

Oil and Gas News Briefs

Compiled by Larry Persily

February 9, 2023

Goldman Sachs expects oil back above \$100 a barrel later this year

(Bloomberg; Feb. 5) - Oil will rise back above \$100 a barrel this year and may face a serious supply problem in 2024 as spare production capacity runs out, according to Goldman Sachs. With sanctions likely to cause Russia's oil exports to drop and China's oil demand expected to recover as the country ends its zero-COVID policy, global prices will rise above \$100 from their current level of around \$80, according to Goldman.

A lack of spending in the industry on new exploration and production needed to meet demand will also be a driver of higher prices, and that lack of capacity may become a big issue by 2024, Goldman analyst Jeff Currie said in Saudi Arabia on Feb. 5. "The commodity supercycle is a sequence of price spikes with each high higher and each low higher," said Currie, who spoke on the sidelines of an event hosted by Kapsarc, a Saudi energy-research institute.

By May, oil markets should flip to a deficit of supply compared to demand, he said. That could use up much of the unused capacity global producers have available, which will be positive for prices, Currie said. Saudi Energy Minister Prince Abdulaziz bin Salman also used remarks at the Riyadh conference on Feb. 4 to decry the lack of investment in refining capacity that has left the world undersupplied, while he reiterated that OPEC+ would remain cautious in deciding when to ramp up its oil output.

Saudi Arabia will wait for clearer signs before boosting oil supply

(S&P Global; Feb. 4) - Saudi Arabia is waiting for clearer signs of rising oil demand before committing to hike production with its OPEC+ counterparts, its energy minister said, while also warning that global geopolitics and a lack of industry investment could create supply shortages. China's reopening and encouraging economic data from some major consuming countries in recent weeks have prompted some oil market forecasters to project firmer demand in the coming months, but Prince Abdulaziz bin Salman told an energy economics conference in Riyadh that he was yet to be convinced.

"With all due respect, forecasters are good forecasters. They do their best but not necessarily what they forecast happens as a reality. So, if people can adapt it to my other mode, which is, 'I will believe it when I see it, and then take action,' it's a much more profound, self-assuring, cautious approach," he said Feb. 4. He added that the world should trust the OPEC+ alliance's stewardship of the market.

His comments follow the Feb. 1 recommendation by a key OPEC+ advisory committee for the alliance to maintain current output quotas. OPEC+ is a 23-country bloc of oil-producing countries led by Saudi Arabia and Russia. It agreed in October to slash quotas by 2 million barrels per day until the end of 2023. The group's cautiousness comes against a backdrop of continued risk of a global recession as well as rising COVID cases in China, which could weaken demand in the world's largest oil importer.

BP slows transition to low-carbon as it spends more on oil and gas

(Wall Street Journal; Feb. 7) – BP said it will slow its shift to lower-carbon energy while increasing its spending on the oil and gas production that helped push the company to a record profit last year. “At the end of the day, we’re responding to what society wants,” CEO Bernard Looney said on Feb. 7. Under Looney, who took over as CEO of the London-based company three years ago, BP embarked on one of the industry’s most ambitious pivots away from fossil fuels and toward renewable-energy sources.

BP said it now aims to reduce fossil fuel production by 2030 by around 25% from 2019 levels. That compares with its previous aim to cut that output by 40% during the same period. In explaining the pullback, Looney said the world is more focused on energy security and costs than it was before Russia’s war on Ukraine. More fossil fuels will be needed for longer to manage the global shift to lower-carbon energy, he said.

BP said it aims to increase its investment by as much as \$1 billion a year through this decade in each of two areas: oil and gas production, and what it calls transition growth engines including bioenergy, hydrogen and electric vehicle charging networks. That cumulative spending of up to \$16 billion is in addition to previous targets in those areas. The choice to hold on to more oil and gas production for longer should bolster earnings with “a much more stable profile than previously anticipated,” RBC Capital Markets analyst Biraj Borkhataria said in a research note Feb. 7.

Russian oil and gas executives flock to India

(Bloomberg; Feb. 7) - Just a day after Western powers slapped new sanctions on Russia, top executives from the OPEC+ producer’s oil and gas industry rushed to its biggest potential customer — India. From the head of Rosneft Igor Sechin to the chairman of Novatek Leonid Mikhelson, the Russian delegation was out in force in Bengaluru for India Energy Week. The summit, the nation’s first major event organized under its G-20 presidency, saw delegates from foreign producers rub shoulders with Indian importers as the country highlighted its buying and negotiating power.

Russia, which has plenty of resources including crude oil and natural gas, is increasingly focused on countries like India and China for revenue. This comes as

Europe and the U.S. turn their backs on the nation's energy shipments following its invasion of Ukraine. Russia has quickly risen from a very small presence in early 2022 to become India's largest crude seller, with volumes climbing further after the \$60-a-barrel price cap on Russian shipments was implemented in early December.

India is benefiting as it buys the oil at steep discounts, and is often offered cargoes on flexible payment terms with shipping and insurance coverage. The European Union ban on Russian refined fuel cargoes that took effect Feb. 5, coupled with earlier restrictions on the bloc's crude purchases, give more impetus for Moscow to ramp up flows to India. On a panel alongside India Oil Minister Hardeep Singh Puri and OPEC Secretary General Haitham al-Ghais on Feb. 6, Rosneft CEO was beaming, saying Russia had notched a "psychological victory" over the West by surviving a raft of sanctions.

Exxon signs 20-year deal to take LNG from West Coast Mexico project

(Natural Gas Intelligence; Feb. 7) - Mexico Pacific Ltd. (MPL) and ExxonMobil LNG Asia Pacific have signed long-term offtake agreements for MPL's Saguaro Energía liquefied natural gas export terminal proposed for Puerto Libertad in Mexico's Sonora State. Under the 20-year agreements, the ExxonMobil subsidiary would purchase 2 million tonnes a year of LNG from Saguaro Energía's first two trains. Quantum Energy Partners, a private equity and venture capital firm, is the controlling stakeholder of MPL.

The three-train, 14-million-tonne Saguaro Energía project, which has yet to reach a final investment decision, is designed to get its feed gas from the Permian Basin in the U.S. Southwest and export it to consumers in the Asia-Pacific region. The terminal's location on Mexico's Pacific Coast would allow LNG marketers to bypass the Panama Canal, cutting costs and shipping times from the U.S. Gulf Coast.

A unit of Shell signed an agreement last July to take 2.6 million tonnes a year. "We have reached a critical point on contract volumes required for FID on our first two trains and will now shift focus to close contracting on the significant commercial momentum in place for a subsequent Train 3 FID," MPL CEO Ivan Van der Walt said Feb. 7. MPL said in a recent filing to the U.S. Federal Energy Regulatory Commission that it expects to receive first gas into the terminal in 2026, and that exports could begin in 2027.

Cost escalation will factor into LNG Canada expansion decision

(Vancouver Sun; Feb. 3) - Cooling towers and production modules as tall as high-rise buildings are going in at LNG Canada's plant site in Kitimat, British Columbia, on the way to a 2025 start-up for the country's biggest-ever private-sector investment. With the plant's first phase of 14 million tonnes annual output capacity 75% complete, the partners are eyeing the second phase, although with a close eye on costs. "A Phase 2

final investment decision will take into account several factors, which include overall competitiveness, affordability, pace, future (greenhouse gas) emissions and stakeholder needs," said Teresa Waddington, LNG Canada's vice president for corporate relations.

Ballooning costs of developing LNG projects in B.C., such as TC Energy's revelation about its Coastal GasLink pipeline to serve the liquefaction plant, increase the challenges for proponents and raise doubts about any plans other than those already in play, according to an analyst's report. "It's not like any one cost increase spells the death for the industry," said Clark Williams-Derry, an analyst with the Institute for Energy Economics and Financial Analysis. "It's just a matter of sort of weighing headwinds."

Last week, TC Energy revealed an updated cost estimate of C\$14.5 billion for the 416-mile pipeline to connect LNG Canada to gas reserves in B.C.'s Montney shale formation in the northeast — more than double the original estimate. In his analysis, Williams-Derry wrote that mounting pipeline costs would likely lead to higher tariffs for pipeline users, eroding "LNG Canada's financial underpinnings." The LNG project is led by Shell, which holds a lot of gas reserves in B.C., along with Malaysia's Petronas, Korea Gas, PetroChina and Mitsubishi, which have interest in securing gas for their operations.

[High LNG spot prices push buyers to seek more long-term deals](#)

(Reuters; Feb. 8) - The global liquefied natural gas market is expected to take several years to adjust to last year's shake-up, and high prices will spur more long-term deals, industry executives said at the India Energy Week conference. After Russia slashed piped supply to Europe following its invasion of Ukraine, gas prices hit new highs and Europe bought record volumes of LNG. Prices for both Europe's benchmark gas and Asian spot LNG hit milestone highs, reaching almost \$70 per million Btu in August.

"I see the tensions that we observed in 2022 are not over for 2023," said Thomas Maurisse, senior vice president LNG at France's TotalEnergies. Supply from Russia could fall further while growth in LNG supplies "will not be enough" this year, possibly meaning prices remain "a little bit higher in the years to come" despite having softened recently, Maurisse said. "Only (from) 2026-2027, when we will have a new wave of energy from the U.S. and from Qatar, that the situation may ease a little bit."

While Asian spot LNG prices as of last week have eased by more than 70% from their record levels to \$18.50 per million Btu, they remain high compared to their previous single-digit prices, leading buyers to seek term contracts to avoid spot-market volatility. "What the industry has realized now is that they can't have long-term business on spot purchases. The need is to have long-term contracts, a good mix of long-term, short-term and medium-term contracts," said Akshay Kumar Singh, CEO of India's Petronet LNG.

LNG market will remain tight this year, with few new export projects

(Natural Gas Intelligence; Feb. 6) - The U.S. Energy Information Administration estimated this year will bring the lowest amount of global LNG export capacity additions in a decade, exacerbating expectations for a tight natural gas market through 2025. In a recent report, EIA researchers projected four liquefied natural gas export projects would come online this year, adding a combined capacity of 1 billion cubic feet per day of gas.

That would be the fewest additions to global supply since 2013. Most of the additions are expected to come from Africa. The Greater Tortue Ahmeyim LNG project operated by BP (0.3 bcf per day) offshore Mauritania and Senegal and the Tango Floating LNG production unit located offshore the Republic of Congo (0.1 bcf per day) could start up this year. A third train at Tangguh LNG (0.5 bcf per day) in Indonesia, also operated by BP, could boost the facility's capacity by 50% sometime in the first half of the year.

Annual export additions have gradually dwindled since peaking in 2018 with 5.6 bcf per day in new project capacity. The largest additions to global capacity in 2024-2025 are expected to come from the U.S., starting with ramp-up of QatarEnergy/ExxonMobil's Golden Pass LNG in Texas sometime in 2024. Cheniere Energy's Corpus Christi Stage 3 project in Texas and Venture Global LNG in Louisiana could contribute to a boost of 5.7 bcf per day by the end of 2025. Those three projects, at 43 million tonnes per year of LNG production capacity, are about equal to 10% of current global output capacity.

India wants to sign more long-term LNG supply deals

(Bloomberg; Feb. 7) - India is looking to sign many more long-term deals to buy liquefied natural gas to help power its economic growth. Petronet LNG, India's biggest gas importer, wants to secure 12 million tonnes a year of additional supply under long-term contracts, Managing Director Akshay Kumar Singh said Feb. 7 in Bengaluru at India Energy Week. That's equivalent to about 60% of the nation's deliveries last year, according to ship-tracking data.

New Delhi is trying to boost its LNG import capacity to increase the share of gas in its coal-heavy electricity mix to 15% by 2030 from about 6% now, Prime Minister Narendra Modi said Feb. 6. India will face competition from other importers eager to sign long-term deals to reduce their exposure to the kind of volatility that saw spot-market LNG prices soar to a record last year.

Petronet is also aiming to extend an existing contract with Qatar, and will request as much as 1 million tonnes a year more. Petronet, which is currently purchasing LNG from Qatar at \$16 per million Btu, has until the end of this year to renew its deal. Though high by historical standards, the price is below currently loftier rates on the spot market. Meanwhile, GAIL India is in discussions with Abu Dhabi National Oil Co. and Russia's Novatek for long-term deals, Chairman Sandeep Kumar Gupta said at the conference.

Russia's Novatek ready to sign deal to send more LNG to India

(High North News; Feb. 7) - Russian liquefied natural gas producer Novatek is expected to ink a deal with Indian state-owned energy company GAIL, which would send more gas from Novatek's Yamal LNG project to India. The subcontinent is already a minor market for Novatek as the company has sent 33 LNG shipments totaling more than 2 million tonnes of LNG to the country.

This new agreement is just the latest effort by India, as well as China, to secure access to Russian Arctic natural resources. In recent months both countries have increasingly become recipients of Russia Arctic crude oil. The proposed agreement extends beyond the delivery of LNG, as Novatek's CEO Lenonid Mikhelson explained on Feb. 6 at India's energy week conference. The company is looking to partner with India on technical equipment and know-how and the construction of regasification terminals.

As a result of Western sanctions on the export of technology to Russia, Novatek has been looking for new partners to replace technical expertise and equipment. Also as part of the expected supply deal, GAIL has been requesting that Novatek take responsibility for the shipment of the LNG including insurance. International insurance companies, including the three largest providers in Japan, have stopped providing certain coverage to vessels carrying Russian cargo.

Freeport LNG plans to restart one liquefaction train this week

(Reuters; Feb. 3) - Freeport LNG, the second-biggest U.S. liquefied natural gas exporter, said on Feb. 3 that it plans to restart one of three liquefaction trains at its long-idled Texas export plant this week. In a filing with Texas environmental regulators, Freeport said it "anticipates the purge and restart of Liquefaction Train 3 will begin on Feb. 3, with Trains 2 and 1 following sequentially." That will allow "time between start-ups for each train to stabilize and run for several days at nominal rates," Freeport said.

Freeport also said the "initial purging, restart and cooldown of each train will result in venting to the liquefaction flare as the trains are brought to operating temperatures that allow for the cessation of flaring." Federal regulators have approved Freeport's plan to start sending gas to Train 3. On Feb. 2, Freeport asked for permission to start loading LNG aboard tankers to free up space in storage tanks for the new LNG to be produced.

Federal regulators will hold a public meeting Feb. 11 to provide the community and other interested parties an opportunity to comment on the restart plans and get an update on the plant, according to a filing by the Sierra Club. Energy analysts expect it will take until mid-March or later for Freeport to return to full production. The plant shut after a fire last June. When operating at full power, Freeport can turn about 2.1 billion cubic feet of gas into LNG each day. That is about 2% of total U.S. daily gas production.

[Developer of Texas LNG project criticizes FERC delay](#)

(Reuters; Feb. 6) - U.S. liquefied natural gas developer NextDecade on Feb. 6 criticized the Federal Energy Regulatory Commission for what it called "inexcusable" delays in reviewing information that would allow it to move ahead with its \$15.7 billion export project. NextDecade's Rio Grande LNG project has been stalled by a federal appeals court ruling that the original approval failed to adequately consider the Brownsville, Texas, plant's impact on climate change or on area minority and low-income residents.

The court asked FERC to revisit its environmental review but did not invalidate the original approval. "It is patently clear that an ongoing, 18-month process to address two questions remanded to the commission is inexcusable," NextDecade CEO Matthew Schatzman, wrote. He called on FERC Chairman Willie Phillips to put the project on the meeting agenda this month. The inaction "far exceeds the length of time FERC has taken to respond to other federal appellate court remands," Schatzman wrote.

The company has said it expects to move ahead with financial approval for the first phase of the project this quarter after signing customer agreements for about 70% of the initial capacity. The first phase of two liquefaction trains would be capable of producing almost 11 million tonnes of LNG per year.

[Federal regulators have not kept up with energy industry changes](#)

(EnergyWire; Feb. 6) - Energy companies are racing to build new infrastructure that could have a major influence on emissions and the Biden administration's agenda, but there's a catch: Regulators can't keep up. New liquefied natural gas export terminals and hydrogen projects — as well as thousands of miles of carbon dioxide pipelines — could be built before many federal regulations overseeing them are updated. Some rules are decades old and safety advocates say key questions remain unanswered.

"We're looking at completely outdated regulatory infrastructure," said Tyson Slocum, director of Public Citizen's energy program. "We are building out significant new types of infrastructure that were not envisioned with the regulation that we have." For example, LNG, carbon dioxide pipelines and hydrogen are generally covered by regulations administered by the Pipeline and Hazardous Materials Safety Administration, part of the Department of Transportation, but there are no rules specifically on hydrogen pipelines.

Current regulations for LNG terminals were written in 1980 and don't account for hazardous chemicals now used in liquefying natural gas. PHMSA also says its standards for CO2 pipelines need updating after a pipeline ruptured in Mississippi three years ago. But delaying new projects while the regulatory process catches up could hinder the Biden administration's hopes for companies to deploy new technologies and create jobs while reducing the effects of climate change. It could also cost companies billions and slow progress in cutting emissions.

Italian trade union files complaint to block LNG import terminal

(Reuters; Feb. 3) - The Italian trade union USB filed a legal complaint against a plan by gas grid operator Snam to set up a new liquefied natural gas import terminal in the Tuscan port of Piombino, it said in a press release on Feb. 3. USB alleged Snam had committed serious “environmental crimes” while performing work to build the terminal. USB criticized setting up the terminal in an area already polluted by an old steel plant, saying it would further increase pollution and cause “serious and irreparable injuries.”

Last year, the Italian government mandated Snam to set up the terminal as part of a broader effort to increase the country’s LNG import capacity and offset dwindling Russian gas supplies. Under the government’s plan, the floating storage and regasification unit (FSRU) should be operational by April when new LNG supplies are expected from several African countries.

In November, the Piombino city administration filed a legal challenge against the LNG terminal, claiming risks to safety, the environment and local businesses. That challenge included a “precautionary request” to suspend work setting up the FSRU. An Italian administrative court in December ruled against the request for a precautionary halt on work for the terminal and set a hearing on March 8 to assess longer-term safety issues.

Company behind proposed methanol plant in Alberta appears closed

(Daily Herald Tribune; Grand Prairie, Alberta; Feb. 3) - The numbers were big and the promises bigger, but now a planned C\$4 billion methanol plant south of Grande Prairie, Alberta, is a totally busted dream. “It’s my understanding they were not able to get their funding. At this point they will not be moving ahead with their project,” County of Grande Prairie elected chief executive Bob Marshall said of Nauticol Energy.

The 2019 announcement came with estimates of direct and indirect full-time operations jobs at over 1,200. Revenue projections were in the billions. Construction jobs were estimated at 5,000. The facility would produce more than 3 million tonnes of net-zero blue methanol annually. Then in April 2022, it was announced that Purpose ESG had completed its investment in Nauticol. The company focused its efforts on technology companies working in support of environmental, social and governance projects.

Young Bann, CEO of Purpose ESG, advocated the methanol project’s competitive position with access to vast amounts of natural gas to feed the plant. “Methanol can be used as an alternative to conventional transportation fuels and is particularly popular in the marine transport industry,” he said. Now, less than a year later, the Nauticol Energy website has been pulled down and phone numbers for the office are out of service. Messages to Purpose ESG, via a form on their website, went unanswered.

IEA predicts China will consume one-third of world electricity in 2025

(Bloomberg; Feb. 10) - China's unrelenting need for more electricity to run the world's factory floor and charge the biggest fleet of battery-powered vehicles will push global power demand to new heights, compounding the pressure on utilities to keep pace. The increase in worldwide consumption through 2025 will be roughly equivalent to what the U.K. and Germany use now, according to the International Energy Agency's annual electricity report. China is predicted to account for a third of electricity demand by then.

Electrification is increasing across the world as countries subsidize greener technologies and aim to decarbonize heating and industrial processes to meet ambitious climate goals. That requires more investment from utilities to build power stations, supplement fossil fuels with renewable sources and bury more cables to expand grid capacity. "Renewables and nuclear power are growing quickly enough to meet almost all this additional appetite," IEA Executive Director Fatih Birol said. "Governments now need to enable low-emissions sources to grow even faster."

Carbon emissions from the power sector, which constitute about 40% of the world's total emissions, are expected to plateau as drastic cuts in Europe and the Americas offset growth in coal and gas-fired plants in Asia. In addition, the global intensity of emissions from power generation — or the amount of carbon dioxide produced per unit of energy — is expected to decline by an average of about 3% a year through 2025, the IEA said.

Hydrogen-powered test plane could fly later this month

(Seattle Times; Feb. 7) - The dream of carbon-free flight is inching toward reality. The Federal Aviation Administration on Feb. 6 granted California-based Universal Hydrogen clearance to proceed with a first flight of its hydrogen-powered Dash 8-300 test airplane at Moses Lake, Washington. On Feb. 3, the aircraft began initial ground taxi tests and on Feb. 6 the propellers ran at their full RPM. The FAA certificate in the experimental category means that, provided the tests go well, it could fly as soon as this month.

Universal, led by Paul Eremenko, former chief technology officer and leading clean energy visionary at Airbus and United Technologies, is developing the technology to retrofit midsized turboprop aircraft to run on hydrogen. To create the infrastructure for hydrogen-powered aviation, the company is developing modular pods of liquid hydrogen that can be easily transported to any airport by truck and loaded on to an airplane.

Separately, Universal's engineers are developing a power system inside the plane's nacelle — the casing around the motor — including a fuel cell that converts the hydrogen to electricity that turns the propellers. Eremenko compared the hydrogen pod to a Nespresso coffee pod and the airplane to the coffee machine. On the test plane, it's only the coffee machine that's being tested: The powertrain that converts the hydrogen to electricity and turns the propellers. Instead of the pods filled with liquid hydrogen, the

test plane has a tank of gaseous hydrogen in the back. If it flies, it will be the largest hydrogen-powered airplane to fly. Universal plans to outfit the Dash 8 with 41 seats.

India will boost oil and gas use even as it pledges to cut emissions

(Bloomberg; Feb. 6) - India, the third-largest greenhouse gas emitter, is planning for an expansion of its oil and gas sectors even as it aims to hit net-zero carbon emissions by 2070. The nation intends to boost oil refining volumes to 450 million tons a year (about 3.3 billion barrels) by the end of decade, from about 250 million tons, and will also boost liquefied natural gas import capacity, Prime Minister Narendra Modi said Feb. 6.

“Energy is a big factor in fulfilling the aspirations of Indians,” Modi said, opening a three-day energy forum in Bengaluru that will draw 30,000 delegates, including officials and executives from Saudi Arabia, Russia, the U.S. and China. “From industries to offices, factories to homes, India’s energy demand continues to rise.” India currently holds the G20 presidency and intends to keep a focus on energy security and access to electricity in the developing world, alongside efforts to curb greenhouse gas emissions.

The nation last week defended its continued reliance on coal, pointing to moves by some European nations last year to lift consumption of the fuel as they shunned Russian gas. Natural gas should account for 15% of India’s electricity generation by 2030 from about 6% now, while the country’s share of global oil demand will ultimately more than double to 11%, Modi told the conference. Even so, India will also aim to increase the share of non-fossil fuels in its power mix to 50% by 2030, with a focus on strengthening local manufacturing capacity in solar, batteries and green hydrogen.