Oil and Gas News Briefs
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Oil-rich Alberta pushes back against renewable energy projects

(Wall Street Journal; Aug. 19) - Canada's oil-rich province of Alberta has become the latest jurisdiction to push back against renewable-energy initiatives, declaring a seven-month moratorium on new wind and solar projects. The pause put in place by the province's conservative government has provoked criticism from members of the renewables industry, which says the move threatens to undermine a fast-growing sector that has been contributing a growing share of energy to Alberta's power grid.

Alberta, which is home to Canada's oil sands, the fourth-largest oil reserve in the world, announced earlier this month that it would pause until Feb. 29, 2024, approvals of any renewable-energy projects that produce over 1 megawatt of power. Alberta wants to study how the projects affect the power grid, their impact on the environment and what the government called "Alberta's pristine viewscapes." The government also wants to consider end-of-life rules for solar farms and windmill projects.

The action has put at risk 80 projects worth roughly $15 billion, said Vittoria Bellissimo, CEO of the Canadian Renewable Energy Association. More than 75% of all renewable projects built in Canada last year were in Alberta, adding 1,390 megawatts of power to the provincial grid, she said. Alberta's actions complicate a broader push by Canadian Prime Minister Justin Trudeau's government to lower carbon emissions from Canada's electricity grid. The Alberta government has called draft rules from Ottawa that would require the Canadian electricity grid to be carbon-neutral by 2035 unconstitutional.

Near record flow of Canadian heavy oil moves through U.S. to China

(RBN Energy; Aug. 17) - Based on the latest data from the U.S. Census Bureau, re-exports of Canadian heavy crude oil from the U.S. Gulf Coast were near record levels in June. Over the past four months, re-exports have averaged above 200,000 barrels per day, with March marking a record high of 315,000 barrels per day. June was a strong 246,000 barrels per day. In this context, re-exports refers to crude oil that is exported from Canada to the U.S. and then exported from the U.S. to other nations.

While reflecting improved pipeline access for Canadian heavy crude to the Gulf Coast in the past couple of years and, more recently, attractive heavy crude oil prices, the single largest reason for the surge in re-exports of Canadian heavy oil from the Gulf is more tied to increased buying by nations that have seen a reduction in their crude oil imports from other nations as a result of production cuts by OPEC+.

While China is more affected than many other nations by reduced crude output by OPEC+ countries, it is no wonder that it remains the single largest buyer of Canadian heavy oil out of the Gulf Coast. These exports have varied between 150,000 and 200,000 barrels per day over the past four months, well above the historical average of less than 50,000 barrels per day in the prior three years. The increase of the past four months also coincides with the start-up of a new heavy oil refinery in the Chinese city of Jieyang, for which Canadian heavy crude oil is thought to be well suited.

Utah basin’s waxy crude gains in popularity

(The Salt Lake Tribune; Utah; Aug. 18) - The wheels of the Uinta Basin’s economy are greased again. With Utah’s petroleum production rising to record levels, the oil-rich basin in eastern Utah is back in boom times. Utah employment in the oil and gas industry rose 16% between 2021 and 2022, adding more than 1,000 workers to bring the total to 7,449. Most of those jobs are in Duchesne and Uinta counties, where 85% of Utah’s petroleum production takes place. And those workers are spending. Sales tax collections in Duchesne County have jumped 19% in a year.

Thomas Holst, senior energy economist for the Kem C. Gardner Policy Institute who previously worked for ExxonMobil and Chevron, said after drilling operations dropped to zero during the pandemic, there are now about 15 active drilling projects going on in the state. And while Utah’s refineries continue to take about 85,000 barrels a day from the basin, the growth is coming from buyers in Texas and Louisiana. “What is happening is Gulf Coast refineries are developing an appetite for Uinta Basin waxy crude,” he said.

Oil from the basin has a high paraffin content that makes it a solid instead of a liquid at temperatures under 110 degrees. That has made it less valuable in the past because shipping requires heated containers. “It can’t be put in a pipeline,” Holst said. “If it moves anywhere, it has to move by a truck that is insulated.”

Hundreds of daily truck trips deliver the crude to refineries north of Salt Lake City and to a rail station in Carbon County, where it is loaded onto heated train cars for the trip to the Gulf. The growth in demand is driving plans to build a controversial rail line into the basin. Demand has increased in part because the high wax content is good for producing lubricants. Plus, it’s low in sulfur, which reduces emissions when it’s burned.

Appeals court strikes down federal approval for Utah oil rail line

(Associated Press; Aug. 18) - A U.S. Appeals Court on Aug. 18 struck down a critical approval for a railroad project that would have allowed oil producers in eastern Utah to significantly expand fossil fuel production and exports. The ruling is the latest development in the fight over the proposed Uinta Basin Railway, an 88-mile line that would connect oil and gas producers in rural Utah to the broader rail network, allowing them to access larger markets and ultimately sell to refineries near the Gulf of Mexico.

The railroad would let producers, currently limited to tanker trucks, ship an additional 350,000 barrels of crude daily on trains extending for up to 2 miles. The Washington, D.C.-based appeals court ruled that a 2021 environmental impact statement and biological opinion from the federal Surface Transportation Board were rushed and violated federal laws. It sided with environmental groups and Colorado's Eagle County, which had sued to challenge the approval.

The court said the board had engaged in only a "paltry discussion" of the environmental impact on communities and species living along the line and "downline" communities where oil trains would travel. "The limited weighing of the other environmental policies the board did undertake fails to demonstrate any serious grappling with the significant potential for environmental harm," the ruling stated. Though the rail line still must win additional approvals and secure funding before construction, proponents saw the 2021 environmental impact statement as among the most critical approvals to challenge.

Oil down $2 in first weekly drop since June

(Bloomberg; Aug. 18) - Oil posted its first weekly loss since June as low trading volumes left the market vulnerable to macroeconomic concerns, overshadowing signs of a tight physical market. West Texas Intermediate settled just above $81 a barrel, down nearly $2 for the week, as poor economic data and a widening housing slump in China weighed on buyers. The gloom has eclipsed signs of a tighter crude market, including U.S. petroleum product stockpiles that declined to the lowest level since January.

Crude remains markedly higher from its lows in June, driven largely by supply cuts by OPEC+ linchpins Saudi Arabia and Russia. That has led many observers, including the International Energy Agency, to forecast tighter balances and higher prices before the year is out. However, Citigroup and others counter that oil prices will weaken as consumption disappoints and supply swells. "We expect that Brent will not break out of the yearly range," Rabobank analyst Joe DeLaura said in a report, noting that Brent struggled to break through its 2023 highs in recent days.

Demand uncertainty likely to hold oil market to modest tightening

(Reuters columnist; Aug. 17) - Production cuts announced by Saudi Arabia and its OPEC+ allies are expected to tighten the global petroleum market but only moderately over the remainder of 2023 and into the first quarter of 2024. Demand is uncertain, and commercial inventories of crude oil and refined products in the advanced economies were around 2.8 billion barrels at the end of June, according to the U.S. Energy Information Administration, just 45 million below the prior 10-year seasonal average.

Since then, additional production cuts announced by Saudi Arabia will remove an extra 90 million barrels from the market between July and September. Meanwhile, Russia has extra cuts amounting to 25 million barrels in August and September, assuming they are implemented in full. On the consumption side, traders have become increasingly optimistic about the likelihood the U.S. economy will see a "soft landing," a scenario in which inflation falls, unemployment remains relatively low and a recession is avoided.

But Europe's manufacturing sector is showing little sign of recovering and China's manufacturing activity has fallen steadily. China's economy was expected to recover strongly this year after its exit from pandemic restrictions. Instead, the recovery has been repeatedly delayed, and now the economy appears to be losing momentum and possibly sliding into a recession. The net result of output cuts by OPEC+, a soft U.S. economic landing, a struggling European economy and the increasingly probability of a recession in China is that oil markets have tightened only modestly since June.

Wood Mackenzie sees boost in oil and gas exploration spending

(The National; Aug. 17) - Oil and gas exploration spending will recover from historic lows to average $22 billion a year over the next five years, according to Wood Mackenzie. Attractive economics, greater emphasis on energy security and the discovery of new resources will incentivize national oil companies and energy majors to boost exploration activity, the consulting firm said in a new report.

“Explorers will become bolder in the coming years,” said Julie Wilson, director of global exploration research. Wood Mackenzie, which expects exploration spending to increase by 6.8% this year over 2022 levels, said full-cycle investment returns have been consistently above 10% since 2018 and exceeded 20% in 2022. “These positive results have increased confidence in exploration,” Wilson said. The energy analytical firm’s forecast covers only exploration spending, not development investment.

“Improved results are down to many factors. Portfolio high grading coupled with greater discipline in spending and prospect choice mean only the best prospects are drilled and waste is minimized,” she added. Wood Mackenzie said that deepwater and ultra-deepwater exploration would provide the most growth opportunities in the long term. The Atlantic Coast of Africa and the gas-rich Eastern Mediterranean will experience the highest growth, the consultancy said.

Japan’s LNG import volumes continue to decline

(LNG Prime; Aug. 17) - Japan's monthly liquefied natural gas imports continued to decline in July, according to the provisional data released by the country's Ministry of Finance. The country's LNG imports dropped by 17.4% year-on-year in July to about 5.09 million tonnes, the data shows. According to the preliminary data, July's LNG import bill of about $3.1 billion was down 42.3% compared to the same month last year.

Japan was the world's top importer in 2022, overtaking China, but both of the countries took less volume last year compared to 2021. China has overtaken Japan to become the world's top importer of LNG in the first half of this year. China took 33.44 million tonnes of LNG during January-June, up by 7.2% compared to the same period last year, while Japan's imports dropped by 13.3% year-on-year in January-June to 32.62 million. Including July, Japan has imported 37.71 million tonnes of LNG this year.

Japanese buyer signs 5-year LNG supply deal with UAE producer

(Gulf Business; Aug. 18) – The United Arab Emirates' ADNOC Gas has signed a five-year liquefied natural gas supply agreement with Japan Petroleum Exploration Co. (JAPEX). The deal, which is valued between $450 million and $550 million, builds on the bilateral relationship between the UAE and Japan, ADNOC Gas said in a statement. ADNOC Gas intends to more than double its LNG production capacity to meet increased global demand. The company's agreement with JAPEX follows LNG supply agreements with TotalEnergies and India Oil Corp.

South Africa seeks bids for $2.6 billion hydrogen-focused export port

(Bloomberg; Aug. 16) - AP Moller-Maersk, the Port of Rotterdam, Bouygues and Yapi Merkezi are among companies that have been asked to submit construction and funding plans for a new 50 billion rand ($2.6 billion) hydrogen-focused port and rail link in South Africa. The companies are part of three consortia that bid for the project, state-owned Transnet National Port Authority, a unit of Transnet SOC, said in a statement sent to Bloomberg on Aug. 15.

AP Moller-Maersk and Port of Rotterdam are part of the Boegoebaai Port & Rail Consortium. Bouygues is part of the Boegoebaai Development Consortium, along with Vinci. Yapi Merkezi of Turkey and Mota-Engil SGPS are part of the Project Elephant Consortium. Transnet's plan is to build a port at Boegoebaai on the country's northwest coast to export hydrogen and its derivatives as well as other commodities.

South Africa hopes to use the abundant wind and sun on its arid west coast to generate the renewable energy needed to produce so-called green hydrogen. That fuel can be used to make products for export such as green ammonia. Politicians from Germany and the Netherlands this year said their countries would be interested in buying the clean-burning fuel from southern Africa as Europe seeks to reduce its reliance on natural gas and other fossil fuels.

Chinese partner in Russian LNG project affirms start-up this year

(Reuters; Aug. 18) - Russia's Arctic-2 LNG project, in which China National Offshore Oil Corp. (CNOOC) holds a 10% stake, is proceeding as planned, with the first phase to start operations late this year, senior CNOOC executives said on Aug. 18. Arctic LNG-2 is led by Russian firm Novatek with a 60% stake. Other shareholders include French energy major TotalEnergies, China National Petroleum Corp. (CNPC) and Japan Arctic LNG — a consortium of Mitsui and state-owned Japan Organization for Metals and Energy Security (JOGMEC) — with each holding 10%.

"So far all the partners ... have been financing the project as per normal. None is delaying in funding it. The project is thus proceeding as planned," CNOOC chief financial officer Xie Weizhi told an earnings briefing in Hong Kong that was also live streamed. The remark is in line with earlier Chinese state energy companies' positions to proceed with existing projects in Russia but refrain from pledging fresh investments.

Arctic LNG-2's total development costs are estimated in excess of $20 billion, which will include three liquefaction trains each capable of producing 6.6 million tonnes per year. After the first train starts up, the next two could come online in two or three years.

European gas buyers should get used to price volatility

(Bloomberg; Aug. 18) - Get used to wild swings in European natural gas prices because the market is set to remain on edge for years. The possibility of strikes at LNG plants in Australia, which as a worst-case scenario may impact 10% of global supply, have sent futures surging. The industrial actions aren't certain and, in previous years, wouldn't normally elicit such a strong market response. The unions still need to finish key votes, and it would take some time before the potential strikes affect LNG exports, yet gas producers still will be trying to broker a deal to minimize the impacts on their customers.

Traders in Australia's biggest buyers — Japan, China and South Korea — appear calm and aren't rushing to find replacement shipments. But the response in Europe, where imports of the fuel increased 60% last year to replace Russian pipeline gas after the invasion of Ukraine, hasn't been so measured. The continent's traders have become particularly sensitive to anything that can disrupt production or exports. They believe Europe needs to keep attracting cargoes, especially since it would be challenging for industries and households to reduce consumption even more than they already have.

Volatility is here to stay for years since global LNG supply and demand will remain finely balanced until at least 2026, when major new export plants come online. So any risk to supply going forward — no matter how remote — may trigger a price spike.

LNG tanker charter rates move higher, ahead of winter

(Bloomberg; Aug. 17) - Renting a liquefied natural gas tanker is getting more expensive sooner than usual this year amid expected winter demand and potential strike-related supply disruptions in Australia. Spot LNG shipping rates in the Pacific region soared above $100,000 a day for the first time since mid-January, about three weeks earlier than in 2022, according to data from Spark Commodities, which tracks price assessments from LNG shipbrokers.

Concerns are mounting over potential disruptions in Australia if industrial action at three major LNG facilities goes ahead. Without Australian LNG, buyers in Asia would have to compete with Europe for cargoes from other sources such as the U.S., increasing voyage times and costs for vessels. While the strikes could free up as many as 60 vessels, charterers will probably hold the ships because of uncertainty on the duration of any disruption, Oystein Kalleklev, CEO of shipowner Flex LNG, said on Aug. 16.

LNG shipping forward rates for November show prices as high as $277,000 a day for the Pacific and $286,000 a day for the Atlantic, Spark data show. Volumes in floating storage — where traders keep cargoes on the water — are also at higher-than-usual levels for the time of the year. On top of that, a drought affecting freshwater levels in the Panama Canal has also increased waiting times for tankers going through the canal.

Saudi Arabia’s largest renewable project lines up financing

(S&P Global; Aug. 20) - Saudi Arabia's largest renewable energy project, the 2.6-gigawatt Al Shuaibah solar plant, is moving ahead after completing financing led by the National Development Fund on Aug. 20. The Riyals 8.3 billion ($2.2 billion) financing included Riyals 1.7 billion from the National Infrastructure Fund, its first financing of an Aramco-sponsored project, the Development Fund said in an Aug. 20 statement.

The project is being developed by a joint venture between Saudi Aramco, the Badeel water and electricity company and ACWA Power. It is expected to start commercial operation in 2025, according to the statement. Saudi Arabia's sovereign wealth fund, the Public Investment Fund, owns Badeel and has a 44% stake in ACWA Power. The country has 13 renewable energy projects under development with a collective capacity of 11.3 GW. Badeel is developing five projects with a total capacity of 8 GW.

Saudi Arabia has been ramping up efforts to add more renewable power capacity to its grid as part of its ambitions to reach net-zero emissions by 2060. In May, Saudi Arabia's Water and Electricity Holding Co. (Badeel) and ACWA Power signed power-purchase agreements with Saudi Power Procurement Co. for three huge solar projects with a combined 4.55 GW of capacity.