Oil and Gas News Briefs
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June 5, 2023

Saudis will cut production for one month; rest of OPEC+ holds steady

(Associated Press; June 4) - Saudi Arabia said June 4 it will reduce how much oil it produces, taking a unilateral step to support the sagging price of crude after two previous supply cuts by major oil-producing countries in the OPEC+ alliance failed to push prices higher. The announcement of the Saudi cut of 1 million barrels per day for July followed a contentious meeting of the alliance in Vienna. The rest of the OPEC+ producers agreed to extend their earlier production cuts through the end of 2024.

"This is a grand day for us, because the quality of the agreement is unprecedented," Saudi Energy Minister Abdulaziz bin Salman said at a news conference. Calling the Saudi reduction a "lollipop," bin Salman said, "we wanted to ice the cake." He said the Saudi cut could be extended, and that the group "will do whatever is necessary to bring stability to this market." OPEC members huddled together for hours to hash out a deal in what turned out to be a fiery exchange, delegates said. Saudi Arabia was pushing members to cut output but faced resistance, especially from some African producers.

That the Saudis felt another cut was necessary underlines the uncertain outlook for oil demand in the months ahead. There are concerns of economic weakness in the U.S. and Europe, while China's rebound from COVID-19 restrictions has been less robust than many had hoped. Earlier OPEC+ cutbacks this year did little to boost oil prices. International benchmark Brent crude climbed as high as $87 per barrel but has given up those gains and been loitering below $75 recently. U.S. crude has dipped below $70. Asked how long the Saudi cut in oil production might last, bin Salman said: "Why do you deny me the right to keep people in suspense? It's a privilege."

Saudi energy minister takes on oil market speculators

(Wall Street Journal; June 3) - More than any other Saudi energy minister, Prince Abdulaziz bin Salman has waged war against oil-market speculators. Abdulaziz has lashed out repeatedly this year against traders whose bets can cause prices to fall. The focus on financial markets underscores the pressure facing the first Saudi prince to run the oil ministry. As his half-brother, Crown Prince Mohammed bin Salman, pursues his ambitious plans to reshape the kingdom's oil-dependent economy, Abdulaziz must keep crude prices at a level high enough to make those efforts economically feasible.

"I don't have to show my cards — I'm not a poker player," the Saudi oil minister said at an economic forum in Qatar on May 23. The oil minister's protracted efforts to take on speculators and prop up prices suggest that the world's biggest oil exporter could be underestimating the effects on global oil demand of a slowing global economy and its OPEC+ ally Russia pumping huge volumes of cheaper oil into the market despite promising not to, industry officials and analysts say.

For decades, the Saudi-led OPEC projected an image of being a responsible regulator of the global oil market, often touting a production strategy based on longer-term demand-supply fundamentals. By actively targeting Wall Street speculators and risking his own reputation in the process, Abdulaziz is charting a course that shows the pressure he faces to keep prices above the $80-a-barrel level that analysts estimate the kingdom needs to finance the ambitious plans of the crown prince.

Exxon working to improve fracking in hopes of recovering more oil

(Bloomberg; June 1) – ExxonMobil is betting that a better way to frack will double the amount of oil it can pump from shale fields. “There’s just a lot of oil being left in the ground,” CEO Darren Woods said at the Bernstein Strategic Decisions conference on June 1. “Fracking’s been around for a really long time, but the science of fracking is not well understood.” It blasts water, sand and chemicals underground to break apart rock and keep it propped open for oil to flow out. Though fracking gave rise to the U.S. shale boom, only about 10% of the oil in a reservoir is recovered with current techniques.

Better drilling and fracking methods may prove critical as output growth from shale fields slows. Exxon is working on two specific areas to improve fracking, Woods said. It wants to be able to frack more precisely along the well so that more oil-soaked rock gets drained. It also wants to keep the cracks open longer to boost the flow of oil. Sand is the primary method to prevent fractures from closing up. “That in my mind is where the first wave of technology will come into that field,” Woods said. “We think we’ve got some promising technologies to employ there that will significantly improve our recovery.”

Exxon, Chevron negotiating for access to Algeria gas

(Wall Street Journal; June 2) - ExxonMobil and Chevron are in advanced negotiations with Algeria on a deal that would allow the U.S. giants to drill for the first time in the gas-rich North African nation, according to the Algerian energy minister and people familiar with the discussions. The deals, which the energy minister said could be complete by the end of the year, would give the companies a foothold in a country that is an increasingly important supplier of gas to Europe following Russia’s invasion of Ukraine.

Sonatrach, the state oil and gas company, is negotiating agreements with Exxon and Chevron that would focus on conventional gas and Algeria’s huge reserves of shale gas, believed to be the third largest in the world. Algeria is one of the world’s largest producers of gas, and has three pipeline connections to Europe that give it a competitive advantage over distant suppliers, such as the U.S. and Qatar, that ship liquefied natural gas to Europe.

Exxon and Chevron are looking to put cash piles to work, after reaping record profits last year as they rode surging prices. The companies have mostly heeded shareholders' calls for austerity and investor payouts through buybacks and dividends, but are once more on the hunt for new sources of production. Investment options have narrowed, heightening Algeria's attractiveness. The U.S. shale patch has begun to show growth limitations, and some costly frontier projects haven't panned out, including in Brazil, where Exxon ended a multibillion-dollar campaign after a series of disappointing wells.

Japan's LNG imports in May drop to lowest since 2002

(Bloomberg; June 1) - Japan's liquefied natural gas imports last month fell to the lowest in more than 20 years as efforts to save energy and boost nuclear power reduced the need for the fossil fuel. Deliveries declined to around 4 million tonnes in May, about a 30% drop on the same month a year ago and the least since 2002, according to ship-tracking and government data. Japan's gas storage is so well stocked that importers were offering to sell shipments last month.

Japan's government has been appealing to households and businesses to conserve energy after last year's energy crisis stretched the grid, risked blackouts and raised utility bills. In recent months, lower LNG and coal prices have helped trim fuel import costs for the nation's electricity producers and eased pressure on power prices.

"The last time Japanese power consumption was this weak was in May 2020, at the height of COVID," said Joachim Moxon, a senior LNG analyst at ICIS. "At the same time, we are also seeing a slowdown in industrial gas use." The drop in LNG deliveries to Japan, a top importer, is helping to ease the global fuel shortage, pushing spot-market prices to the lowest level in two years.

Lower-priced LNG competes with pipeline gas imports in China

(S&P Global; June 1) - China's natural gas demand is becoming more feasible with Asian LNG spot prices dropping below the key $9 per million Btu level this week, but a steeper drop may be needed for any substantial demand to emerge amid challenging economic conditions. As a result of lower Asian LNG prices, buying interest was seen picking up for forward deliveries, especially in North Asia.

China's Shenzhen Energy closed a buy tender on May 30 seeking an August-delivery LNG cargo, and the tender was awarded in the low $9s, according to several sources. The prices of imported pipeline gas in China, which reflect crude oil prices from last year, have been rising this year, with the average net import price above $8.50 per million Btu in April. This means that the price advantage of pipeline gas over spot LNG is fading, which is expected to stimulate buying interest from LNG importers who do not have sufficient long-term contracts in hand, market sources said.

"Rising prices of domestic pipeline gas in China could provide some incentive for downstream industries to switch to LNG," a Chinese importer said, adding that the current LNG prices were quite competitive and second-tier buyers could be more likely to come out to buy spot cargoes. A second Chinese importer said lower LNG prices had stimulated some industrial demand. "We are monitoring prices for any opportunity to buy," the person said.

U.S. LNG developer waiting on export license before making decision

(Reuters; May 31) - Commonwealth LNG expects the U.S. Department of Energy to approve a license as early as next month that would allow it to export liquefied natural gas, according to Executive Chairman Paul Varello. The license to sell gas to non-free trade agreement countries is crucial to its board reaching a final investment decision on the $4 billion project by the end of the year, he said in an interview on the sidelines of an energy export conference in Houston.

"We can’t take FID without a non-FTA permit," Varello said. The company has been awaiting approval of its export license for more than four years. Even if it gets the license, it still needs buyers for its production, which it says could start in four years. So far, the company has secured off-stake contracts covering 25% of its proposed 9.3 million tonnes per year of export capacity, Varello said.

The company proposes to develop an LNG export terminal on the coast near Cameron, Louisiana. Varello said he does not expect a third wave of LNG projects in the United States later this decade — after his company’s project — because of tougher conditions for permits and financing for new projects. There is a reluctance from the financial sector to back projects with a payback period over 15 years because of concerns about the viability of LNG as the world moves to net-zero emissions by 2050, Varello noted.

U.S. LNG to Europe declines, while Asia and Latin America increase

(Reuters; June 2) - U.S. exports of liquefied natural gas fell in May to 7.66 million tonnes from a record 8.01 million in April as plant maintenance curbed some output and weaker prices in Europe cut flows to the region, shipping data showed. U.S. LNG exporters reduced cargoes to Europe last month while more LNG was delivered to Asia and Latin America, partially offsetting the European demand weakness, according to Refinitiv Eikon preliminary vessel tracking data.

U.S. LNG exports to Europe fell from 71% of total exports in April to 60.5% in May, while exports to Asia rose to 14% of total shipments last month from 12% in April. Latin American imports of U.S. LNG grew to 11% in May, from 6% in April, the data showed. The increase in exports to Latin America comes as there is greater seasonal demand for gas for power generation and air conditioning, and heating in the winter.

Japan’s largest LNG buyer wary of new rules in Australia

(S&P Global; May 31) – Australia’s policy change could force Japan's JERA to explore new gas suppliers, as Japan’s largest LNG importer and power generation company might need to further diversify its liquefied natural gas sources in the event of a change in the cost scenario for new investments, CEO Yukio Kani said May 31. "For instance,” Kani said at a press conference in Tokyo, if Australia requires covering carbon dioxide emissions by purchasing certificates, “this would totally change a cost scenario.”

Australia aims to enforce new rules on July 1, aimed at cutting emissions at its largest industrial facilities by setting baselines on greenhouse gas emissions, including in oil, gas production and mining. "We are still in the midst of assessing the impact," Kani said. The Australian Domestic Gas Security Mechanism also will allow the country to prioritize supplying the domestic market should it perceive any gas shortages in the country. Given Australia's position as a major supplier of LNG and coal to Asia, any major policy change could have a "significant impact on Japan," Kani said.

"We would need to consider diversifying supply sources,” he said. Australia LNG accounts for 42.7% of Japan's LNG imports, by far the largest supplier. "Traditionally, we have been buying a large volume from Australia because it has been politically stable despite relatively high costs," Kani said. "However, if it turns out it is not the case, suddenly that would change a premise considerably."

Rhode Island considers controversial LNG storage facility

(Providence Business News; Rhode Island; May 31) - State utility regulators concur: Keeping, and expanding, a Portsmouth, Rhode Island, liquefied natural gas storage facility as a backup heating source for Aquidneck Island is a good idea — for now — though the need may diminish as the state moves away from gas-powered heating. The state Public Utilities Commission voted May 31 to recommend a five-year license for the facility, with a review in 2028.

The commission is among the local and state agencies that have been asked to offer opinions on the controversial proposal to make permanent what has been a temporary LNG storage tank and regasification facility. The application by utility operator Rhode Island Energy has drawn mounting criticism by residents and environmental watchdogs, who cite noise and safety concerns as well as state decarbonization mandates. The Rhode Island Energy Facility Siting Board is expected to resume hearings this summer, after receiving comments from agencies including the Public Utilities Commission.

A single 6-inch transmission line provides gas to Aquidneck Island, leading to a clear shortfall between available supply and what might be needed during peak hours in extreme cold weather. The temporary LNG production and storage site was resurrected in late 2019 in response to the island's gas outage at the beginning of that year, which left about 7,000 customers without heat for a frigid January week. The 70,000 gallons of LNG the company hopes to store at a permanent facility would be enough to provide gas for 37 continuous hours, according to the application.

New Mexico wrestles with oil and gas wells near schools

(Associated Press; June 1) - Samuel Sage, former president of the Navajo Chapter in Counselor, in northwestern New Mexico, and the current community services coordinator, is among a group of residents and environmentalists who have sued the state for allegedly failing to prevent pollution from oil and gas well sites and production facilities. "Monitoring shows pollution heading either toward the school across the highway or toward the chapter, depending on which way the wind is blowing," he said.

About 144,000 people — 7% of the state's population — live or attend a school or day care within a half-mile radius of oil and gas production, according to the lawsuit. The suit also reports that almost all of the elementary, middle and high schools in the Hobbs district in Lea County as well as school districts in Eddy County are surrounded by oil and gas extraction and production sites on state, federal and private lands.

On June 1, New Mexico Land Commissioner Stephanie Garcia Richard issued an executive order that includes a ban on all new oil and gas leases on state trust land within a mile of schools or other educational institutions, including day care centers, preschools and sports facilities that students use. The order also calls for her office — which oversees thousands of square miles of surface lands and mineral rights — to review all existing oil and gas leases on state trust land within a mile of schools to assess compliance with state regulations.

Trinidad asks U.S. to amend terms for gas project with Venezuela

(Reuters; June 1) - Trinidad and Tobago is requesting the U.S. government amend the terms of a license authorizing the joint development of a promising offshore gas field with Venezuela, the Caribbean nation's energy minister said on June 1. The United States in January issued a two-year authorization for Trinidad and a group of companies including Venezuelan state-run oil firm PDVSA and Shell to revive a dormant project that could help Trinidad boost gas processing and exports to its neighbors.

However, the U.S. authorization for the Dragon project, near the maritime border between the two nations, bans any cash payments to Venezuelan President Nicolas Maduro's government or its state companies. Trinidad Prime Minister Keith Rowley and Energy Minister Stuart Young have recently talked to U.S. officials to explain the proposed changes. He declined to elaborate. Trinidad and Venezuela are expected to meet again this month to begin discussion of Dragon's commercial terms.

Trinidad is not producing enough gas to fully feed its liquefied natural gas export industry, leaving spare capacity for processing and transforming the fuel into valuable products. It has invited countries and companies to use its processing facilities. The U.S since last year has eased some sanctions on Venezuela by issuing or modifying specific licenses to encourage political negotiations toward presidential elections in the country.

Japan will help insure financing for LNG, critical minerals, hydrogen

(S&P Global; June 2) – The Japanese government will bolster providing loan insurance starting July 1 in areas including companies procuring liquefied natural gas and critical minerals, as well as for developing hydrogen supply chains, Minister of Economy, Trade and Industry Yasutoshi Nishimura said June 2. The move comes as part of Japan's efforts to enhance its supply chains of critical commodities and materials including natural gas and critical minerals and accelerate its decarbonization.

Under an amendment in its ministerial ordinance on June 2, the ministry will allow state-owned Nippon Export and Investment Insurance to expand its coverage of loan insurance for Japanese financial institutions that lend for Japanese companies' businesses abroad. Specifically, it will start providing products covering risks in such areas as bolstering supply chains, as well as the country's drive toward decarbonization and helping out start-up businesses abroad, Nishimura said.

"In particular, we expect (the loan insurance) to be used for procurements of such resources as critical minerals and LNG, as well as for developing hydrogen supply chains in Asia and other related overseas businesses," Nishimura said.

Mexico presents challenges for gas project developers

(Independent Commodity Intelligence Services; June 2) - Companies looking to develop liquefied natural gas export projects in Mexico are likely to require a high risk tolerance and long-term engagement strategy to navigate the growing number of complexities in the country’s energy landscape. Mexico’s state-run utility CFE has attempted in recent years to drum up support for its proposed LNG projects backed by the federal administration but has had to turn to the private sector to stay engaged in LNG opportunities because it lacks the expertise required to develop those major projects.

Private-sector market participants must partner with the CFE because the company controls much of the firm gas pipeline capacity and electricity generation in Mexico. Stable, cost-effective supply of both is required for the development of LNG projects. CFE’s leadership is also influential within the current administration’s policy-making circles. This situation means that it is a key stakeholder for many LNG projects, though it has a track record of agreements that change and appear discretionary at times.

Other obstacles or delays to announced timelines include the latest proposed updates by energy regulator CRE to Mexico’s gas transport and storage tariff regulations, as well as unclear permitting processes at other energy agencies. The permitting processes at the various environmental and regulatory energy agencies in Mexico are in some cases less standardized. These processes appear to also have become discretionary to a degree with market participants saying requirements and timelines are unclear.

U.N. begins work to offload oil from deteriorating tanker off Yemen

(CBS News; June 2) - The United Nations officially launched its mission this week to prevent what it says could be an "environmental catastrophe" on the Red Sea. Sitting off the coast of Yemen lies a nearly half-century-old ship with roughly 1.14 million barrels of crude oil on board, the global agency said — and it's "deteriorating rapidly." The massive 47-year-old supertanker, FSO Safer, rests just about 5½ miles off of Yemen's coast, where it has gone without maintenance for seven years.

"Its structural integrity is compromised and it is deteriorating rapidly," the U.N. says. "There is a serious risk the vessel could be struck by a floating mine, spontaneously explode or break apart at any moment." Officials have been pushing for the situation to be addressed for years. In 2020, the U.N.'s environment executive director Inger Andersen warned that if the oil on the ship were to leak into the water, it could unleash four times more oil than what was released in Alaska's Exxon Valdez oil spill of 1989.

The current situation is rooted in Yemen’s civil war, which has been ongoing since 2014. When that war began between the country's government and Houthi rebels, the ship became a bargaining chip for the two sides. The back-and-forth put a halt to all operations on the ship in 2015. The official launch of the mission to prevent a disaster comes a year after the U.N. started a crowdfunding campaign to raise the money for the work. It has estimated it will cost about $144 million to complete the mission, and while the U.N. has much of that on hand, it still needs $24 million to fund the effort.

Catholic climate activisits warn against Uganda oil pipeline

(Earthbeat; National Catholic Reporter; June 2) - Catholic environmental activists in Africa are expressing grave concern after a group of bishops in Tanzania endorsed a proposed oil pipeline project, amid increasing calls to abandon fossil fuels to tackle climate change. The campaigners — members of the Laudato Si' Movement in Africa — flagged this concern days after Pope Francis urged the world to quickly ditch the fuels to end "the senseless war against creation."

In East Africa, the Catholic activists are once again drawing attention to the East African Crude Oil Pipeline project, warning that it would contribute to greenhouse gas emissions and exacerbate the global climate change crisis. The 898-mile pipeline is designed to transport oil from western Uganda and deliver the crude to the Indian Ocean port of Tanga in Tanzania. Uganda hopes to start transporting its oil into international markets through the pipeline by 2025, despite the increasing opposition.

The pipeline was initially a business project between Uganda and Tanzania, but reports emerged in May indicating that Congo had started discussions with Uganda on how it could use the pipeline to transport its own crude. The entry of an additional state actor has drawn the Congo Basin into the controversial venture. After the Amazon, the basin is the world's second-largest carbon sink. A "carbon sink" removes carbon dioxide from the atmosphere. The Congo Basin contains some of the largest tropical rainforests in the world and is an important source of water used in agriculture and energy generation.