Oil and Gas News Briefs
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New York buys more diesel from India to replace European supplies

(Bloomberg; Jan. 31) - New York is buying an unusually large amount of gasoline and diesel from India — a country that has become a top outlet for sanctioned Russian crude oil. About 89,000 barrels per day of Indian gasoline and diesel will reach New York this month, the most in nearly four years. This accounts for more than 40% of the region's total imports for January, according to Kpler data compiled by Bloomberg. That's a jump from an average of 5% of the region's imports last year.

These imports are a crucial replacement of European fuel shipments to New York, which have slowed in recent months and will likely dry up further once new sanctions on Russia begin Feb. 5. Meanwhile, India is poised to buy even more of the deeply discounted Russian crude rejected by the Group of Seven and European Union nations, refining it into valuable fuel and selling it to places affected by sanctions.

India's imports of Russian oil hit a record in January, with volumes reaching 1.39 million barrels per day, according to Kpler. Figures show Russia has been India's top crude supplier since June. This growing pattern underscores the sanctions' limitations and their unintended impact. Increasing reliance on fuel imports from as far away as India puts the U.S. East Coast at greater risk of supply shortfalls. A cargo from India can take more than a month to arrive to New York, two to three times longer than from Europe.

Nations turn to Venezuela for low-cost, convenient oil and gas

(Wall Street Journal; Feb. 3) - Caribbean countries battered by high energy costs are turning to Venezuela for oil and gas as the U.S. eases sanctions that have kept its supplies off-limits for years. Trinidad and Tobago received a U.S. Treasury Department license in January to develop a Venezuelan gas field. A prospective refinery operator in Curaçao is seeking to buy Venezuelan crude oil. And officials on other islands have said they hope to restore imports of Venezuelan fuels.

A surge in energy prices after Russia invaded Ukraine last year has driven countries to look for new supplies just as Venezuela's autocratic regime is starting to emerge from international isolation. "The governments in this region need access to gas or oil in order to sustain their economies, and traditionally Venezuela has been either the lowest-cost or most convenient supplier," said David Goldwyn, former State Department special envoy for international energy.

Trinidad and Tobago, which sits off the coast of Venezuela, obtained its license after the Biden administration authorized Chevron to resume Venezuelan oil production in November. The island nation is seeking new supply for plants that produce liquefied natural gas and petrochemicals. The plants have been partially closed for years due to Trinidad and Tobago's falling gas output and U.S. sanctions that halted an earlier plan to tap Venezuela's gas. Though some work was done before sanctions, it could take three to four years to move gas from Venezuela's offshore field into Trinidad and Tobago.

Price caps on Russian refined products now in effect

(Wall Street Journal; Feb. 3) - The U.S. and its allies have agreed to cap the sales price of premium Russian petroleum products such as diesel at $100 a barrel and limit low-value ones such as fuel oil to $45 a barrel, expanding their sanctions on Russia's oil industry. Just as with the $60 a barrel price cap on Russian crude that the West imposed in December, the agreement will bar Western firms from handling seaborne cargoes of Russian oil products unless they are sold below the set prices.

The sanctions aim to keep Russian oil available on global markets to hold prices steady, while also reducing the Kremlin's revenue as punishment for its invasion of Ukraine. The price limits on Russian petroleum products will kick in Feb. 5, the same day that the European Union will bar the import of Russian products into the bloc. The Group of Seven advanced democracies, along with Australia, announced the price caps on Feb. 3, hours after the EU reached a deal on the penalties. European officials approved the caps, initially offered by the bloc's executive arm last week, with relatively little debate.

Previous deliberations on sanctioning Russia's oil industry had pitted countries such as Poland, which wanted deeper penalties on Russia, against the U.S. and others that worried about harming the global economy. Traders and shipping executives don't expect the sanctions to cause immediate disruption in markets. European diesel stocks have ballooned in recent months as companies stockpiled fuel ahead of the sanctions. European imports from the Mideast, India and China are picking up. Russian petroleum products meanwhile are starting to find new markets in North Africa and Latin America.

Analysts say sanctions not doing much damage to Russia's oil flow

(CNBC; Feb. 3) - Sanctions imposed on Russian crude have so far "failed completely" and new price caps on refined products could prove immaterial as well, analysts told CNBC. The European Union will ban imports of refined petroleum products from Russia, including diesel and jet fuel, starting Feb. 5. The 27-member bloc has already banned the purchase and import of seaborne Russian crude oil since December.

In addition, the bloc — along with its allies in the Group of 7 and Australia — has set a price cap on Russian seaborne crude to other nations, which bars the use of Western-supplied maritime insurance, finance and services unless the oil is sold below $60 per barrel. It's part of efforts to curb Moscow's ability to raise funds for its war in Ukraine.

The price cap "was invented by bureaucrats with finance degrees, none of them really understand oil markets," Paul Sankey, of Sankey Research, told CNBC on Feb. 2. "It has failed completely." Sankey said Russian oil hasn't really been interrupted and "they've sustained exports at high levels." He added, "I heard it from a great source that the Saudis have been asking around as to how come Russian oil is still flowing."

Vandana Hari, founder of analytics firm Vanda Insights, said she too was skeptical about the upcoming restrictions on Russia's refined products. "The crude price cap was pretty inconsequential," Hari told CNBC on Feb. 2. "I think the refined product caps that they're planning … are probably going to be immaterial as well." Russian oil will find its way into the markets that are "still welcoming it," including China and India, according to Hari. Buyers, however, are paying significantly below-market prices for Russian oil.

Fleet grows of tankers carrying Russian crude around sanctions

(Bloomberg; Feb. 3) - The "shadow fleet" of ships that transport Russian oil around the world to evade sanctions has expanded to about 600 tankers, according to commodities trading giant Trafigura. About 400 crude oil vessels, or 20% of the global fleet, have switched from mainstream trades to "ostensibly do Russian business," co-head of oil trading Ben Luckock said in an interview on Bloomberg Television. For oil-product tankers, the company sees the level at 200 tankers, or 7% of the world total.

"You had the old days of Iran and Venezuela, and there was a shadow fleet that was relatively small — it would manage the sanctioned barrels," Luckock said. "This Russian flow is vastly different – it's huge." The European Union will ban almost all seaborne imports of Russian refined fuels starting Feb. 5, two months after imposing a prohibition on crude oil. The measures will come in conjunction with a cap on the price of Russian petroleum for anyone wanting to access key Western services like insurance.

"There's a lot of people talking about how they can be clever and get rid of Russian oil. But it is a vast volume that needs to find a new home," Luckock said. "I think in the early days maybe that's okay, but as time progresses there will be difficulties in the products markets." Oil prices have edged lower this year amid robust Russian production and weaker-than-expected Chinese crude demand. Many buyers and shippers remain willing to do business with Moscow despite tightening international sanctions.

OPEC+ committee sticks with production cut

(Wall Street Journal; Feb. 1) - A panel of OPEC+ energy ministers on Feb. 1 said the group would continue cutting oil production amid uncertainties about demand in China and the impact of sanctions on Russian crude supplies. Maintaining the status quo will allow the Organization of the Petroleum Exporting Countries and a group of producers led by Russia — collectively known as OPEC+ — to take more time to assess demand data from China, the world's biggest oil importer, and determine how a resurgence of COVID cases there and European Union sanctions on Moscow have affected demand.

Delegates said that OPEC+ wants to remain conservative in its approach until there are clearer signals that markets need more crude. OPEC+ decided in December to lock in a 2 million-barrel-a-day production cut that was decided in October. The committee's decision suggests that the world's leading oil producers are uncertain about the direction of prices, ahead of a price cap on imports of Russian refined products.

The alliance isn't planning to review its production until its next meeting in June but the panel that met on Feb. 1, known as the Joint Ministerial Monitoring Committee, can call for a full OPEC+ meeting if warranted. The next committee meeting is set for April 3. Last month, OPEC left its forecast for global oil demand and economic growth largely unchanged, but warned that China's reopening could be bumpier than expected and pointed to risks, such as a resurgence of COVID-19 cases, that could delay a rebound.

IEA says OPEC+ may need to reconsider output as China recovers

(Reuters; Feb. 5) - Oil producers may have to reconsider their output policies following a demand recovery in China, the world's second-largest oil consumer, the International Energy Agency's Executive Director Fatih Birol said on Feb. 5. Demand in China, the world's largest crude importer and No. 2 buyer of liquefied natural gas, has become the biggest uncertain factor in global oil and gas markets in 2023 as investors bet on the speed of its recovery after Beijing lifted COVID restrictions in December.

"We expect about half of the growth in global oil demand this year will come from China," Birol told Reuters on the sidelines of the India Energy Week conference. He added that China's jet fuel demand is exploding, putting upward pressure on demand. "If demand goes up very strongly, if the Chinese economy rebounds, then there will be a need, in my view, for the OPEC+ countries to look at their (output) policies," Birol said.

OPEC+ angered the U.S. and other Western nations last fall when it decided to cut output by 2 million barrels a day through 2023, instead of pumping more to cut fuel prices and help the global economy. Birol hopes that OPEC+ — which includes members of the Organization of the Petroleum Exporting Countries and allies such as Russia — will return to a constructive role in the market as demand improves. He also said fuel markets might face short-term difficulties as global trade routes "reshuffle" to accommodate Europe drawing on more imports from China, India, the Mideast and U.S.

Shell continues to take LNG cargoes from plant in Russian Arctic

(Reuters; Feb. 2) – Shell is still receiving cargoes of liquefied natural gas from Russia under its long-term contract with Novatek, a Shell spokesperson said on Feb. 2. The world's largest LNG trader agreed to a more than 20-year deal in 2015 for Novatek to supply about 900,000 tonnes per year from the Yamal LNG plant it operates in Siberia.

Shell said in 2022 it would exit all its Russian operations, including a major LNG plant in the Sakhalin Peninsula in the eastern flank of the country after Russia invaded Ukraine. Other companies that exited their operations in Russia included BP and Norway's Equinor, while France's TotalEnergies said it would continue to ship LNG from Russia as long as there were no European sanctions on the fuel. Although Europe has introduced widespread sanctions against Moscow, liquefied natural gas is not on the list.

Russian gas exports to Europe via pipelines plummeted to a post-Soviet low in 2022, with Europe accusing Russia of restricting supplies and Moscow blaming the impact of sanctions. A major pipeline was also damaged by mysterious blasts. However, Russia supplied Europe with 17 million tonnes of LNG in 2022, up 20% from 2021, Refinitiv Eikon data show. Novatek, Russia's largest LNG producer, provided most of the supplies, having shipped 20.8 million tonnes from the Yamal LNG project — including cargoes to other customers — and 700,000 tonnes from Kriogaz-Vysotsk on the Baltic.

Total CEO plans Mozambique visit to consider restarting LNG project

(Bloomberg; Jan. 31) - TotalEnergies Chief Executive Officer Patrick Pouyanne plans to visit Mozambique this week to assess conditions for restarting construction at the company’s giant liquefied natural gas project that was put on hold in 2021 because of Islamic State-linked violence, according to two government officials from the southeast African nation. It’s unclear if the company will announce plans to resume what was previously touted as Africa’s biggest private investment, costing at least $20 billion.

A restart of the project would come at a critical time for Mozambique, whose entire economy is worth less than the construction cost of TotalEnergies’ LNG plant. Revenues from the project would be important to servicing its sole $900 million eurobond after government debt soared to more than 100% of gross domestic product. The Mozambique LNG project could also play a key role in easing Europe’s energy crunch as Russia squeezes supplies of natural gas.

Rebel attacks at the end of 2020 prompted the company to evacuate staff at the site. In March 2021, as TotalEnergies announced plans to restart, there was a major raid on Palma, the town closest to the development, leading the company to declare force majeure. The Mozambican government asked for military help from Rwanda and a regional bloc later that year to contain the insurgency. The security situation has since improved, especially along the coastal strip in the far north where the project is located.

BP reportedly plans to scale back push into renewable energy

(Wall Street Journal; Feb. 1) – BP CEO Bernard Looney plans to dial back elements of the oil giant's high-profile push into renewable energy, according to people familiar with recent discussions. Looney has said he is disappointed in the returns from some of the company's renewable investments and plans to pursue a narrower green-energy strategy, the people said. He has told some people close to the company that BP needs to do more to convince shareholders of its strategy to maximize profits in areas where it has a competitive advantage, including its legacy oil and gas operations.

In some of the conversations, Looney has said he plans to place less emphasis on so-called ESG goals — a catchall term for environmental, social and governance — to help clarify that those aren't distracting the company from its ability to deliver profits, the people said. Looney, the sources said, is casting the moves as a modest short-term course correction rather than a major strategic pivot for the 114-year-old company.

Analysts and some investors say pledges by BP to shift away from fossil fuels and into renewable energy risk handicapping the company's performance. Many companies are struggling to transition to new green technologies while still relying heavily on traditional energy sources. Looney took over as CEO in 2020 and announced commitments to shrink greenhouse gas emissions, including from oil and gas the company sells. Investors questioned how renewables could make up for fossil-fuel businesses that typically produced higher — if volatile — returns.

Gas exporters forum says LNG could exceed pipeline volume by 2026

(Natural Gas Intelligence; Feb. 2) - Natural gas is still expected to dominate the global energy mix and support decarbonization into the middle of the century despite recent market volatility, but the world's current energy crunch could be accelerating LNG's position as the trade of choice, according to the Gas Exporting Countries Forum. In a recently published report, researchers estimated that natural gas will hold the largest portion of the global energy mix in 2050, growing to 26%.

However, how that gas reaches end-users could be changing more quickly due to geopolitical events. In the latest report, researchers now expect LNG trade to surpass pipeline volumes as soon as 2026. LNG trade is expected to more than double pipeline volumes by 2050. "With domestic production declining in some of the Asia-Pacific countries and Europe, and with pipeline exports to Europe also declining, LNG is gaining momentum and becoming the preferred gas supply source," the report said.

The GECF is an international governmental organization headquartered in Qatar, and is comprised of 19 member countries. The organization publishes an annual forecast tracking changes and expectations for global gas markets and production into 2050.

LNG export capacity grew from 270 million tonnes per year in 2010 to 462 million at the end of 2021. By 2050, LNG exports could double to 1 billion tonnes, the report said.

Community activists continue battle against LNG project in Texas

(The Guardian; Feb. 3) - For Dina Nuñez and her friends, the fight against the Rio Grande LNG project is about protecting their community from air pollution; preserving shrimping and tourism; and defending habitats for pelicans, endangered ocelots and aplomado falcons on unspoiled wetlands between Port Isabel and Brownsville, Texas. The claim by developer NextDecade to be building the “greenest LNG project in the world” has thrust the grassroots activist women to the forefront of a global struggle.

At a time when scientists warn there can be no new fossil fuel developments if the world is going to avoid the worst impacts of the climate crisis, oil and gas companies are turning to a technology known as carbon capture and storage to convince investors, politicians and the public their plans are climate-safe. NextDecade says it would use CCS to capture carbon dioxide produced during the gas liquefaction process, though opponents say that gas is only a small part of the CO2 associated with the project.

“Carbon capture is like trying to put a Band-Aid on a bullet hole,” said Bekah Hinojosa, a Brownsville artist, community organizer and Gulf Coast campaign representative for the Sierra Club. “The project itself is highly destructive in so many different ways, and would still release a tremendous amount of toxic air pollution into our impoverished brown and Indigenous community.” Preliminary tree-felling work at the site has started, though the company has yet to make a final investment decision on the $10 billion project.

B.C. LNG project wants to amend marine mammal protections

(CBC Canada; Feb. 4) - A liquefied natural gas project that would produce for export about 2 million tonnes of the fossil fuel a year near Squamish, British Columbia — about 40 miles north of Vancouver — is seeking changes from Environment and Climate Change Canada over how it is required to monitor for marine mammals affected by underwater noise, such as pile driving, during construction, which has not started.

Opponents of Woodfibre LNG, which received its federal environmental approval in 2016, say the changes will harm pinnipeds — seals and sea lions — in Howe Sound, which was designated a UNESCO biosphere region in 2021. "If this is granted, this marine mammal exemption zone will allow (the project) to expose seals and sea lions to underwater noise up to 190 decibels, and that's equivalent to repeated shotgun blasts," said marine scientist Tracey Saxby, of My Sea to Sky, which opposes Woodfibre LNG.

Woodfibre has applied to Canada's Impact Assessment Agency for amendments to the original environmental assessment. It wants to reduce an exclusion zone for underwater noise affecting pinnipeds from more than 4.5 miles around the project to 400 feet. It argues the original condition was put in place for all marine mammals — pinnipeds and cetaceans (whales and porpoises) — and the proposed change is to separate the two to more accurately undertake mitigation. Woodfibre said the terms, which would halt work if a marine mammal was in the zone, are not technically or economically feasible. The Impact Assessment Agency will make a recommendation to the Environment Minister.

Expansion at B.C. LNG plant becomes climate change battleground

(Globe and Mail; Canada; Jan. 18) - An industrial site in British Columbia has emerged as a battleground over whether governments that have pledged to fight climate change should approve new projects to export liquefied natural gas. The Tilbury Pacific Marine Jetty project is asking permission to build a new dock at Tilbury Island in the Vancouver suburb of Delta. Environmental groups say cabinet ministers' pending decisions will be an important indicator whether there is a political appetite in Canada for exporting LNG, given the B.C. and federal governments' commitments to net-zero emissions by 2050.

The sponsors are Fortis and marine services company Seaspan. "We can't let perfect be the enemy of good as it relates to taking climate action," said Doug Slater, FortisBC's vice president of external and Indigenous relations. FortisBC, the largest distributor of gas to homes in B.C., uses its Tilbury plant mostly for domestic storage as a backup for peak demand on cold days and in case of fuel shortages. One of the new berths would be for marine refueling barges to serve LNG-powered ships arriving at the Port of Vancouver. The other berth would be used for LNG exports. FortisBC is going through a separate regulatory process for a $3 billion production capacity expansion at Tilbury.

Supporters of exports say Canada is positioned to help bolster global supplies of the fuel, especially from the West Coast to Asia. B.C. Environment Minister George Heyman, B.C. Transportation Minister Rob Fleming and their cabinet colleagues are scheduled to rule first on the application to build the jetty facilities. The jetty proposal also requires approval from federal Environment Minister Steven Guilbeault. The proposal for the dock has undergone a review by the B.C. Environmental Assessment Office in collaboration with the Impact Assessment Agency of Canada.

How hydrogen is produced determines its low-carbon ranking

(CNBC; Feb. 3) - From Elon Musk to European Commission President Ursula von der Leyen, the past few years have seen many high-profile names talk about the role hydrogen may — or may not — play in the shift to a more sustainable future. Musk has expressed skepticism about hydrogen’s usefulness, but many think it could help to slash emissions in a number of sectors, including transportation and heavy industry.

While there’s a major buzz about hydrogen and its importance in a low-carbon future, the vast majority of its production is still based on fossil fuels. According to a September 2022 report from the International Energy Agency, low-emission hydrogen production in 2021 accounted for less than 1% of global production. If it’s to have any role in the planned energy transition, hydrogen generation needs to change in a pretty big way.

“The first thing to say is that hydrogen doesn’t really exist naturally, so it has to be produced,” said Rachael Rothman, co-director of the Grantham Centre for Sustainable Futures at the University of Sheffield in the U.K. “We need to find low-carbon ways of producing it.” Different production methods have been labeled as different colors.

Grey hydrogen is created from natural gas — the greenhouse gases associated with the process are not captured. The manufacture of blue hydrogen uses natural gas but also carbon capture and storage. Green hydrogen is hydrogen made using renewable energy and electrolysis, with electric current splitting water into oxygen and hydrogen.

Californians will vote whether to uphold new law restricting wells

(CBS News; Feb. 3) - California's new law banning new oil and gas wells near homes, schools and other community sites has been put on hold until after voters decide next year whether to throw it out, officials announced Feb. 3. Opponents of Senate Bill 1137 gathered more than 623,000 valid voter signatures to put a referendum on the Nov. 5, 2024, general election ballot, California Secretary of State Shirley N. Weber announced.

The bill, which was signed into law by Gov. Gavin Newsom last September, bans new wells within 3,200 feet of locations including schools, homes, day care and health care centers, parks, jails and businesses open to the public. It was celebrated by environmental justice advocates who had been pushing for the regulation for years to lower air pollution in poor neighborhoods and communities of color.

But days after the bill passed, Nielsen Merksamer, a law firm that specializes in ballot measures, filed a referendum to overturn the law on behalf of Jerome Reedy, a board member of the California Independent Petroleum Association. That association has opposed several state and local measures to regulate oil and gas drilling, including bans and phase-outs in Los Angeles County and the City of Los Angeles.

Shell earned record profit, but not all shareholders are happy

(Bloomberg commentary; Feb. 2) - In any other industry and at any other time, record profits, a dividend hike and billions of dollars in share buybacks would be more than enough to keep shareholders happy. But not in oil in 2023, with companies caught between needing to prove their environmental commitments while making most of their money from dirty hydrocarbons — a dilemma that will get worse in the coming years.

Shell, Europe's largest energy company, is a case in point. On Feb. 2, it reported that adjusted net profit last year surged to an-all-time high of nearly $39.9 billion, easily beating the previous record of $28.4 billion from 2008. Wael Sawan, who became CEO in January, went ahead with a previously announced 15% dividend increase, and added a $4 billion stock buyback to win favor with shareholders. Yet, the market clearly wants more. On a price-to-earnings ratio, Shell is trading at just five times, compared to the eight to nine times of its American rivals ExxonMobil and Chevron.

But for shareholders more interested in renewables and climate change, Shell isn't green enough. They see its investments in wind and electric vehicle charging as greenwashing. In politics, appealing to moderate voters in the center is often a winning strategy. In the world of corporate energy, it's the opposite: executives need to go right or left. For too long, Shell has insisted on trying to stay in the middle. It hasn't worked. Sawan needs to be ruthless in shedding unprofitable ventures, however green they are.