Oil and Gas News Briefs
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U.S. oil and gas industry consolidation expected to continue in 2024

(Reuters; Dec. 26) - The oil and gas industry went on a $250 billion buying spree in 2023, taking advantage of companies' high stock prices to secure lower-cost reserves and prepare for the next upheaval in an industry likely to undergo more consolidation. A surge in oil demand as world economies shook off the pandemic downturn has stoked acquirers' enthusiasm. ExxonMobil, Chevron and Occidental made acquisitions worth a total of $135 billion in 2023. ConocoPhillips completed two big deals the past two years.

The grand prize in this dealmaking is the largest U.S. shale oil field, the Permian Basin in west Texas and New Mexico. The four big companies are now positioned to control about 58% of future production there. Each aims to pump at least 1 million barrels per day from the oil field, which is expected to produce 7 million barrels per day by the end of 2027. Even more transactions are on the horizon. Three-quarters of energy executives polled in December by the Federal Reserve Bank of Dallas expected additional oil deals worth $50 billion or more to pop up in the next two years.

"Consolidation is actively changing the landscape," said Ryan Duman, director of Americas upstream research at energy consultancy Wood Mackenzie. "A select few companies will determine whether (production) growth will be strong, more stable or somewhere in between." The consolidation will have spillover effects on oil field servicers and pipeline operators. The companies that provide drilling, hydraulic fracturing and sand and transport oil and gas to market are entering an era of fewer customers wielding more power over pricing.

Russia criticizes U.S. sanctions on Arctic LNG project

(Upstream; Dec. 27) - A Russian foreign ministry official has warned that U.S. sanctions against the Novatek-led Arctic LNG-2 project in West Siberia will “destroy global energy security” and accused the U.S. of “pursuing its own selfish interests” almost two months after the White House first targeted the liquefied natural gas development. The $20 billion project is heavily backed by Russia’s government, with the development playing a key role in the country’s drive to almost triple its LNG exports to 100 million tonnes per year by 2030 after its pipeline gas exports to Europe were suspended in early 2022.

“We consider such actions unacceptable, especially in relation to such large international commercial projects as Arctic LNG-2, which affect the energy balance of many nations,” Foreign Ministry spokeswoman Maria Zakharova told a briefing in

Moscow, according to Reuters. The U.S.-imposed sanctions have led operator Novatek — Russia’s largest independent gas producer — to issue force majeure notices to some of the plant’s LNG buyers, informing them of its inability to start contracted shipments.

This in turn has led to some of the project’s foreign shareholders — China National Petroleum Corp., China National Offshore Oil Corp. and a consortium of Japan’s Mitsui and JOGMEC — to take legal action that would temporarily relieve them of their obligations to the project, according to reports in Moscow. Another stakeholder, France's TotalEnergies, previously said it would comply with international sanctions and would no longer provide financing for the project or invest in Russia following the war on Ukraine.

China objects to U.S. sanctions on Russian LNG project

(Reuters; Dec. 26) - China's involvement in Russia's Arctic LNG-2 liquefied natural gas project should not be the target of any third-party intervention or restrictions, its foreign ministry said on Dec. 26. The U.S. imposed sanctions on Arctic LNG-2 in November as part of a package of sweeping new measures against Moscow over the war in Ukraine. Russian controlling shareholder Novatek has declared force majeure on the expected start-up of deliveries this winter due to the U.S. sanctions, according to sources.

Russian news outlet Kommersant reported Dec. 25 that Chinese state-owned oil majors CNOOC and China National Petroleum Corp., both 10% stakeholders in the venture, had also declared force majeure due to U.S. sanctions on the project. Economic cooperation between China and Russia is in the interest of both countries and "should not be interfered with or restricted by any third-party," Chinese foreign ministry spokesperson Mao Ning said at a press conference. "China has always opposed unilateral sanctions and long-arm jurisdiction without the basis of international law.”

Mitsui pulls employees from Arctic LNG venture in Russia

(Reuters; Dec. 26) - Japan's Mitsui has decided to pull its employees out of Russia's Arctic LNG-2 liquefied natural gas project, the Sankei newspaper reported on Dec. 26, citing several sources, in yet another blow for the project. At the same time, however, Mitsui's joint venture with Japan's JOGMEC is expected to retain its stake in Arctic LNG-2, the report said. The export terminal on the Gydan Peninsular north of the Arctic Circle is a key element in Russia's push to boost its global share on the global LNG market.

It's also a part of Russia and China's “no-limits” partnership, developed as Moscow has been diverting its vast energy resources from Europe to the commodity-hungry Asia amid Western sanctions against the Kremlin over the war in Ukraine. The project has already faced difficulties due to U.S. sanctions and a lack of gas carriers to deliver cargoes to buyers. Fearing the backlash from the sanctions, foreign shareholders suspended participation in the $20 billion project, renouncing their responsibilities for financing and for offtake contracts, the Russian daily Kommersant reported on Dec. 25.

China's state oil majors CNOOC and China National Petroleum Corp. each have a 10% stake in the project, which is controlled by Novatek, Russia's largest LNG producer and owner of a 60% stake. France's TotalEnergies and a consortium of Japan's Mitsui and JOGMEC have a 10% stake each. The plant, designed for an annual output capacity of 19.8 million tonnes, could start shipping cargoes in the second quarter of 2024.

Korean company stops making components for Russian LNG carriers

(Reuters; Dec. 26) - Samsung Heavy Industries said on Dec. 26 it has stopped making blocks and equipment for 10 out of 15 Arctic LNG carriers contracted with Russian shipbuilder Zvezda. Samsung has been delivering blocks and equipment for five of the ships to Zvezda, the Russian shipyard that is assembling the carriers, after receiving South Korean government approval. Samsung is nearing the end of making the blocks and equipment for the first five ships, a company spokesperson said.

For the remaining 10 ships, Samsung has stopped making the blocks and equipment, but there has been no cancellation of the contract yet, the spokesperson said. Samsung has been assisting in construction of the special-built LNG carriers to serve the Arctic LNG-2 project nearing completion in Russia’s Far North. The ice-class carriers are required to deliver cargoes from the export terminal to buyers in Europe and Asia.

Tightening U.S. sanctions on the Russian project have created uncertainty for stakeholders in the development, which includes Russian, French, Chinese and Japanese businesses, and for whether the venture will be able to stick with its schedule of starting exports early in 2024.

Arctic project starts making LNG; cargoes expected in first quarter

(Bloomberg; Dec. 27) - Russia’s biggest liquefied natural gas producer has started production at its Arctic LNG-2 project — despite U.S. sanctions — in a move that could provide some relief to the tight global market for the fuel. The first train of the Novatek-led project “has actually started operating,” Russia’s Deputy Prime Minister Alexander Novak said in an interview with state-run Rossiya 24 TV channel on Dec. 27. “We’re expecting the first shipments from this project in the first quarter of next year.”

The facility, located on the Gydan Peninsula above the Arctic Circle, is Novatek’s second large-scale project and is crucial for Russia’s goal to more than triple its LNG production to 100 million tonnes by the end of the decade. However, U.S. sanctions imposed on the project’s operator in November put that ambitious goal at risk. Novatek sent force majeure notices to some LNG buyers earlier this month. Foreign partners of the project declared their own force majeure on participation in the venture as well.

Exports from Arctic LNG-2 would add to the pool of supply as the world — and Europe in particular — becomes increasingly dependent on the fuel to meet its energy needs. The force majeure notices don't necessarily mean there will be no shipments from Arctic LNG-2. Exports will depend on the extent to which Novatek or another Russian entity can deliver volumes from the project with the limited pool of potential buyers willing to ignore U.S. sanctions, said Jake Horlsen, a senior analyst at Energy Aspects in London.

Cheniere scales back expansion at Louisiana LNG terminal

(LNG Prime; Dec. 27) – U.S. LNG exporting giant Cheniere now plans to build two instead of three liquefaction trains as part of the Sabine Pass expansion project in Louisiana. Sabine Pass currently has a capacity of about 30 million tonnes per year following the launch of its sixth liquefaction train in February last year, while Cheniere's three-train Corpus Christi plant in Texas can produce about 15 million per year of LNG and is undergoing its own expansion.

Earlier this year, Cheniere initiated the pre-filing review process with the Federal Energy Regulatory Commission for the Sabine Pass Stage 5 expansion project. The original plans included the construction of three large-scale liquefaction trains, each with a production capacity of about 6.5 million tonnes per year, a boil-off-gas reliquefaction unit with a production capacity of 0.75 million tonnes of LNG, and two LNG storage tanks.

However, Cheniere now aims to construct two LNG trains with a nameplate capacity of about 7 million tonnes each using ConocoPhillips liquefaction technology, according to a draft resource report filed with FERC. Cheniere did not say why it decided to reduce the size of the expansion. It said work has progressed from preliminary design and is in the front-end engineering and design stage. Detailed engineering is expected to start in the third quarter of 2025, the firm said. According to Cheniere, the LNG exporter aims to start construction in February 2026 and to complete work in October 2030.

Occidental bets on direct air capture of carbon dioxide

(National Public Radio; Dec. 27) - One of the boldest, most controversial experiments in fighting climate change is taking shape in a dirt patch in West Texas. In a couple of years, giant fans will start whirring at the Stratos facility near Notrees, a town in the wind-swept Permian Basin. It will capture carbon dioxide from the atmosphere and inject it underground, in a process called direct air capture. The logic is clear. Humans have been releasing CO_2 into the air for many decades. Removing some of that carbon dioxide could be a key way to reverse the impact of those accumulating emissions.

Direct air capture is one way to do that — a vital one, proponents argue. At this year's annual United Nations climate talks in Dubai, the world agreed to transition away from fossil fuels to slash carbon emissions and stabilize climate change. But experts say that even in the best-case scenario, the world will need technologies like direct air capture to catch up to climate goals. And the more the world falls behind in slashing emissions, the more this expensive, energy-intensive technology may be required.

The Stratos plant — being built in the midst of oil fields — is playing a key role in scaling up the technology, which is not fully proven. Once it's up and running, the $1 billion facility will be 100 times bigger than any direct air capture plant ever built — and yet, even if it works perfectly, it will take a year to remove less than 10 minutes' worth of global emissions. The company behind it is not a university or a Silicon Valley start-up. It is Occidental Petroleum, a U.S. oil producer that's placing a bet on this technology.

Companies looking to offset their emissions are willing to pay to get carbon removed from the atmosphere and stored underground. The government is putting billions of dollars into the technology. And Occidental has the expertise to scale up this technology and bring down costs, due to similarities between direct air capture and oil production.

Pipeline operator buys underground storage for 115 bcf of gas

(Reuters; Dec. 27) - Pipeline operator Williams said on Dec. 27 it would buy a portfolio of Gulf Coast natural gas storage assets from an affiliate of Hartree Partners for $1.95 billion, to cater to rising demand from liquefied natural gas projects. The deal, expected to close in January, includes six underground natural gas storage facilities with total capacity of 115 billion cubic feet in Louisiana and Mississippi.

Williams would also get 230 miles of gas transmission pipeline and 30 pipeline interconnects to customers including LNG export terminals, as well as connections to Williams' Transco pipeline. "These assets better position Williams' natural gas storage operations to serve Gulf Coast LNG demand and growing electrification loads from data centers along the Transco corridor," said Williams CEO Alan Armstrong.

The U.S was the top exporter of LNG in the first half of this year, ahead of Qatar and Australia, according to the Energy Information Administration. New export plants expected to begin production next year will cement its status as the top exporter. Consolidation in the oil and gas pipeline business has accelerated this year as problems with getting permits for new pipelines has made existing operators more valuable.

India and China now main buyers of Russian crude oil

(Agence France Presse; Dec. 27) - Russia has redirected its oil exports from Europe to China and India, Deputy Prime Minister Alexander Novak said Dec. 27, almost two years after Moscow was hit by Western sanctions over the Ukraine war. After President Vladimir Putin sent troops to Ukraine in 2022, Western countries hit Russia with a slew of sanctions including a European Union embargo on its seaborne oil deliveries.

"We previously supplied a total of 40% to 45% of oil and oil products to Europe," said Novak, who is in charge of energy policy. "This year, we expect the figure not to exceed 4% to 5% of total exports," Novak said in a televised interview. As it was losing much of its market share in Europe, Moscow pivoted to other buyers including China. "China — whose share (of oil exports) has grown to 45% to 50% — and India have become our main partners in the current situation," Novak said.

India, which previously received almost no Russian oil, has become a major buyer. "In two years the total share of supplies to India has increased to about 40%," Novak said. India has been able to snap up discounted crude from Russia before refining it and selling it to European customers. While these sales are legal, critics say they amount to a backdoor route for Russian oil and undermine the impact of the sanctions.

India having trouble paying for Russian oil with foreign currency

(Reuters; Dec. 27) - Payment issues have caused delays in shipments of Russian Sokol crude oil to India, forcing Indian Oil Corp. to purchase more oil from the Middle East, according to sources close to the matter. IOC is India's largest refiner, and the only state-owned refinery with an annual contract to buy varieties of Russian grades, including Sokol, from the Russian oil giant Rosneft.

According to shipping data, IOC was set to receive six shipments of Sokol from late November to December, but those cargoes were not delivered. One of the tankers was sanctioned by the U.S. on Nov. 16. The sanctioned tanker now is bound for Singapore, while the other tankers remain off the coasts of India and Sri Lanka. "The supplier has an intent to deliver crude oil. Hopefully a solution will be found soon," a source said.

IOC has been paying for Russian oil with dirhams, the currency of the United Arab Emirates, since the Indian government advised all its state-owned refineries to switch from Chinese yuan to dirhams. Sources said the IOC payments were delayed because the Rosneft entity that supplies the oil has been unable to open a bank account in the UAE to accept dirham payments. India has become a critical market for Russian oil amid intensifying Western sanctions. It is now the largest buyer of Russian seaborne crude, though sanctions present logistical difficulties in coordinating shipments.

Bangladesh cuts back on gas to textile factories

(The New Age, Bangladesh; Dec. 26) - A shortage of natural gas is seriously affecting industries, including knitwear and textile factories, in districts around the Bangladesh capital of Dhaka, plunging the major export-oriented sector, already affected by a myriad of problems, into further crisis. The pressure in gas lines dropped to zero from the Kanchpur to Rupganj areas in the Narayanganj district and some areas of Gazipur, forcing many factory owners to engage subcontractors in Narsingdi and Mymensingh, where gas supply is relatively better, to maintain their production deadline.

"The gas crisis turned from bad to worse in the past two months, and production came down to 50%," Bangladesh Knitwear Manufacturers and Exporters Association executive president Mohammad Hatem told New Age on Dec. 25. "Most of the factories in the Narayanganj district have no gas supply and shut down their operations," he said, adding that they were struggling to maintain their production despite fewer orders.

Government data shows the country has a deficit of about 1.2 billion cubic feet per day of gas against full capacity. On Dec. 5, the trade association sent a letter to the state minister for power, energy and mineral resources demanding to ensure gas supply to the export-oriented knit factories. Bangladesh Oil, Gas and Mineral Corp., also known as Petrobangla, said they have had to provide more gas to the fertilizer industry, restricting deliveries to the textiles industry. "We could not import … LNG due to a shortage of dollars, which caused another problem," the company said.