energy Regulatory Commission voted to reissue a key authorization for NextDecade's proposed Rio Grande LNG export terminal in Texas in a decision that could be critical in the company's efforts to commercially sanction the development in the coming months. FERC's April 20 decision on the project and another proposed LNG facility in Brownsville, Texas — The Texas LNG project — came 20 months after the U.S. Court of Appeals for the District of Columbia Circuit remanded FERCs original project authorizations back to the agency for further review.

The appeals court in its 2021 decision instructed FERC to address deficiencies in its consideration of the projects’ climate impacts and environmental justice. The 3-1 approval of the amended orders, with Democratic Commissioner Allison Clements dissenting, made clear that divisions remain over how FERC should approach the issues that are central to the commission's efforts to modify its approach to permitting.

"Some people wanted more review, and some of my colleagues wanted even less review," FERC Chairman Willie Phillips told reporters. Clements argued that FERC should have pursued a supplemental environmental impact statement instead of incorporating a "revised safety and environmental analysis" that she said was inadequate. The court had directed FERC to address how it determined the social cost of carbon, and to explain the scope of its environmental justice analysis.

NextDecade recently pushed back its target for commercially sanctioning the first phase of the Rio Grande project from March to late June. The $11.5 billion first phase involves three liquefaction trains with a combined capacity of about 16 million tonnes per year.

U.S. oil exports continue on record pace

(RBN Energy; April 19) - Crude oil exports from the Corpus Christi, Texas, set a new record as the area terminals loaded an average of 2.8 million barrels of crude per day for export in the week ended April 14. The volumes were up from 1.9 million barrels per day the previous week and were loaded aboard 20 tankers. Of those, a record number, nine, were very large crude carriers loaded directly at Gulf Coast export terminals.

So far this year, the Corpus Christi region has been loading an average of 2.2 million barrels per day of crude for export, an increase of 357,000 barrels per day compared to the same period last year. Overall, from several Gulf Coast terminals, U.S. crude oil exports increased to a record 3.6 million barrels a day in 2022, according to the U.S. Energy Information Administration. Crude oil exports last year were 22% (640,000 barrels per day) higher than in 2021. Increased demand from Europe, which is replacing Russian oil, offset lower U.S. exports to India and China, the EIA said.

Louisiana legislators advance bill to cut oil taxes

(Louisiana Illuminator; April 20) - Republican lawmakers in Louisiana abandoned their cautious approach to tax incentives on April 19 and advanced a bill that would cost the state and parish governments millions in oil severance tax revenues. House Bill 172, sponsored by Rep. Phillip DeVillier, would cut the tax rate on oil from 12.5% to 8.5% in half-percent increments until fiscal year 2032. The state levies severance taxes when natural resources are extracted or “severed” from the land.

The bill’s fiscal note estimates it would cost Louisiana $90 million over the next five years, with costs ballooning each year thereafter. Parishes, which receive a share of severance tax revenues, would lose, too, with annual costs pegged at $4.9 million by 2032. DeVillier has consistently pushed for tax breaks for the oil industry since he was elected nearly eight years ago. The House Ways and Means Committee approved the bill in an 11-2 vote along party lines, with Republicans supporting and Democrats opposing the measure. The bill moves next to the full House for a vote.

The revenue-cutting vote contrasts with the cautious approach Republicans on the committee took a day before. On April 18, the committee took no action on over a dozen tax credit proposals, including one that would help low-income families with children. Chairman Rep. Stuart Bishop set aside those bills to underscore the fiscal impact the proposals would have on state revenues. Those same Republicans voted to cut the oil tax after DeVillier told them it would allow Louisiana to compete with other states and spur new production. Louisiana’s oil output increased to nearly 2 million barrels in 2022.

Argument continues in Ohio over drilling access and taxes

(Ohio Capital Journal; April 21) - Energy companies, lawmakers and environmental groups are again arguing over the companies’ ability to drill for oil and gas in Ohio state parks. And as they battle over the firms’ ability to drill for profits on taxpayer-owned land intended for recreation and conservation, it raises another question that isn’t exactly new: Are the companies paying their fair share in taxes? Oil production in Ohio averaged 81,000 barrels a day in January, and 6.4 billion cubic feet of gas per day.

State law already allowed energy producers to drill on state parklands. But during last year's lame-duck session of the Legislature, the Ohio Senate — without hearings — amended an agricultural bill focused on poultry to add a section requiring state officials to grant drilling leases so long as the applicants met certain requirements. The Ohio Environmental Network and other groups have sued, claiming the law, signed by Gov. Mike DeWine, violates a constitutional requirement that bills address a single subject.

As lawmakers grant energy producers greater freedom to exploit taxpayer-owned lands, there have been long-standing complaints that the companies don't do right by those same taxpayers. Critics say that Ohio's severance taxes — what energy companies pay to extract oil and gas — are among the lowest of any state. "Ohio's severance taxes are pitiful," said Guillermo Bervejillo, state policy fellow at Policy Matters Ohio. "Drilling operators pay a dime per barrel of crude oil and half a nickel per thousand cubic feet of natural gas. This is one of the lowest severance taxes in the country."

Fatigue crack caused Keystone oil pipeline spill

(Bloomberg; April 21) - A major oil spill in Kansas from TC Energy's Keystone crude pipeline last year was caused by fatigue crack, according to the company. When the pipeline was constructed, a crack formed in a segment of the pipe that was welded to a fitting, TC Energy said in an analysis it submitted to federal regulators. Over time, the crack led to a rupture. The company is implementing a plan to avoid future spills that includes investigating other sites that could be at risk, it said.

A section of the pipeline, which can carry more than 600,000 barrels a day, suffered its worst-ever leak on Dec. 7. The line was halted for more than three weeks, roiling crude markets and limiting supplies to the storage hub at Cushing, Oklahoma, the reference point for U.S. oil prices. More than 13,000 barrels spilled, with some of the oil entering a creek. Keystone has leaked more oil than any other pipeline in the U.S. since 2010, spilling more than 25,000 barrels, according to Pipeline and Hazardous Materials Safety Administration data. The line's first phase was commissioned in 2010.

TC's analysis comes as environmental and community groups have staunchly opposed pipeline projects on the grounds that structural integrity can't be guaranteed, increasing the threats to water quality and human health. The report could also prompt a regulatory crackdown by the Biden administration, which has already demonstrated deep skepticism of the industry's track record.

Global increase in refining capacity largest in 45 years

(Bloomberg; April 19) - Oil is the world's foremost commodity. Nations fight wars to control it; economies wax and wane based on its price. But oil is useless unless it is transformed into the stuff everyone needs: gasoline, diesel, jet fuel and petrochemicals. Over the past couple of years, the refining industry became a chokepoint, pushing the cost of turning crude into fuels to an all-time high, in turn inflating gasoline and diesel prices. The "refinery wall" was the buzzword. Now, the bottleneck is easing.

What changed? The world is building new refineries and expanding older ones at a speed unseen in nearly two generations. It may sound counterintuitive given efforts to ease the climate emergency, but oil demand continues to grow and, to accommodate that, oil companies are again investing billions of dollars in new refineries. RBC Capital Markets, an investment bank, reckons that net global refinery capacity will increase by 1.5 million barrels a day this year, and by another 2.4 million next year. It's the largest two-year increase in net global refining capacity in 45 years, according to the bank.

For central banks trying to decide whether their campaign of interest rate hikes has subdued inflation, the increased capacity offers some hope that gasoline and diesel prices will stay low. The buildup is, in part, a fluke: Refinery projects got delayed over the pandemic, with many now coming online simultaneously in places such as Kuwait, Nigeria, Mexico and China. It's a turnaround for the industry. In 2021, net global refining capacity fell for the first time in 30 years as the pandemic forced some plants to close.

ExxonMobil is emblematic of the new trend. Last month, it fired up the expansion of its plant in Beaumont, Texas. With 250,000 barrels a day of additional capacity, it is the largest addition in the U.S. in more than 10 years.

Despite OPEC production cut, market still worried about oil demand

(Barron's; April 21) - Oil prices have given back almost all of the gains they made after OPEC and its allies surprised the market by agreeing to cut production by 1.2 million barrels a day starting in May. It's a sign that the oil market is more focused on demand, and doesn't see enough evidence that countries are using more oil. Weak demand also weighing on oil stocks, which have had a mediocre month despite OPEC's actions.

Brent crude, the international benchmark, fell 2.4% on April 20, settling at $81.10 per barrel. That is 1.7% higher than the settlement price on the day before OPEC made its April 2 announcement. West Texas Intermediate, the U.S. benchmark, was down 2.4% to $77.29, which is 2.1% above preannouncement levels. Both benchmarks had risen more than 6% on the day after the announcement. Several analysts boosted their medium-term forecasts for oil prices afterward.

The biggest reason for the price decline is that demand has remained relatively weak. "Pessimism about global GDP growth and supply/demand balances — including in

China — appears to be growing," wrote Citi analyst Francesco Martoccia. In general, oil is building up in storage around the world, with the exception of the U.S. Some analysts are decreasing their price estimates. Roth Capital Partners analyst Leo Mariani reduced his 2023 WTI price estimate by 7% to $84, citing "a slow start to the year." He lowered his 2024 forecast to $90 given concern about an economic slowdown early in 2024.

Displaced in Asia by Russian oil, West Africa finds new buyers

(S&P Global; April 21) - Struggling West African crude producers, including heavyweights Nigeria and Angola, have been forced to find new markets for their oil since the Ukraine war, with the Chinese and Indian refiners on whom they once relied now hooked on cheap Russian crude, data from S&P Global Commodities at Sea shows. However, as shipments of West African crude to Asia have slumped since 2020, when the COVID-19 pandemic dented demand, exports to Europe and the U.S. have steadily risen, with refiners in those markets shunning Russia's Urals crude.

Chinese refiners, traditionally the biggest customers for crude from Angola and the Republic of Congo, have been lured by Russia's cheaper grades, kept low by the $60-per-barrel price cap imposed by Western countries. Russia became the top supplier to China and India in the past year, with exports to Asia soaring from 1.33 million barrels per day in 2021 to 2.11 million in 2022 and 3.23 million a day on average this year.

Meanwhile, the quantity of West African oil heading to Asian countries has nosedived since 2020. Those exports exceeded 2.3 million barrels per day in 2020, but fell to 2.06 million in 2021 and 1.66 million last year. In 2023, the region is averaging just 1.53 million barrels per day in exports to Asia. African producers were always likely to be displaced by cheaper Russian crude because most of their crude is sold on the spot market, unlike Mideast producers that rely on long-term contracts. Given the high diesel-yielding qualities of West Africa crudes, they have been able to find other buyers.

India says imports of Russian oil 'beneficial for everybody'

(Bloomberg; April 20) - Russia's oil exports to India are continuing without any hiccup as the nation's users become more adept at arranging cargoes to feed burgeoning demand, according to the head of a giant new refinery project that's backed by local processors and crude heavyweight Saudi Arabia. "It is beneficial for everybody that the Russian oil doesn't go out of market and it flows to some part of the world," Mukesh Surana, CEO of Ratnagiri Refinery & Petrochemicals, told Bloomberg Television.

The crude is coming to India without much hassle, "but there are ways and means to ensure that, if there are hassles, they can be taken (care of)," Surana said. India has emerged as a major market for redirected Russian oil after the invasion of Ukraine, with

Western nations shunning its crude and refined products. In a bid to ensure that the oil keeps flowing to other nations but Moscow's revenues are crimped, the U.S. pioneered a cap on prices if users want access Western services such as insurance. India said this month it would explore buying Russian crude oil near or past the cap, if needed.

The majority of Russian oil that India buys is Urals grade, which comes from the west of the country, and is still below the price-cap level, Surana said. Ratnagiri Refinery is building a project on India's West Coast. At full capacity, the $60 billion development will handle 1.2 million barrels per day . The venture — which is not yet in operation — has been backed by state-owned refiners Indian Oil Corp., Bharat Petroleum and Hindustan Petroleum. Saudi Aramco and Abu Dhabi National Oil Co. are also partners.

Pakistan places first order for discounted Russian crude

(Reuters; April 20) - Pakistan has placed its first order for discounted Russian crude oil under a deal struck between Islamabad and Moscow, the country's petroleum minister said, with one cargo to dock at the port of Karachi in May. Pakistan's purchase gives Russia a new outlet, adding to Moscow's growing sales to India and China, as it redirects oil from Western markets because of the Ukraine conflict.

As a long-standing Western ally and the arch-rival of India, which historically is closer to Moscow, analysts say the crude deal would have been difficult for Pakistan to accept but its financial needs are great. Discounted crude offers a respite as Pakistan faces an balance of payments crisis, risking a default on its debt obligations. Foreign exchange reserves held by the central bank are scarcely enough to cover four weeks of controlled imports. Energy imports make up the majority of the country's external payments.

Under the deal, Pakistan will buy only crude, not refined fuels, Minister Musadik Malik told Reuters on April 19. Imports are expected to reach 100,000 barrels per day if the first transaction goes through smoothly, he said. Russian oil companies have discussed the possible supply of oil to Pakistan over recent months, two trading sources said.

Tanker company moving Russian oil loses insurance coverage

(Bloomberg; April 20) - An oil tanker company heavily involved in moving Russian oil has lost industry standard insurance for its fleet after falling foul of a Group of Seven price cap relating to the transportation of Russian barrels. Gatik Ship Management lost so-called protection and indemnity coverage that was provided by the American Club, a person familiar with the matter said, declining to be identified discussing sensitive information. The cover protects against risks including collisions and spills.

The cover was terminated because the American Club was informed that Gatik intended to transport barrels bought at prices above the cap, the person said. The American Club confirmed the discontinuation of coverage. It declined to further comment. Since early December, companies in G-7 countries have only been allowed to provide services for Russian oil if the cargoes cost $60 a barrel or less. While the threshold initially appeared to prioritize the continuation of Russian oil flows, albeit at lower prices, the cessation of Gatik's cover shows the measures have some teeth.

On April 17, the U.S. government warned that some oil tankers shipping Russian crude in Asia are using deceptive tactics to evade the Washington-led price cap on the country's exports. The American Club is one of 12 organizations within the International Group of P&I Clubs, which collectively provide industry standard coverage that serves as a passport to trade freely. Gatik, which has an address in Mumbai, according to an international maritime database, is one of a handful of tanker companies that sprang up out of nowhere when the West began ratcheting up sanctions on Moscow last year.

Ship-to-ship Russian oil transfers increase to record high

(CNN: April 21) - The waters of the Bay of Lakonikos, on the southeastern side of Greece's Peloponnese Peninsula, are a bright turquoise. Its shores are an important nesting site for sea turtles. Yet it's not just a place of natural beauty. The area has become a key hub for tankers carrying Russian energy exports. As crude and refined petroleum products that would usually go to the European Union are rerouted to Asia — with most seaborne oil imports banned by the bloc in response to Moscow's assault on Ukraine — cargoes are being transferred here onto larger vessels to make the long trip.

Ship-to-ship transfers of Russian crude have mushroomed in recent months, reaching a record high during the first three months of the year, according to data from S&P Global, a research firm. Near Greece, more than 3.5 million barrels of Russian gasoil, a refined product used in heating and transport systems, were transferred between ships in March. That's more than seven times the volume tallied by S&P Global for March 2022.

"We've seen a big increase in ship transfers in the Mediterranean," said Matthew Wright, senior freight analyst at Kpler, a data firm. "Smaller vessels come in from Russian ports, they transfer the cargoes onto larger vessels, and then those larger vessels will head off to Asia." Many of these ships are part of what's known as the "gray fleet," vessels that started hauling Russian oil in the past year. For many, little is known about their owners, which may be a shell company. It's harder to tell if the vessels with murky ownership comply with the strict rules governing oil transfers at sea, according to Fred Kenney, the International Maritime Organization's director of legal affairs.

Argentina plans new pipelines to boost shale oil exports

(S&P Global; April 20) - Argentina's state-run energy company YPF plans to invest between $6 billion and $7 billion with partners to build pipelines and other infrastructure to boost oil exports from the Vaca Muerta shale play, with a focus on supplying a proposed terminal in the south that can load very large crude carriers, CEO Pablo Iuliano said April 20. "We need to rapidly monetize our oil resources," he said at the Experiencia IDEA Energía business conference in Neuquén, Argentina.

YPF, the biggest oil producer in the country, will pay in 40% of this investment, taking on the next big challenge for Vaca Muerta: How to get the oil to buyers. "We have a beautiful problem, which we are resolving," Iuliano said of the constrained transportation capacity. A handful of projects are underway to build pipelines. Oleoductos del Valle, a pipeline operator part-owned by YPF, is doubling its takeaway capacity to 452,800 barrels per day by the end of 2024 and considering expanding that further.

YPF is poised to launch operations of a cross-border line to Chile (115,000 barrels per day). The company is also in the preliminary stages on a $1.2 billion project to build a 380,000-barrel-per-day line and port facilities on the Atlantic to boost shale oil exports. With plans to double its own production to 450,000 barrels per day by 2027, YPF will soon be running a surplus over its installed refining capacity and could step up exports. Iuliano said Argentina's crude production, led by Vaca Muerta, is on track to reach 1.2 million barrels per day in the next few years, up from 627,000 in February of this year.

Slow demand from Asia leaves more LNG stored at sea

(Reuters; April 21) - Volumes of liquefied natural gas stored at sea have increased on an annual basis this month, driven by more vessels floating around amid high inventories and slow spot demand in Japan, China and South Korea, analysts say. Additional supplies of the fuel could further weigh on Asian spot prices, providing some relief ahead of summer when demand is expected to rise.

Global floating inventories of LNG were at 0.55 million tonnes on April 20, showed data from analytics firm Kpler, up 0.24 million tonnes from the same time last year. "There are currently more floating volumes on a global level and the increase is coming out of Asia … reflecting tepid demand from major consumers Japan, China, and South Korea," said Kpler LNG analyst Ana Subasic.

Bank of America said in an April 17 research note that floating storage levels are at or above a five-year seasonal high, "putting the market in a precarious spot ahead of summer build season." Asian prices have been pressured by weak spot demand and high inventories, shedding nearly 60% this year to $12 per million Btu. Nuclear plant restarts have capped demand in Japan and Korea, while China is relying more on coal.

China stepping up its investments in Mideast energy

(Wall Street Journal; April 21) - For years, China has bought oil and gas from the Middle East. Now, Chinese companies are making big investments in the energy infrastructure. The deals are allowing Beijing to diversify its energy supplies and gain leverage as it becomes a bigger power broker in the region, while giving its companies access to technical expertise in areas of the industry long dominated by Western companies.

Last week, China bought its first stake in a Qatari gas field, when state-owned China Petroleum & Chemical Corp., known as Sinopec, acquired a 1.25% share in the first phase of a $30 billion liquefied natural gas project. The stake followed a deal with QatarEnergy in November to supply 4 million tonnes of LNG each year to China, an amount that would equate to a little more than 6% of China’s LNG imports last year. The 27-year deal is the longest ever for Qatar, one of the world’s top gas exporters.

China’s hunger for gas as the country attempts to shift away from its reliance on coal gives it another tool to buttress its influence in the Middle East. China became the world’s largest LNG importer in 2021, although it fell behind Japan last year amid its economic slump. Striking new energy deals also helps Beijing lessen its reliance on the U.S. and Australia, two of China’s biggest LNG suppliers and its political adversaries, and it gives Beijing added leverage to negotiate terms on a new gas pipeline from Russia, which has lost most of the European market due to its invasion of Ukraine.