Oil and Gas News Briefs
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Analysts skeptical how effective OPEC+ will be at boosting prices

(Bloomberg; Nov. 30) - The latest bid by OPEC+ to support crude prices with additional output cuts that will take effect in January has left market watchers skeptical about the effectiveness of the move. That's partly because of the voluntary nature of the curbs, and partly because of their opacity. The fact that these cuts took such a long time to negotiate, and are not part of the formal quota, hints at only a limited commitment to implement them, according to Morgan Stanley. The impact on supply-demand balances is likely less than the headline figures suggest, the bank's analysts said in a note.

The additional cut is a "temporary response" to large rises in inventories and supply, Goldman Sachs analysts including Daan Struyven said a note. In addition, the further rise in spare production capacity and the voluntary nature of the cuts imply that any additional reductions will become increasingly difficult to implement, they said.

The additional reductions should prevent an oversupplied market in the first quarter, according to Giovanni Staunovo, strategist at UBS Group. While OPEC+ wants to be seen in control of the market, the announcement caused confusion as it was left to individual members to issue statements on the size of their cuts. "Market participants will closely watch compliance levels," Staunovo said.

The outcome of the Nov. 30 OPEC+ meeting is a "bittersweet victory" for Saudi Arabia as its inability to secure a group-wide agreement doesn't bode well for the group's unity and its ability to balance the market, Jorge Leon, senior vice president of oil market research at Rystad Energy, said in a note. The absence of a comprehensive breakdown of OPEC+'s production cuts, with only a select number of countries detailing their reduction, failed to convince the market, analysts from ANZ Group said.

Oil prices slide lower, despite OPEC+ supply cuts

(Wall Street Journal; Dec. 1) - Members of OPEC+ have tried to push crude prices upward with unexpected supply cuts since last year. Wall Street isn't yet convinced that will pan out. On Nov. 30, a million barrel-a-day pullback surprised a market that had largely anticipated that the cartel and its allies would hold output steady. Crude prices seesawed after the announcement, ultimately slipping to their sixth-straight weekly drop to around $79 a barrel for the global benchmark Brent on Dec. 1, suggesting that many traders were unsure if it was the surprise they wanted.

A key question, investors say, is whether the Saudi-led Organization of the Petroleum Exporting Countries and its Kremlin-aligned counterparts can stay together amid an uncertain outlook next year. That could require smaller exporters to shoulder more of the burden by curtailing supplies and absorbing the resulting hit to revenues they use to fund development, security and social programs.

While the Nov. 30 OPEC+ decision spread additional cuts across several producers, their voluntary nature led some traders to warn that they won't be strictly enforced. They fear that Saudi Arabia, which unilaterally throttled production by one million barrels a day this summer, could open the spigots if its counterparts don't follow through. "At some point, (OPEC+ members) have to show the market that there is cohesion," said Rebecca Babin, a senior energy trader at CIBC Private Wealth US. "The strength of the pack is the wolf. The strength of the wolf is the pack."

Increased oil market volatility may be due to commodity bots

(Bloomberg; Nov. 30) - Trading oil has perhaps never been more of a roller coaster ride. In the past two months, prices threatened to reach $100 per barrel, only to whipsaw into the $70s. On one day in October, they swung as much as 6%. So far in 2023, futures have lurched by more than $2 a day 161 times, a massive jump from previous years. What's happening can't be entirely explained by OPEC's moves or war in the Mideast.

While supply-and-demand fundamentals still dictate overall commodity price cycles, the day-to-day business of trading crude futures is increasingly dominated by speculative forces, fueling volatility and driving a disconnect between physical and paper markets. And it's not just speculators in general — traders are pointing the finger at an opaque group of algorithmic money managers known as commodity trading advisers (CTAs). Though they comprise just one-fifth of managed money participants in U.S. oil, CTAs made up nearly 60% of the group's net trading volume this year by some measures.

This year's volatile price swings are being intensified by these bots, according to interviews with more than a dozen traders, analysts and money managers who work in the oil market. They've roiled commodities from gasoline to gold, sidelined traditional investors, drawn the ire of OPEC and even raised eyebrows at the White House.

CTAs are loosely labeled as an individual or organization that advises on the trading of futures, options or swaps. But those in the know say most are defined by their trading strategies: computer-driven and rules-based, with relatively limited time horizons. What makes algorithmic CTAs so destabilizing is that they're typically trend followers — and trend exaggerators. When prices go down, they sell, driving them even lower. And, more troubling for consumers, the same is true on the upside, driving prices higher.

U.S. and Europe step up pressure on ‘ghost fleet’ moving Russian oil

(Reuters; Dec. 1) - The U.S., U.K. and European Union are pressuring Liberia, the Marshall Islands and Panama to increase oversight of ships carrying their flags to ensure that they do not transport Russian oil sold above the price cap, a source who has seen the communications to the countries said on Dec. 1. The move marks another escalation in the West's efforts to enforce the $60-per-barrel price cap on seaborne shipments of Russian oil it imposed to punish Moscow for its war in Ukraine.

The cap, which aims to reduce Russia's revenues while maintaining flows of oil around the world, was imposed in late 2022 but has only recently been enforced. It bans Western companies from providing maritime services such as transportation, insurance and finance that facilitate the trade of Russian oil sold above the cap. Russia has increasingly turned to a so-called "ghost fleet" of aging tankers to ship oil and avoid the cap. That fleet is transporting oil to countries including China and India, much farther away than Russia's traditional customer base and adding greatly to shipping costs.

Panama, the Republic of the Marshall Islands and Liberia have allowed some of those tankers to carry their flags, according to Lloyd's List Intelligence and oil analysts. The practice, known as "flag hopping," allows shell companies that have been set up to trade Russian oil to dodge sanctions. Lloyd's List has said nearly 40% of the 535 dark-fleet ships have claimed ownership via companies incorporated in the Marshall Islands. The goal of the new pressure is to not reduce the number of ships carrying Russian oil, but to tighten compliance on the cap and make it more expensive for Russia.

Venezuelans vote in referendum to annex oil-rich area of Guyana

(CNN; Dec. 3) - Venezuelans voted by a wide margin Dec. 3 to approve the takeover of an oil-rich region in neighboring Guyana — the latest escalation in a long-running territorial dispute between the two countries, fueled by the discovery of vast offshore energy resources. The area in question, the densely forested Essequibo region, amounts to about two-thirds of Guyana’s territory and is roughly the size of Florida.

The largely symbolic referendum asked voters if they agreed with creating a Venezuelan state in the Essequibo region, providing its population with Venezuelan citizenship and “incorporating that state into the map of Venezuelan territory.” In a news conference announcing preliminary results from the first batch of counted votes, the Venezuelan National Electoral Council said voters chose “yes” more than 95% of the time on each of five questions on the ballot.

It's unclear, however, what steps Venezuela’s government would take to enforce its claim. Venezuela has long claimed the land, which it argues was within its borders in the Spanish colonial period. It dismisses an 1899 ruling by international arbitrators that set the current boundaries when Guyana was still a British colony. Venezuelan President

Nicolas Maduro has cast the referendum in anti-imperialist sentiment on social media. Guyana has called the move a step toward annexation and an “existential threat.”

New U.S. rules require oil and gas industry to cut methane emissions

(CNN; Dec. 2) - The Biden administration has finalized a rule to significantly cut the U.S. oil and gas industry’s emissions of methane, a powerful planet-warming gas that scientists and climate advocacy groups have pressed nations to rapidly reduce as global temperatures soar. The announcement came amid a wave of commitments at the COP28 climate summit in Dubai on Dec. 2, including a pledge from at least 117 countries to triple renewable energy by 2030.

Methane, the main component of natural gas and a byproduct of oil and gas drilling, is a potent source of climate pollution. The oil and gas industry is one of the main sources of global methane emissions, according to the International Energy Agency. The new U.S. rule, which will be implemented by the Environmental Protection Agency, is expected to slash methane emissions by nearly 80% through 2038, compared to what they would have been without the rule.

The rule will crack down on methane leaks from industry in several ways. In a major development, it will end routine flaring of the gas that is a byproduct from oil wells and will phase in a requirement to capture instead of burning that gas. The rule will also require stringent leak monitoring at wells and compressors, and cut down on leaks from pumps, storage tanks and other equipment. It will rely on independent monitoring — using satellites and other remote-sensing technology — to find large methane leaks.

Brazil’s president says it will join OPEC+ to push energy transition

(Reuters; Dec. 2) - Brazilian President Luiz Inacio Lula da Silva said on Dec. 2 that Brazil's participation in OPEC+ is to convince nations to transition away from the use of fossil fuels. Brazil has indicated that it was on the brink of joining OPEC+, a group of 23 oil-producing countries. "I think it's important for us to take part in OPEC+ because we need to convince the countries that produce oil that they need to prepare for the end of fossil fuels," Lula said at COP 28, the U.N. climate change conference in Dubai.

"Preparing means using the money they make to invest so that continents like Africa and Latin America can produce the renewable fuels they need, especially green hydrogen," he added. Brazil's Mines and Energy Minister Alexandre Silveira had signaled on Nov. 30 that the country would accept an invitation to join OPEC+. Brazil is the largest oil producer in South America, at 4.6 million barrels per day of oil and gas, of which 3.7 million barrels per day are crude.

Brazil's potential participation in the group that could determine oil production by its members would be controversial, given that the country is a market economy, with some companies, such as state-run oil company Petrobras, listed on the stock exchange. But Brazil, if it joins OPEC+, is not expected to cap its oil output, three sources told Reuters.

Report says South Korea risks building too much LNG capacity

(Offshore Energy; Dec. 1) - A new report by the Institute for Energy Economics and Financial Analysis has found that South Korea's pace of developing liquefied natural gas import and storage terminals presents a high risk of overinvestment and overcapacity. According to IEEFA estimates, the country's LNG industry is pouring $8.7 billion into an infrastructure build-out that has projects at the construction or planning stage to boost receiving capacity for the fuel. Overall, incumbents and new entrants in the country's LNG market aim to complete 11 LNG terminal projects by 2031.

"Our analysis demonstrates a growing mismatch between LNG import infrastructure and projected LNG demand based on the country's net-zero goal," Michelle Chaewon Kim, the report author and an Energy Finance Specialist, South Korea, at IEEFA, said. Ongoing conflicts in the world could keep South Korean gas prices elevated, Kim added. "This could decrease imports by LNG terminals operated or leased by independent power producers, adding to underutilization and stranded-asset risks."

The report also stated: "We believe that a faster transition to renewable energy will mitigate the highly volatile fossil fuel cost of power generation caused by unforeseen supply shocks and bolster the energy security of South Korea." As of 2023, South Korea has seven LNG import terminals with a combined regasification capacity of around 153 million tons per year, IEEFA said, pointing out that its projections show that the existing terminals operate at only 60% of capacity.

Canadian producer will send more gas to U.S. Gulf Coast for export

(Times Colonist; British Columbia; Nov. 30) - ARC Resources, a major natural gas producer in British Columbia, has inked a second agreement with Cheniere Energy to supply almost an additional 140 million cubic feet per day of natural gas for expansion of Cheniere's LNG export terminal in Sabine Pass, Louisiana. Alberta gas producers ARC and Tourmaline Oil previously inked agreements with Cheniere to move gas produced in the two provinces to Louisiana via the North American pipeline system.

Tourmaline and ARC each signed agreements last year with Cheniere to supply about 140 million cubic feet of gas per day. The companies are major producers in the Montney shale formation in northeastern British Columbia. ARC Resources is building a new C$740 million natural gas processing plant in the region.

Western Canada gas producers have been looking for more markets to take their gas, as an oversupply holds down prices at the Alberta pricing hub. The country's first LNG export terminal is expected to open in 2025 in Kitimat, British Columbia, though the partners in the development have their own gas reserves to export through a new 416-mile pipeline from northeastern British Columbia to the coast.

Golden Pass LNG in Texas on track for production testing in 2024

(LNG Prime; Dec. 1) - QatarEnergy and ExxonMobil released a construction update for their Golden Pass liquefied natural gas export terminal near Sabine Pass, Texas. State-owned QatarEnergy owns a 70% stake in the project, which will have the capacity to produce 18 million tonnes per year of LNG, while ExxonMobil holds a 30% share. A joint venture of Chiyoda, McDermott and Zachry is building the three liquefaction trains worth about $10 billion, next to the existing but unused LNG import terminal.

Federal regulators said in an inspection report in October that the anticipated in-service timing for testing of the first Golden Pass liquefaction train is the second half of 2024, with the second and the third trains following after that. Concrete, steel and piping installation continues at the construction site, according to the latest report filed with regulators. The companies have indicated the first export cargoes will load in 2025.

LNG containment tank engineering firm predicts record orders

(LNG Prime; Nov. 30) - French LNG containment giant GTT is expecting that there will be more than 450 orders for large LNG carriers and other ships needing tanks to hold liquefied natural gas, such as LNG-fueled cargo ships, over the next 10 years, GTT's chief Philippe Berterottière told LNG Prime on Nov. 30. He said the order book for newbuilds would swell due to the strong demand outlook for LNG and more stringent environmental regulations, which will force owners to replace older ships.

GTT designs the giant containment tanks aboard LNG carriers. The company received a record 162 orders to outfit LNG carriers in 2022. The 2021 order book totaled less than half that volume. In 2022, the global fleet of LNG carriers totaled about 650 ships.

U.S. investment firm makes play for stake in Australia LNG project

(Wall Street Journal; Nov. 30) - U.S. investment firm EIG Global Energy Partners is closing in on a deal for a liquefied natural gas asset in Australia as it raises its bets on demand for the fuel amid a reordering of energy supply chains triggered by Russia's invasion of Ukraine. CEO R. Blair Thomas said EIG's MidOcean Energy unit is working on the deal in parallel with an effort to buy Australia's Origin Energy as part of a consortium led by Brookfield Asset Management.

MidOcean would acquire Origin's 27.5% stake in the Australia Pacific LNG project in eastern Australia if the consortium's nearly $11 billion offer for the entire company is successful. EIG tried to buy a 10% stake in the LNG project two years ago for about 2 billion Australian dollars, equivalent to $1.33 billion at current exchange rates, but the deal was preempted by ConocoPhillips, which was already a shareholder in the project.

If the consortium's offer succeeds, MidOcean plans to trim its newly acquired stake in the LNG project to 25% by selling a 2.5% stake to ConocoPhillips. That would cement Conoco as the project's top shareholder by raising its stake to 50%. MidOcean would add Origin's operations to an energy portfolio that already includes small stakes in four Australia LNG projects it acquired for $2.15 billion from Japan's Tokyo Gas earlier this year. MidOcean wants to increase its geographic reach and LNG arbitrage capability.

Indian LNG buyer files claim for Russian gas it never received

(Livemint; India; Dec. 1) - State-owned GAIL India has sued a former Gazprom unit, now run by SEPE Marketing & Trading, for default in failing to meet its liquefied natural gas supply commitments. GAIL is seeking $1.8 billion in damages. The importer had to purchase expensive LNG on the spot market after Russia's invasion of Ukraine and Western sanctions disrupted supplies under GAIL's long-term contract with the Gazprom unit.

GAIL, in its stock exchange filing, said it has filed an arbitration claim before the London Court of International Arbitration for non-supply of LNG cargoes under the long-term contract. In 2012, GAIL signed a 20-year deal to buy as much as 2.85 million tonnes per year from Russian energy giant Gazprom. The deal was signed with Gazprom Marketing and Singapore which was a unit of a Gazprom subsidiary in Germany. The marketing firm was taken over by the German government and the business halted deliveries to GAIL in June 2022 because it needed the gas to meet domestic demand.

In its claim for arbitration, GAIL said the LNG supplies cannot be stopped and the German company that took over the contractual responsibility should have explored other sources for obtaining the gas if Russian supplies were not an option. The German company resumed supplies to GAIL earlier this year.

German utility says Europe needs more LNG during low-carbon shift

(Bloomberg; Nov. 30) - Europe needs more liquefied natural gas to provide relief to its market as the region recovers from last year’s energy crisis, according to Uniper CEO Michael Lewis. “Until significantly more LNG volumes come onto the market, there is going to be a tight situation,” Lewis said in an interview with Bloomberg Television. The German utility was bailed out by the government at the height of last year’s energy crisis, after Russia stopped supplying gas via pipeline and prices soared. The rescue package was one of the largest in German corporate history.

Now Uniper is faced with recovering from the crisis — and eventually ending its government ownership — while preparing for the shift to a low-carbon economy. “We are rebuilding a company that faces the energy transition,” Lewis said. “The ultimate goal is to get off gas and move to hydrogen,” he said. He noted that Europe’s gas demand remains uncertain in the short term. “We have to make judgments on what the right (gas supply) contracts should be, but we are constantly assessing supply and demand balance,” Lewis said.

Operations resume at Australia LNG facility

(Reuters; Dec. 1) - Australia's Origin Energy said on Dec. 1 that its LNG vessel which had lost power and was stuck at the Australia Pacific LNG facility has departed the dock. The company reported a power outage on Nov. 28 aboard the loaded tanker docked at the Curtis Island facility, leading to delays in LNG cargo movements. Origin said the vessel was moved to safe anchorage for further repairs. Three LNG cargoes were facing delays as a result of the stranded ship at the dock.

The downstream operator of the APLNG facility, ConocoPhillips, was working on returning the LNG plant to normal operations. APLNG is a joint venture between ConocoPhillips, Origin Energy and Sinopec. Origin, Australia's biggest energy retailer, operates the gas fields, while ConocoPhillips operates the export facility and sales. APLNG can only take one vessel at a time.

Michigan regulators approve new pipeline tunnel under Great Lakes

(Reuters; Dec. 1) - Michigan regulators on Dec. 1 approved Canadian pipeline company Enbridge’s application to build a tunnel under the Great Lakes to house its aging Line 5 oil pipeline, a major step forward for the $750 million project. Enbridge is planning to replace a section of the pipeline, which runs underwater for 4 miles through the Straits of Mackinac between lakes Michigan and Huron, to address concerns Line 5 could leak.

The Michigan Public Service Commission approved Enbridge's application, finding there was a public need to protect the Great Lakes from the risk of an oil spill while also keeping the pipeline operating. "There are no feasible and prudent alternatives to the replacement project pursuant to the Michigan Environmental Protection Act," the commission said in a decision posted on its website.

Calgary-based Enbridge still requires permits from the U.S. Army Corps of Engineers and construction is not expected to start before 2026. The company first submitted an application to build the tunnel in 2020 to address concerns Line 5 could leak. The 70-year-old pipeline carries 540,000 barrels per day from Superior, Wisconsin, to Sarnia, Ontario, and is at the center of a long-running legal dispute between Enbridge and the state of Michigan, which says it should be shut down.