# Oil and Gas News Briefs
Compiled by Larry Persily
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## [Despite OPEC+ cuts, markets show supply outstripping demand]

(Bloomberg; Dec. 5) - Key oil market gauges indicate that supplies are outstripping demand, overshadowing Saudi Arabia's pledges that OPEC+ will deliver on its planned production cuts. Saudi Arabia on Dec. 5 lowered its official crude selling prices to Asia for next month, a sign of market weakness as OPEC and its allies deepen their output curbs to avoid a surplus. At the same time, U.S. crude oil exports are expected to hit a record of nearly 6 million barrels a day. Production from outside the OPEC+ alliance has consistently surpassed expectations this year.

Traders remain unconvinced that new OPEC+ export curbs will materially tighten the market. "The voluntary element of the deal left the markets questioning whether the supply reduction would actually come into effect," said Fiona Cincotta, financial market analyst at StoneX. Meanwhile, the demand outlook is being hurt by rising concerns about China's economic strength, she said.

Still, Saudi Energy Minister Prince Abdulaziz bin Salman told Bloomberg News on Dec. 4 that OPEC+ cuts would "overcome" an expected inventory build in the first quarter and could be extended if needed. Russian President Vladimir Putin will travel to the United Arab Emirates and Saudi Arabia this week. Moscow is a key member of OPEC+.

## [Crude oil falls to lowest prices since June]

(Bloomberg; Dec. 6) - Oil fell to the lowest since June as momentum traders and lower market volumes worsened a plunge that has been driven by concerns the market is oversupplied. Crude has plummeted in recent weeks amid signs of swelling global supplies, including estimates from ship-tracking firms that American crude exports are nearing a record 6 million barrels a day. U.S. benchmark West Texas Intermediate slid 4.1% to below $70 a barrel Dec. 6, while global benchmark Brent retreated below $75.

"The fact that more and more support levels are giving way, this is further fueling the momentum selling," said Fawad Razaqzada, a market analyst at City Index and Forex.com. The Organization of the Petroleum Exporting Countries and its allies announced deeper output cuts on Nov. 30 in a bid to stabilize markets, but the price drop continued as traders remained skeptical the cartel's members will follow through.

## [U.S. oil production set another record in September]

(Reuters; Dec. 4) - U.S. crude oil production set a record for the second month running in September, highlighting the challenge to Saudi Arabia and its OPEC+ partners as they cut their own production to boost prices. Repeated OPEC+ output cuts since the fourth quarter of 2022 have thrown a lifeline to U.S. producers, averting a deeper slump in prices and conceding more market share to them.

U.S. crude and condensate production increased by 224,000 barrels per day to 13.24 million barrels per day in September from August, according to the U.S. Energy Information Administration. Crude and condensate production was 750,000 barrels per day higher than a year earlier (an increase of 7%). The large increase in domestic production has contributed to the accumulation of crude inventories and softening of prices since the start of the fourth quarter.

In the most recent month, production increased in the federal waters of the Gulf of Mexico (+108,000 barrels per day) and Alaska (+19,000), as well as in the Lower 48 states (+97,000). Onshore Lower 48 production climbed to a record of 10.8 million barrels per day, surpassing the pre-pandemic peak of 10.5 million in December 2019. There are few signs Lower 48 production growth is slowing despite the slump in prices and fall in the number of active drilling rigs over the past year.

## [Saudi minister says, ‘I honestly believe’ production cuts will happen]

(Bloomberg; Dec. 4) - The OPEC+ oil production cuts can “absolutely” continue past the first quarter if needed, Saudi Energy Minister Prince Abdulaziz bin Salman said, as he pledged the curbs would be delivered in full. The supply reductions announced last week of more than 2 million barrels a day — about half of which are coming from Saudi Arabia — will only be withdrawn after consideration of market conditions and using a “phased-in approach,” he said.

As the prince was speaking to Bloomberg, crude prices stayed below the level of before the OPEC+ meeting, trading near $78 a barrel in London on Dec. 4. Oil has failed to find renewed momentum after market-watchers noted that only about half of the cuts are entirely new, and also questioned whether all of the promised supply reductions will actually materialize. Prince Abdulaziz said these skeptics will be proved wrong. “I honestly believe” that the cuts will happen, he said in an interview in Riyadh on Dec. 4.

As traders try to gauge the impact of the OPEC+ agreement, one of the big questions is about Russia. Its contribution comes from export curbs, not outright production cuts as is the case for other OPEC members. Prince Abdulaziz said he would have preferred for a reduction in output, but couldn’t convince his Russian counterpart. Moscow has long argued that freezing weather and other geological conditions make it more difficult to curb production in the first few months of the year. “We believe them,” Prince Abdulaziz said of Russia’s commitment. “I honestly believe they are doing everything by the book.”

## U.S. is limited in its ability to refill Strategic Petroleum Reserve

(Bloomberg; Dec. 4) - The Biden administration may not be able to take full advantage of the recent drop in prices as it seeks to refill its depleted crude oil reserve, the Energy Department’s No. 2 official said Dec. 4. The Strategic Petroleum Reserve stands at its lowest level since the 1980s, but physical constraints and maintenance at the network of underground caverns along the Gulf Coast limit the amount the department can purchase to about 3 million barrels a month, Deputy Energy Secretary David Turk said.

“That is the physical limit of how much we can buy back,” Turk said in a Bloomberg TV interview on the sidelines of the COP28 climate conference. “We hope we can bring more capacity online at these price levels to buy as much as we can to refill. We will buy back as much as we possibly can, but there are some physical constraints.” Oil prices have posted back-to-back monthly declines as supplies from non-OPEC countries ballooned, while the outlook for demand growth has softened.

The more than 700-million-barrel oil reserve, constructed in the aftermath of the 1970s Arab oil embargo, currently stands at about 350 million barrels, following the Biden administration’s historic 180-million-barrel withdrawal to tame gasoline prices in the wake of Russia’s invasion of Ukraine as well as sales mandated by Congress. So far, efforts to refill it have been at a trickle, with two of the reserve’s sites in Texas and Louisiana offline for maintenance and a $1.4 billion modernization program, funded through oil sales, behind schedule and over budget.

## U.S. LNG exports close to record in November

(Reuters; Dec. 1) - U.S. liquefied natural gas exports in November rose to the second-highest monthly production level on record, 7.99 million tonnes of the gas, according to tanker tracking data. The U.S. was the world’s largest exporter of LNG in the first half of this year, according to the U.S. Energy Information Agency, ahead of Qatar and Australia. Additional Gulf Coast export plants expected to begin production next year will cement the U.S. as the world’s top exporter, analysts have said.

November’s volumes were just shy of April’s record 8.01 million tonnes, according to trade flows and tanker tracking data published by financial firm LSEG. U.S. LNG producers continued to focus on Europe as winter begins in the Northern Hemisphere, with more shipments delivered to customers in that region. In November, about 68% of U.S. LNG was exported to Europe, up from October’s 65%. Fewer U.S. cargoes headed to Asia last month. Exports to that region fell to 18.5% of the total from 20% in October.

Natural gas flows to the seven big U.S. LNG export plants rose to a record 14.3 billion cubic feet per day in November, nearly 15% of total U.S. natural gas production.

## LNG developer signs up new customer for West Coast Mexico project

(Reuters; Dec. 6) - Woodside Energy said Dec. 6 it has signed a deal with energy company Mexico Pacific to purchase 1.3 million tonnes of liquefied natural gas per year for two decades to beef up production and optimize its operations. Under the deal, the Australian oil and gas producer will buy the LNG from Mexico Pacific's Saguaro Energia LNG project, located in Sonora, Mexico, with pricing linked to U.S. gas indices.

"This agreement with Mexico Pacific delivers a new source of LNG into our trading portfolio, expands our geographic diversification in the Pacific Basin and builds on our presence in Mexico," CEO Meg O'Neill said. The deal would also help Woodside gain proximity to key markets in Asia, she added. The agreement is subject to Mexico Pacific taking a final investment decision on a proposed third liquefaction train at the project, which is expected in the first half of 2024. Commercial operations of the third production train are targeted to start in 2029, Woodside said.

Mexico Pacific’s president reported in September that work on the first two liquefaction trains would start in 2024, with commercial production targeted for the second half of 2027. Nameplate capacity with all three trains would be 15 million tonnes per year. Mexico Pacific already has contracts to supply ExxonMobil, Shell, ConocoPhillips and China's Zhejiang Energy.

## U.S. developer says it’s in the right not delivering contracted cargoes

(Wall Street Journal; Dec. 6) - Michael Sabel and his partner, both industry novices, have made a fortune virtually overnight by building from scratch one of the world’s largest liquefied natural gas exporters. They have also made some powerful enemies. At their first facility spanning 630 acres in the wetlands outside New Orleans, Sabel said his company, Venture Global LNG, is on pace to leapfrog competitors and to become one of the world’s top exporters by 2030. A second plant is under construction.

But he must navigate a nasty feud with some of the industry’s biggest names. Venture Global’s earliest customers, including BP and Shell, say the upstart company is ripping them off. In the process, they argue, Venture Global risks undermining the U.S. LNG industry’s reputation as a reliable contributor to the world’s energy supply. Sabel, the 56-year-old chief executive officer of Venture Global, said he isn’t losing sleep over the criticism. “We are so busy executing, and winning, and being successful.”

The quarrel has become the industry's ugliest in years and centers on a core question: Who has rights to Venture Global's LNG? That prize is worth billions of dollars in sales, much of that to Europe. BP and Shell argue that under the long-term contracts they signed over the past decade with Venture Global, they should have begun receiving LNG cargoes months ago, which they could sell through their vast trading arms. Instead, as the Ukraine war broke out and LNG prices soared, Venture Global sold its gas at higher prices on the spot market — taking in more than $14 billion.

Venture Global counters that the contracts require it to deliver LNG to those early customers only when its first plant in Louisiana, called Calcasieu Pass, is finished. And it says even though the plant has shipped more than 200 cargoes, it isn't technically complete. Twenty-one months after Venture Global's first overseas shipment, BP, Shell and other early buyers are still waiting, and seething. BP, Shell and Italy's Edison are pursuing billions of dollars collectively from Venture Global through arbitration.

## U.S. LNG developer says term customers have to wait on deliveries

(Reuters; Dec. 6) - A second Venture Global LNG export plant in Louisiana due to begin operating in 2024 will undergo a lengthy start-up similar to its Calcasieu Pass facility, with customers likely to receive their first cargoes in 2026 at the earliest, CEO Mike Sabel told Reuters. The nearly three-year commissioning at Calcasieu Pass has prevented its original backers from obtaining any of the cargoes that Venture Global sold on the spot market and has stirred accusations and arbitration claims from those customers that believe they should have received the LNG under their contracts.

The new Plaquemines LNG plant, about 20 miles south of New Orleans, includes some of the same customers that have fiercely protested their inability to obtain their contracted cargoes from Calcasieu Pass. The earliest date that first cargoes will be available to long-term Plaquemines contract customers is 2026 or 2027, though Venture Global expects to sell commissioning cargoes from the project in 2024. Venture Global has said its contracts give it sole authority to determine when a facility is commercial, and until then the company believes it is free to sell its cargoes on the open market.

The company has said equipment problems at the first plant have prevented it from reaching full commercial production, allowing it to withhold cargoes from big name contract customers including BP, Edison, Repsol, Shell and others, and sell them as commissioning cargoes. Customers claim Venture Global LNG has deprived them of tens of billions of dollars in LNG sales at a time when global prices were high.

## Global natural gas market looks in good shape for winter

(Bloomberg; Dec. 5) - For the global gas market, winter is over before it even began. The fuel’s consumption tends to peak as the onset of colder weather in the Northern Hemisphere forces households and office buildings to turn up the heat. But you wouldn’t get that impression from looking at gas prices this year, with European futures falling to the lowest since early October. Fears of shortages in Europe and Northeast Asia have all but disappeared. Weak industrial demand, particularly in China and Germany, and continued increases in fuel supply, are the main reasons for the lack of alarm.

The upshot is the world looks set to get through its second winter since Russia’s invasion of Ukraine curbed pipeline supplies without any major drama, even in the event of record-breaking cold blasts. European gas inventories remain at a seasonal high, and while there’s been a rebound in Chinese imports, the nation isn’t luring supply away from other regions — the worst-case scenario envisioned by analysts.

And LNG export projects are pumping out shipments at a rapid clip without any major disruptions, besides the odd hiccup in Australia. U.S. gas is vital for Europe to replace Russian supplies, and U.S. shipments surged more than 25% last month from a year earlier. Still, a global market without Russian pipeline gas to Europe remains vulnerable to sudden shocks. Notwithstanding that risk, the likelihood is that gas prices, while being subject to some short-term volatility, will probably trend lower as the winter progresses.

## B.C. cites progress in cutting emissions; LNG opponents disagree

(CBC News; Dec. 3) – British Columbia's environment minister says 2023's progress report on greenhouse gas reductions shows the provincial government's climate plan is working — but environmental groups warn continued development of the liquefied natural gas sector could reverse those reductions. The report, released Nov. 30, stated net emissions in 2021 — emissions minus carbon sequestered by forest management — were down 4% from 2007, the year British Columbia uses as a baseline for its targets, and down 5% since 2018 when the CleanBC plan was launched.

It also notes the province has cut oil and gas methane emissions by 50%, surpassing a goal of 45% by 2050, and that 22% of new vehicles sold are zero-emission, exceeding a goal of 10% by 2025. "We continue to be on the right path to meet our ambitious emissions-reductions targets, even as our population and our economy have both grown," Environment Minister George Heyman said in a statement with the report.

But environmental groups warn that if the province continues with LNG export projects, the targets will become nearly impossible to meet and climate progress will end. The David Suzuki Foundation said a focus on LNG production jeopardizes the CleanBC plan. "B.C. will have a good chance to meet 2030 emissions targets if it reins in support for LNG development and focuses on seizing growing opportunities in the clean economy," Tom Green, a policy adviser with the foundation, said in their statement.

## New study critical of methane emissions from transporting LNG

(High North News; Dec. 5) - A new study on the full lifecycle of greenhouse gases from liquefied natural gas projects concludes that emissions from production and transport of LNG exceed those from coal. Methane emitted during transport of LNG, in particular, contributes to the emissions total. Modern LNG tankers are able to use the gas they carry to power their engines but the combustion results in varying degrees of methane emissions. In addition, some of the transported LNG boils off as it warms during the voyage, though modern vessels are able to recapture any boil-off and use it as fuel.

"In all of the scenarios considered, across all types of tankers used to transport LNG, methane emissions exceed emissions of carbon dioxide from the final combustion of LNG," the study's author Robert Howarth of Cornell University states. While the assessment looks specifically at the flourishing LNG sector in the U.S., its conclusions apply to Russia's Arctic projects as well, the report's author confirms. "The critical variable here is time at sea, distance traveled and fuel consumption," Howarth said.

In contrast to LNG carriers transporting gas from the U.S. to Europe, Russia's fleet of ice-breaking tankers travels through ice-covered waters for large parts of the year. The additional friction from breaking through sea ice increases fuel consumption for Arctic LNG carriers, resulting in higher methane emissions. While exact figures depend on ice conditions, studies on fuel consumption for ships traveling through ice indicate fuel use for Arctic LNG carriers could be as much as double compared to temperate waters.

## No major oil-producing nation plans to stop new drilling

(Reuters; Dec. 5) - None of the world's major oil and gas-producing countries have plans to eventually stop drilling for those fuels, despite many having pledged to reach net-zero emissions, according to data shared with Reuters on Dec. 5. The Net-Zero Tracker, an independent data consortium including Oxford University, said its findings laid bare the gap between the targets countries have set to avoid disastrous levels of climate change and their real-world plans to continue producing CO2-emitting energy.

"This proliferation of 'net-zero' ambition without the commitment toward fossil fuel phase-out highlights the need for entities to determine how these targets will be achieved," said research co-author Natasha Lutz from the University of Oxford. Governments at the U.N.'s COP28 climate summit in Dubai are debating whether to agree for the first time to phase out carbon dioxide-emitting fossil fuels, the main cause of climate change.

The data shared with Reuters showed 69 of the world's oil-producing countries, including Saudi Arabia, the U.S., Russia, China and COP28 host the United Arab Emirates, have pledged to reach net-zero emissions. But only three minor producers — Denmark, Spain and France — have set out plans to eventually stop drilling, the researchers said. Denmark and Spain are also alone among gas producers in planning a production phase-out.

## Indian refiners resume buying Venezuelan oil — at discounted prices

(Reuters; Dec. 3) - Indian refiners have resumed Venezuelan oil purchases through intermediaries, with one refiner, Reliance, set to meet executives from state firm PDVSA next week to discuss direct sales following the easing of U.S. sanctions on the South American country, people familiar with the matter said. Trade resumed between the OPEC producer and the second-largest destination for its oil after Washington in October temporarily lifted sanctions banning Venezuelan oil exports, prompting a flurry of spot sales of crude and fuel through middlemen and traders, mostly to China.

India last imported Venezuelan crude in 2020. Access to Venezuela's heavy oil could cap import costs for India, which has become a major Russian oil buyer, and further reduce its reliance on Middle East supplies. Three Indian refiners have bought some 4 million barrels of Venezuelan crude for February delivery at between $7.50 and $8 per barrel below dated Brent on a delivered basis, five trade sources said.

Of those, trading house Vitol sold 1.5 million barrels to Indian Oil Corp. and 500,000 barrels to HPCL-Mittal Energy, a joint venture between state-run Hindustan Petroleum and Mittal Energy Investment, they added. Reliance had previously received an offer for a prompt-delivered cargo at $16 a barrel below dated Brent, another source said, but it was unclear if the deal had gone through. Venezuela is producing some 850,000 barrels per day of crude with a target of soon reaching 1 million barrels per day, Venezuela's deputy oil minister said last month, a goal it has repeatedly missed.

## Western sanctions on Russian oil exports foster elusive trades

(Bloomberg; Dec. 5) - The failure of Western sanctions on Russian oil exports can be seen a short boat ride from the Greek coastal town of Gytheio, where two oil tankers with rusty hulls and a combined age of 57 years sit just yards apart from one another. The identity of the ships' owners and insurer is elusive. They sail under the only flag in the world deemed by authorities to be "very high risk." And the final destination of the profits from trading their Russian fuel is a mystery.

Even their movements are suspicious. Digital tracking systems showed the 26-year-old Turba floating four miles away, as the 900-foot Simba emptied its fuel cargo into the smaller vessel, in the full view of Bloomberg News. On the same day as this ship-to-ship transfer took place in September, more than a dozen similar vessels — part of a vast shadow fleet — floated nearby, doing the same thing or getting ready to transfer oil.

Designed to reduce funding for the Kremlin's war on Ukraine, the sanctions deal agreed a year ago this week included a $60 per barrel price cap for seaborne Russian oil — $24 below the average market price over the past 12 months. Instead, it has fostered a lucrative business for scores of difficult-to-trace traders and shipping companies. As much as $11 billion a year of petrodollars are evaporating between when the oil leaves Russia to when it reaches buyers, according to trade data compiled by Bloomberg.

It has reshaped the financial architecture of the oil and maritime trade in a way that some experts say might be hard to reverse at the end of the war or after the eventual lifting of the sanctions. It has increased fears of an environmental catastrophe and left the door open to these unseen oil funds flowing back into the Kremlin to finance its war.

## Venezuela stokes tension by claiming Guyana land for itself

(Al Jazeera; Dec. 6) - Tension is growing between Venezuela and Guyana, as Caracas said it is preparing legislation to claim Guyana's Essequibo region as its own. Venezuela President Nicolas Maduro on Dec. 5 called for a bill to create a "Guyana Esequiba" province and ordered Venezuelan companies to prepare to enter the territory to explore for fossil fuels and minerals "immediately." The move escalated tensions over the disputed oil-rich territory.

Maduro said he will proceed "to grant operating licenses for the exploration and exploitation of oil, gas and mines in the entire area of our Essequibo." He demanded that Guyanese companies working in the region leave within three months. Guyanese President Irfaan Ali rejected the measures as a "direct threat" against his country and threatened to take the case to the United Nations Security Council. Venezuela has for decades laid claim to Essequibo, claiming that the Essequibo River to the region's east forms a natural border and has historically been recognized as such.

However, Guyana, of which Essequibo makes up more than two-thirds and hosts 125,000 of its 800,000 citizens, has administered the territory since the frontiers were determined by an arbitration panel in 1899. Venezuela's latest efforts to overtake the territory piqued in 2015 when ExxonMobil announced it had found oil in commercial quantities off the Essequibo coast. Maduro's statements follow a controversial referendum on Dec. 3 to annex the territory.

## Exxon says it can best help Guyana by producing oil efficiently

(Bloomberg; Dec. 4) - ExxonMobil CEO Darren Woods said the company is focusing on producing oil in Guyana as efficiently as possible to help the South American country in its border dispute with Venezuela. "I'm not sure the press has captured the true intensity of the situation there, but we're keeping an eye on it," Woods said in an interview at the

COP28 climate summit in Dubai. “We can do what we can do, which is making sure that we’re helping the government of Guyana by producing the resources efficiently.”

Venezuelans on Dec. 3 voted on referendum questions over whether to claim a disputed border area currently controlled by neighboring Guyana. Elvis Amoroso, head of Venezuela’s electoral body, said preliminary results show an “overwhelming victory” of positive answers as the government uses the issue to stoke nationalism among the electorate ahead of presidential elections in 2024. Guyana and Venezuela have been disputing their boundary since the late 1800s.

The dispute gained renewed fervor after Exxon discovered oil offshore Guyana in 2015 and turned the country into one of the fastest-growing producers of crude. “I think there’s a lot of things happening in Venezuela from a political standpoint,” Woods said.

## Europe’s big container ship operators talk of phasing out fossil fuels

(Bloomberg; Dec. 1) - Europe’s biggest container lines want to phase out ships powered only by fossil fuels. The proposal was announced Dec. 1 in a joint statement from Mediterranean Shipping Co., A.P. Moller-Maersk, CMA CGM and Hapag-Lloyd — four of the world’s top five carriers. It was part of a wider call for action on cutting the industry’s greenhouse gas emissions, made at COP28 this week in Dubai.

“We want to see an end to delivery of ships that can only run on fossil fuels,” said Soren Toft, CEO of industry leader Mediterranean Shipping. “Concrete supply of alternative fuels — and globally recognized greenhouse gas pricing — are essential.” Shipping is a major source of carbon emissions. While the sector is making some moves toward decarbonizing, progress is relatively limited so far, with the vast majority of the world’s fleet still running on oil. Alternative marine fuels include clean forms of methanol and ammonia, as well as liquefied natural gas.

The companies also called for a “pricing mechanism” to make green fuel competitive during the transition. The carriers, having just come through a two-year stretch of record profits during the pandemic, are making more effort to show environmental stewardship because customers are trying to reduce their carbon footprints. Copenhagen-based Maersk has taken delivery of a vessel that can run on green methanol and has an additional 24 arriving through 2027, with a target of net-zero GHG emissions by 2040.