Oil and Gas News Briefs
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Venezuela tries long-shot bid to produce and export natural gas

(Bloomberg; June 15) - Venezuela, the beleaguered oil giant that's become South America's poorest nation, sees an economic lifeline in Caribbean waters. Just 30 miles offshore from Caracas lies the Western Hemisphere's second-largest gas reserves. Yet Venezuela has never exported any of it. With its oil industry in tatters, President Nicolas Maduro is kicking off a long-shot bid to tap those vast deposits to revive Venezuela's economy devastated by defaulted debt, rampant inflation and crippling U.S. sanctions.

Already, the government has reached a deal with Spain's Repsol and Italy's Eni to boost output from their operations in Venezuela and export the excess to Europe, according to sources. Last month, a government delegation traveled to London to meet with a firm to discuss certifying the country's gas fields at international standards. Officials are looking to find ways to capture much of the gas Venezuela spews into the air through flaring and leaks and to build pipelines to an LNG export terminal in Trinidad and Tobago.

It makes economic sense — there's robust demand as Europe looks to replace Russian gas. Venezuela wastes more gas by flaring and leaks than the U.K. produces in a year — some $1 billion of the fuel annually. But it would be an incredibly difficult undertaking in a country where energy companies lost billions of dollars of investments expropriated without compensation, where the government's anti-democratic stances have resulted in strict sanctions, and where infrastructure needs extensive upgrades to function again.

The U.S. has given the nod for Trinidad and Tobago to open talks with Maduro for a gas exporting deal. But there's no way that Venezuela can make significant progress without finding companies willing to invest. Venezuela already has the world's largest proven oil reserves, and at one point pumped 3 million barrels a day. But after years of economic mismanagement, incompetence at the state oil company and sanctions, the country now produces just 735,000 barrels a day, according to data compiled by OPEC.

Iran's oil exports highest since 2018, helping to hold down prices

(Bloomberg; June 16) - Iran is shipping the most crude in almost five years, fortifying its re-emergence on the geopolitical stage while posing risks for a fragile global crude market. Exports have surged to the highest level since U.S. sanctions were re-imposed in 2018, according to a range of analysts including Kpler, SVB Energy International, FGE and the International Energy Agency. The vast majority is flowing to China, as the world's biggest importer scoops up cut-price barrels from the Islamic Republic.

Rebounding sales are the most tangible sign yet that the country — while still reeling financially from years of isolation — is reasserting itself, having started to repair ties with regional rivals, fostered relations with Asia's leading power, and even begun a tentative diplomatic engagement with Washington. Yet the extra supplies are sapping confidence in a market weakened by faltering economic growth and cheap Russian oil, frustrating efforts by Iran's partners in the OPEC+ alliance to put a floor under crude prices.

"Iranian crude is extremely interesting for those willing to take the risk to buy," said Homayoun Falakshahi, a senior analyst at Kpler. Crude exports have doubled since last fall to reach 1.6 million barrels a day in May, even as U.S. sanctions remain in place, according to Kpler. Total production has hit 2.9 million barrels a day, the highest since late 2018, the Paris-based IEA estimates. Consultants SVB Energy, Petro-Logistics and FGE believe that output is even higher, maybe surpassing 3 million barrels a day.

The additional shipments — adding to flows from two other OPEC+ members under sanctions, Russia and Venezuela — are already hitting global oil markets. Prices have retreated 12% this year to near $75 a barrel for benchmark Brent.

Rosneft reportedly working on long-term oil sales deals

(Wall Street Journal; June 15) - Russia's state energy giant is close to striking long-term deals to sell substantial supplies of crude, a sign that Moscow can continue to count on oil exports to fund its war on Ukraine. Rosneft is arranging the sales through a tender, a type of auction, aimed at locking in buyers for tens of millions of barrels of crude and refined products over the next year, sources said. The prospective buyers are trading firms competing to send the oil to Russia's biggest markets, such as China and India.

The tender is likely to be the largest since the war began, according to some of the people familiar with the sale. It could also be one of Rosneft's biggest in recent years and involve a significant portion of the company's output. There has been ample bidding demand, sources said. That is a stark turnaround from a year ago, when Rosneft failed to find buyers in a tender in the months after the start of the Ukraine war.

The tenders are seen as a more efficient way to sell large volumes of oil rather than by the individual boatload. Rosneft is the heartbeat of Russia's economy and a major contributor to the budget through taxes, export tariffs and dividends. Its ability to pump oil to global markets is vital to the Kremlin as Russia fights a costly war that has taken a toll on its economy. Meanwhile, continued strong supply of Russian oil has also been a factor in keeping global oil prices low in recent months.

Federal judge rules for Wisconsin tribe in pipeline case

(Wisconsin Public Radio; June 17) - A U.S. judge ordered a Canadian firm to pay $5.1 million for trespassing on a Wisconsin tribe's reservation and remove its oil and gas pipeline within three years from lands it's been illegally operating on. The ruling comes nearly four years after the Bad River Band of Lake Superior Chippewa filed a federal lawsuit against Enbridge to close and remove its Line 5 pipeline from the reservation. Easements on a dozen parcels expired in 2013 and the tribe refused to renew them.

Last fall, U.S. District Judge William Conley ruled Enbridge has been trespassing on the reservation, entitling the tribe to a financial remedy. The nearly 70-year-old line carries up to 550,000 barrels of light crude and natural gas liquids a day over a 645-mile span across northern Wisconsin and Michigan to Ontario. The tribe sued Enbridge over fears that erosion could threaten to expose and rupture the pipeline. Safety concerns have only heightened in recent weeks as spring flooding increased river bank erosion near Line 5. The pipeline is now only 11 feet from the river at an area known as the meander.

In an order issued June 6, Conley said a rupture of the pipeline at the meander creates an unreasonable risk of failure. However, he said the threat is not imminent enough to require an immediate shutdown. He ordered Enbridge to purge and shut down the line if two markers within 10 feet of Line 5 are lost due to erosion. The line also would have to be shut down if a 60-foot span of pipe became unsupported. The company will have to pay a share of its profits to the tribe as long as the line continues to operate in trespass.

Enbridge has proposed multiple projects to reduce erosion near its pipeline, including putting sandbags along the riverbank. The company said it will appeal the judge’s ruling.

Dutch will close Europe’s largest natural gas field in October

(Bloomberg; June 15) - The Dutch government is set to permanently shut down Europe’s largest natural gas field in less than four months, accelerating a closure timeline that may limit its gas supply buffer as it heads into next winter. The Groningen field in the northeastern Netherlands will shut on Oct. 1, people familiar with the matter said, asking not to be identified as the plans are still private. The cabinet will make an official decision later this month, a Dutch government spokesperson said.

The Netherlands previously aimed to close the field at the latest by October of next year depending on the geopolitical situation, but officials have faced political pressure over the repercussions from earthquakes it caused. The field has been a key source of gas for much of western Europe, as well as a backbone of Dutch public finances, since production commenced in 1963. But the site has also caused huge local opposition after hundreds of earthquakes since the 1980s damaged thousands of homes.

The move comes days after Prime Minister Mark Rutte narrowly survived a no-confidence vote following accusations that the government was insensitive to complaints. Dutch front-month gas futures, the benchmark for Europe, jumped more than 30% higher as the shutdown removes one option to boost flows if the region's energy crisis worsens next winter. While the Groningen fields currently contribute a small amount to Europe's overall gas output, it's an important possible supply buffer.

Too much LNG export capacity could be chasing demand

(Institute for Energy Economics and Financial Analysis columnist; June 15) - NextDecade, an upstart liquefied natural gas developer that has been trying to move its Rio Grande LNG project in Texas forward for almost eight years, has taken a closer to its goal, signing up two equity partners. NextDecade now says it's on track to make a final investment decision on the project within weeks. If it is able to secure financing, it would be the seventh LNG project under construction that relies on U.S. gas.

That would add to the seven export terminals already shipping out the fuel. If all 14 were in service, U.S. LNG export capacity would grow by 80%, sending out as much as 22 billion cubic feet of gas per day, or more than one-fifth of all gas now produced in the U.S. Meanwhile, additional LNG projects are waiting in the wings. However, the U.S. is not the only country building export plants. Qatar, which produces the world's cheapest LNG, is in the middle of a massive expansion, with projects also under construction in Canada, Russia, Mozambique other countries.

It's important to note, however, that last year's sky-high gas prices dampened global demand growth for LNG. Europe's gas consumption has fallen sharply this year, with the Russia-Ukraine crisis accelerating the continent's shift away from gas and toward renewables. Japan's consumption has fallen too, and even Chinese gas consumption — once projected to be a major driver of global demand growth — has stalled. The collision between robust supply growth and weaker demand could be a financial catastrophe for TotalEnergies, one of the new equity partners in Rio Grande LNG.

Final batch of modules leaves China for Canadian LNG project

(Upstream; June 16) - All 192 modules for the first phase of the Shell-led LNG Canada project have been completed, with the final batch sailing away from China last week for installation at the liquefied natural gas export terminal site in Kitimat, British Columbia. The C$40 billion (US$30 billion) project aims to be Canada's first LNG export terminal. Shell's head of upstream and integrated gas, Zoe Yujnovich, said work on the LNG plant is more than 80% complete and on track to load its first cargo by mid-decade.

COOEC-Fluor Heavy Industry — the 50/50 joint venture between China's Offshore Oil Engineering Co. and U.S. contractor Fluor — was contracted to build all 192 modules and held the completion ceremony for the final batch at the end of May at the venture's fabrication plant in Zhuhai, China. Of the 192 modules, the Zhuhai facility in Guangdong province built 157 utility and electrical modules, with a steel weight of 108,000 tonnes.

COOEC's facility in Qingdao city in Shandong province, handled 35 processing modules and pipe racks, with a total steel weight of 179,00 tonnes, according to postings on COOEC's website and China's People's Daily. Shell holds a 40% stake in LNG Canada, planned for 13 million tonnes annual output. Partners are Malaysia's Petronas at 25%, PetroChina and Japan's Mitsubishi, each at 15%, and South Korea's KOGAS at 5%.

China continues to approve new coal-fired power plants

(Financial Times; London; June 15) - "China always honors its commitments." So began a speech in late 2020 by Xi Jinping, the most powerful Chinese leader since Mao Zedong, just months after he stunned the U.N. General Assembly with a promise to cut China's net carbon dioxide emissions to nearly zero by 2060. Barely three years later, however, and President Xi's hallmark climate commitments — which also include a promise for China to hit peak carbon before 2030 — are once again making the news.

Many environmentalists believe a renewed coal frenzy threatens to undermine Xi's ambitions. Other analysts, however, say unprecedented investments and technological advances in renewable energy mean China is on track to hit Xi's targets, possibly even ahead of time. The stakes could hardly be higher. China is the world's biggest polluter, responsible for about a third of the planet's annual greenhouse gas emissions.

The World Bank says global climate goals will be "impossible" to achieve unless China transitions to a low-carbon economy. Yet, in the first three months of 2023, provincial governments in China approved more new coal-fired electricity generation than in all of 2021, Greenpeace said. This flurry of investment comes against a backdrop of energy security and economic stability concerns. Coal is still seen as the easiest and cheapest fix for local governments to ensure that electricity is not interrupted. Many provincial leaders are wary of power disruptions after months of shortages in 2021 and 2022.

Permian Basin sets gas production record at 21 bcf a day in 2022

(Business and Industry Connection; June 15) - Natural gas output in the Permian Basin set an record high in 2022 at 21 billion cubic feet per day, 14% above the 2021 average, according to the U.S. Energy Information Administration. Production in the Permian, which extends across western Texas and eastern New Mexico, has been rising steadily for over a decade and has continued to grow in the first four months of 2023.

Producers in the Permian respond to fluctuations in the crude oil price when planning their exploration and production activities because most of the gas output in the basin is associated gas produced from oil wells. The Permian is the second-largest gas-producing basin in the United States, after the Appalachia Basin, which spans Pennsylvania, West Virginia and Ohio. In the Appalachia Basin, well-drilling activity is focused on gas, making production less directly responsive to crude oil prices.

As gas production increases in the Permian, pipeline companies continue to boost the region's takeaway capacity. Companies have announced an additional 4.2 bcf per day of new pipeline capacity will come online by the end of 2024, allowing more gas to reach domestic markets and liquefied natural gas terminals on the U.S. Gulf Coast.

LNG terminals crowd waterway with Louisiana shrimpers

(Houston Chronicle; June 17) - A liquefied natural gas tanker docked at Venture Global's Calcasieu Pass terminal loomed large as Phillip "Rooster" Dyson Jr.'s small shrimp boat rolled by in Louisiana's Calcasieu Ship Channel. The narrow waterway isn't big enough for the both of them, Dyson said. His boat gets diverted about three times a week by the big ships — disruptions that can last hours and cost him as much as $5,000 a night in lost revenue. The few big ships coming in and out of the channel now are just the start.

Commonwealth LNG plans to also develop a facility along the channel and Venture Global is already planning to expand its operations at the channel's mouth. Hurricanes are battering the fishing industry but advocates say gas export facilities are swooping in with what could be the fatal blow. The LNG terminals are multiplying along the Gulf Coast. The roughly 55-mile stretch of coast connecting Texas and Louisiana has three operating LNG facilities and seven more in various stages of planning and development.

The specter of further disruption to the Gulf Coast fishing industry comes as fast-growing LNG trade is flooding an area already devastated by hurricanes. Dyson said he understands why so many fishermen in Cameron have decided to go work at Venture Global's LNG terminal instead of trying to make a living in fishing. "Everybody from Cameron that works there was a fisherman." But what's right for them isn't right for him, he said. "This is what I like to do," he said. "I'm gonna try to do it as long as I can."

Nigeria sends backdated tax bills to oil tanker owners

(Bloomberg; June 14) - At least two oil tanker owners are staying away from Nigeria after several companies received backdated tax bills totaling millions of dollars. Multiple businesses received demands from Nigeria's Federal Inland Revenue Service, according to a member notice by industry group Intertanko seen by Bloomberg. They cover the period from 2010 to 2019 and range in amount from $400,000 to $1.1 million per vessel. In aggregate, some claims reach tens of millions of dollars.

As a result, at least two shipowners, who asked not to be identified discussing commercial matters, are steering clear of Nigerian ports to avoid the risk of having their ships arrested. Tanker earnings from West African cargoes to Europe have soared more than 42% in three days so far this week, according to Baltic Exchange data. Ships staying away from Nigeria makes it easier for owners willing to go there to charge more.

Many of the tax bills referred to a previous law published by Nigeria’s revenue service in July 2021. That measure says any vessel carrying crude oil, gas or refined fuels from Nigeria is liable to pay tax there.

India may get one-third of its oil imports from Russia this year

(Reuters; June 7) - Russia may account for almost a third of India's oil imports by the end of the current financial year, Arun Kumar Singh, the head of India's Oil and Natural Gas Corp., was quoted as saying on June 17 by Russian news agency Interfax. "The share of Russian oil imports, which was less than 2% in 2021/2022, has increased tenfold to 20% in the oil import basket," Singh was quoted as saying at a St Petersburg International Economic Forum panel.

The level may reach 30% by the end of the 2023/24 financial year, he added. "Then, guaranteed trade between the two countries will grow even stronger and Russia will have a major role to play in ensuring India's energy security." Russia has been redirecting its energy supplies from Western countries which have imposed restrictions and sanctions on trade with Moscow, including an oil price cap, after its invasion of Ukraine. China and India purchase most of the re-routed Russian energy.

Russian crude oil imports by India, the world's No. 3 crude importer, hit an all-time high in May as buyers gorged on discounted supplies, reducing demand for oil from the Middle East and Africa, according to preliminary assessments from ship trackers.

Italian power company plans eventually to run plant on hydrogen

(Reuters; June 16) - Italian energy group Edison on June 16 inaugurated a new, lower-emissions gas power station near Venice which in the future could run on a hydrogen-gas mix that should be even less polluting. Italy's government sees hydrogen power as a promising new technology for a country that currently produces more than 50% of its energy from fossil fuels but aims to increase power generation from renewables to two-thirds of the total by 2030.

Edison, the Italian unit of French electricity group EDF, invested about 400 million euros ($438 million) to transform an old plant into a new thermoelectric facility in Porto Marghera, an industrial hub overlooking the Venice lagoon. It has an installed capacity of 780 megawatts and an energy efficiency of 63%, allowing it to cut carbon and nitrogen oxides emissions by up to 30% and 70% respectively, compared to the current Italian average for similar plants, Edison said.

Edison CEO Nicola Monti said the plant "shows how different technologies can contribute to the common decarbonization objective," but noted it is not ready yet to run on hydrogen. "We are looking at the future possibility to convert this plant and to use it in an even more sustainable way. Unfortunately, green hydrogen production is not yet competitive compared to natural gas. We will definitely get there within a few years."

Russia needs more ice-class ships to meet Arctic transit goals

(Bloomberg; June 16) - Russia will struggle to meet its strategic goal of more than quadrupling Arctic sea shipments by the end of the decade as the nation cannot increase and upgrade its small, aging ice fleet fast enough, according to the Northern Sea Route operator Rosatom. The route, stretching more than 3,000 miles between the Barents Sea and the Bering Strait, is the shortest passage between Europe and Asia. Global warming has made the icebound waters increasingly more navigable, creating opportunities for Russian commodity exporters that are focusing on Asian markets.

Russia aims for a fourfold increase in crude oil, liquefied natural gas, coal and other cargoes via the route by 2030. Yet this requires construction of a new commercial Arctic fleet, according to Vyacheslav Ruksha, head of the Northern Sea Route Directorate at state nuclear corporation Rosatom. In the next seven years, the number of Russia's Arctic cargo vessels — from oil and LNG tankers to container ships — will need to grow to 160 from just 30 now, according to the presentation Ruksha made at the St. Petersburg International Economic Forum on June 15.

Currently, only 33 vessels are under construction. "I am afraid we are underestimating technological issues here," he said. "We cannot bring in such capacities within this timeframe." Russia's fleet of ice-class vessels, used in Arctic waters, is aging, he added. Over 40% of the fleet is more than 30 years old, and that proportion will grow to 75% by 2030, Ruksha said. The nation will rely on domestic shipyards to grow their commercial Arctic fleet and is talking with Chinese shipbuilders to replace South Korean partners.

Tankers with Saudi oil stack up offshore Egypt

(Bloomberg; June 16) - Supertankers holding more than 20 million barrels of Saudi Arabian crude are clustered off Egypt's Red Sea coast, the most since the depths of the worldwide pandemic in 2020, data from Vortexa showed. The reasons for the buildup are unclear and it comes at a time when Saudi Arabia has vowed to make additional production cuts in an attempt to lift prices. Fears about a supply glut have gripped the markets as investors try to gauge the direction of demand growth, particularly in China.

“The last time Saudi crude floating storage volumes were above current levels was in Q2 2020,” when levels hit 30 million barrels, “but that was amid a wider rise in floating-storage volumes and a strong contango structure supporting the activity,” Jay Maroo, Vortexa’s head of market intelligence and analysis for the Mideast and North Africa, wrote in a note on June 16.

One likely explanation for the rise in tankers in the area could be due to higher demand for Saudi crude in Europe, the analyst wrote, noting that infrastructure issues don’t seem to be the culprit. Other vessels are still arriving at Egypt’s Red Sea oil terminal of Ain Sukhna and discharging cargoes with little or no delay. Ain Sukhna is the starting point for the SUMED pipeline, which runs to a crude storage and loading terminal at Sidi Kerir on Egypt’s Mediterranean coast. The facilities are part-owned by several Mideast oil-producing countries, including Saudi Arabia, which is the biggest user of the system.