Oil and Gas News Briefs
Compiled by Larry Persily
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Exxon says oil development with low emissions will take priority

(S&P Global; May 23) - ExxonMobil will continue the search for big new oil and gas fields that can help fund energy sources such as renewables, even as the threshold for committing exploration spending gets "ever higher," the U.S. supermajor's upstream exploration chief said in an interview. Producing hydrocarbons with low operational emissions is a priority, but tapping new oil and gas finds remains core, to be approached in a "disciplined" fashion, John Ardill told S&P Global Commodity Insights.

Ardill made no apologies for prioritizing big new exploration plays that target oil. Gas is also attractive, preferably in locations near major markets — for example Europe and India — that can be reached by pipeline, avoiding the emissions associated with LNG, he said. ExxonMobil seeks a combination of attractive geology, stable political conditions and the potential to minimize the carbon footprint of production processes, he said, noting that the company had fully exited the North Sea.

"A lot of thought goes into an upstream investment because these things last for decades. Are they the right molecules in the right place with the right carbon intensity, and if those questions are all yes, then they'll find a path to development," he said. "If there are question marks around those ... it's going to be a harder path," Ardill added. "Oftentimes oil will work almost anywhere you find it at scale. Gas is a bit more region-specific. ... We will always be prioritizing oil development first and the reason to do that is we have to establish a revenue stream to pay for this investment."

Shell left Australia gas project because of low return, high emissions

(Sydney Morning Herald; May 24) - Shell has cited a poor return on investment and high emissions for its decision to exit Woodside's proposed A$30 billion Browse liquefied natural gas project in Australia. Shell CEO Wael Sawan said the company had other options to deliver gas to its customers that offered higher returns and less pollution.

"We looked at Browse in comparison with some of the other opportunities we had to be able to bring LNG to customers around the world, and it did not rank from a returns perspective," Sawan said at Shell's annual general meeting in London. "It was also disadvantaged from a carbon perspective." Shell sold its 27% stake in the Woodside-led project, off Western Australia's Kimberley coast, to BP in April. BP now owns 44% of the three gas fields that make up the project — all with high levels of carbon dioxide.

Browse would produce more greenhouse gases per tonne of LNG produced than many other projects due to high (12%) CO^2 in the reservoirs; the emissions from pumping the gas more than 600 miles; and the aging North West Shelf plant that would liquefy the gas for export. Woodside and its partners BP, Mitsui, Mitsubishi and PetroChina plan to tackle the first of those problems by capturing the CO^2 and burying it underground.

U.S. Gulf Coast oil and gas expertise goes to work on wind

(Bloomberg; May 22) - Every morning, more than 600 workers clock in at the Louisiana shipyard where the Eco Edison, the first U.S.-built vessel to service offshore wind farms, is under construction. At quitting time, a parade of pickups and dusty sedans forms a traffic jam on the road back into town, past buildings that serve the long-dominant oil and gas industry. This is just one slice of the energy transition reshaping the Gulf of Mexico region, which is increasingly dotted with offshore wind projects.

In February, the Biden administration announced the first-ever sale of offshore wind leases in the Gulf, off the coasts of Texas and Louisiana. Dominion Energy is spending $500 million on the first U.S.-built installation vessel, the 472-foot Charybdis, in Brownsville, Texas. Hundreds of people are working on the first U.S.-built substation near Corpus Christi. In Louisiana, new companies and jobs are sprouting up to support the nascent $100 billion industry.

The number of active projects shows that the Gulf's offshore expertise, earned through decades of oil and gas operations, translates well to wind farms. Out of about 1,200 contracts signed by U.S. companies for offshore needs like survey work, electric substations and cables, companies in the Gulf and the South have scored 23% of the total, according to a tally kept by the industry group Business Network for Offshore Wind. A sign near the Edison Chouest Offshore shipyard, where another big wind boat besides the Eco Edison is under construction, reads, “Taking applications for all crafts!”

Norway wants to boost Arctic oil and gas exploration, production

(CNBC; May 22) - The Norwegian government is calling on energy giants to ramp up oil and gas exploration projects in remote regions like the Arctic Barents Sea, defying a sense of palpable frustration among climate campaigners as the Nordic country seeks to shore up its position as Europe’s largest gas supplier. It comes as Norway strives to keep up with growing demand for its energy in the wake of Russia’s invasion of Ukraine.

Norway last year overtook Russia as Europe’s biggest gas supplier and says it is now seeking to maintain Europe’s energy security by exploring the Barents Sea for further resources. Norway’s Petroleum and Energy Minister Terje Aasland said the industry should “leave no stone unturned” in its pursuit for discoveries in the Barents Sea.

Aasland even described this policy as the oil and gas industry's "social responsibility," saying new discoveries could help to maintain the country's future production levels.

A spokesperson for the petroleum and energy ministry said the message to energy giants was "to explore all economic oil and gas resources within the available areas, including in the Barents Sea." At the start of the year, Norway said it planned to offer a record number of oil and gas exploration blocks in the Arctic. Environmental campaigners at Friends of the Earth Norway, WWF-Norway and Greenpeace Norway have described the country's lobbying for oil and gas expansion as "embarrassing," "extremely reckless" and "a middle finger to the Paris Agreement."

Saudis warn short-sellers to 'watch out' for next OPEC+ meeting

(Bloomberg; May 23) - Saudi Arabia's top energy official issued another warning to oil short-sellers, just over a week before the OPEC+ alliance is due to meet. Riyadh and its partners surprised crude traders last month by announcing output cutbacks intended to scare off speculators. But money managers have turned bearish again in recent weeks amid fears of a weaker global economy. "I keep advising them that they will be ouching — they did ouch in April," Saudi Energy Minister Prince Abdulaziz bin Salman said at the Qatar Economic Forum in Doha on May 23. "I would just tell them: Watch out!"

Oil prices have fluctuated around $75 a barrel in London this month as traders weigh a positive outlook for demand against faltering economic data from China, risks of a recession in the U.S. and a battle over America's debt ceiling. The Organization of the Petroleum Exporting Countries and its allies, a 23-nation bloc known as OPEC+, will meet on June 3-4 in Vienna to review production for the second half of the year.

While several delegates have said there's no need for further action now as curbs already in place will help tighten global markets, Prince Abdulaziz has been known for orchestrating surprise interventions. "We have to be vigilant, we have to be proactive." The prince said OPEC's actions show it's a stabilizing force rather than being engaged in price gouging. He blamed market volatility on erroneous forecasts and policies among consuming nations — such as the release of emergency stockpiles by the U.S.

Qatar warns that energy transition policies moving too fast

(Bloomberg; May 23) - Qatar warned that government energy-transition policies will discourage investment in fossil fuels and lead to scarcities of natural gas in the coming decade, including in Europe. "There's going to be a big shortage in gas in the future, predominantly because of the energy-transition push that we'd say is very aggressive," Saad al-Kaabi, Qatar's energy minister, said at the Qatar Economic Forum on May 23. "Economic stability and environmental responsibility are not mutually exclusive."

His comments were echoed on the same panel by his Saudi counterpart, Prince Abdulaziz bin Salman, who said policymakers in the U.K. and elsewhere had "blinkers" on. They are overly optimistic about how quickly oil and gas can be phased out and replaced by renewables and cleaner energy. "The only thing that saved humanity and Europe this year was a warm winter and the slowdown in the economy worldwide," said al-Kaabi. "If the economy comes back in 2024, the worst is yet to come."

Qatar is one of the world's biggest producers of liquefied natural gas. It's investing tens of billions of dollars to boost its LNG production capacity to 126 million tonnes a year by 2027, from around 77 million. Demand for gas from the expansion projects — called North Field East and North Field South — is "very big," al-Kaabi said. "We are lining up people to negotiate with. We're so busy."

Qatar still needs to find buyers for $50 billion LNG expansion

(Bloomberg; May 23) - Qatar needs to sell a massive amount of liquefied natural gas into a market that in a few years could be oversupplied. The world's top exporter shocked the industry a few years ago by announcing a $50 billion, 60% boost in production. It was a classic move to grab market share and elbow out rivals in the U.S. and Australia. Since then, Qatar has found only a few buyers for the new supplies.

Part of the problem is timing. The world needs LNG now, but not so much from the middle of the decade when the start of Qatari projects is likely to coincide with those in the U.S. and elsewhere. That means buyers aren't in a rush to sign long-term contracts with Qatar as they seek to negotiate lower rates. Another issue is Doha's insistence on strict contract terms. These include 20-year commitments for deliveries that must be sent to specific destinations and cannot be easily diverted. The clause has stalled talks with buyers from Germany to Japan, countries where future demand is almost certain.

Qatar has agreed to deals for roughly 6 million tonnes per year of supply from its North Field East and North Field South expansions. That's just a fraction of the 49 million-tonne capacity expansion which will start up in stages from about 2026-2027. Al-Kaabi expects contracts to be tied up by the end of this year. This will most likely play out in one of two ways: Qatar embarks on one of the most ambitious LNG deal-making efforts in the industry's history, offering competitive prices or more lenient terms; or the country will have so much LNG available that it will flood the spot market with spare shipments, pushing down prices in the second half of the decade. Either way, buyers win.

TotalEnergies develops action plan for restart of Mozambique LNG

(Reuters; May 23) - TotalEnergies will relaunch its Mozambique LNG project once it has followed the recommendations of a commissioned human rights report that was published on May 23, the French major said. "At this time there is no date for a restart, although the project partners take note of the report and note the security improvements on the ground," a TotalEnergies spokesperson said. "An action plan has been decided upon based on the report's conclusions, and this plan will now be implemented."

TotalEnergies holds a leading 26.5% stake in the development, which was halted in 2021 after Islamic State-linked insurgents attacked civilians in Mozambique's northern Cabo Delgado province where the liquefied natural gas project is located. The commissioned report, prepared by humanitarian action expert Jean-Christophe Rufin, noted that while armed conflict is expected to continue, the danger zones were now located to the south and west of the Mozambique LNG site itself.

The action plan will be overseen by Rufin and includes paying displaced families by July, building new houses before the fall, improving access to fishing, renegotiating relations with security forces, and creating a foundation to improve local life with a budget of $200 million. Mozambique LNG was initially expected to deliver its first LNG cargo in 2024. The project's other shareholders are Mozambique's ENH, Japan's Mitsui, Thailand's PTTEP and Indian firms ONGC Videsh, Bharat Petroleum and Oil India.

U.S. finance agency will review Mozambique LNG if work resumes

(Bloomberg; May 22) - TotalEnergies' potential plan to restart its $20 billion liquefied natural gas export project in Mozambique risks sending a $4.7 billion loan agreement with a U.S. financing agency into review, creating a new obstacle for a project that's struggled to get off the ground. The U.S. Export-Import Bank, which has committed to the largest share of financing for the development of Mozambique LNG, would send the loan into review if the insurgency-plagued project were to restart.

"If the project were to resume, any further action on financing for this transaction would require consideration and careful review by EXIM," a senior official at the bank said in a reply to questions by Bloomberg, adding that no disbursements have been made. Any change in funding arrangements would create a new obstacle to TotalEnergies, which halted work for more than two years following attacks by Islamic State-linked rebels. TotalEnergies has been weighing a return to the site if the security situation allows.

Mozambique LNG, the biggest foreign direct investment in Africa to date, was unsuccessfully challenged earlier this year in a suit claiming U.K. government financing was contrary to commitments under the Paris Agreement. TotalEnergies has said the venture could start exports by 2027, at the earliest. EXIM's board approved the loan in 2020, during Donald Trump's presidency, saying that it would support U.S. suppliers and jobs through involvement in the onshore plant as well as offshore production.

[Asia LNG spot-market price falls below $10, lowest in 2 years]

(Reuters columnist; May 22) - The spot price of liquefied natural gas in Asia is in the sweet spot of being low enough to boost buying interest but not so low that it sparks a surge in demand. The price for LNG delivered to north Asia dropped to $9.80 per million Btu in the week to May 19, its first foray below the $10 level in two years. The price has slid 74% since its northern winter peak of $38 on Dec. 16, and is down 86% from the record high of $70.50, hit in August last year as Europe sucked up all available cargoes.

The decline in spot LNG prices has seen demand in key Asian importers hold steady, according to data compiled by commodity analysts Kpler. Asia is expected to import 20.81 million tonnes in May, the same result as in April and down slightly from March's 22.16 million. While steady-as-she-goes may seem somewhat disappointing, especially given the price decline, it's actually stronger than it appears as LNG is in the shoulder period of seasonally weaker demand between the peaks of the winter and summer.

Chinese buyers have returned to the market, but their purchases have been modest so far in 2023, with an estimated 5.23 million tonnes set to arrive in May, little changed from April's 5.33 million and 5.46 million in March. It's believed that Chinese utilities require a spot price below $10 in order for LNG to be competitive in the domestic market, so the decline below this level last week may act to spur some new buying interest in coming weeks. It's likely that the decline in spot prices will boost demand from June onward, and there are some early signs that this is already happening.

[Report forecasts rising U.S. LNG exports, falling domestic demand]

(The Hill; May 24) - Support for expanding America’s fossil fuel industry is often cast in the rhetoric of energy independence. But foreign sales, not American demand, are driving a projected decades-long rise in natural gas production, a new federal report has found. U.S. natural gas production is expected to rise through 2050, according to a report released May 23 by the Energy Information Administration, which said most of the demand fueling that increase will be driven by exports to foreign markets.

U.S. domestic gas demand will stay flat or decline as renewables come online, the report found. But it’s exports that are projected to drive up U.S. gas prices. In part, that will result from supply being redirected overseas to higher-price markets. Another factor is the gas export process itself, which relies on the energy-intensive process of compressing and refrigerating gas until it is a liquid for shipping across the ocean. The rising levels of gas power required to meet the rising demand for LNG will also be enough to “largely offset” any drops in domestic consumption, the report found.

To forecast out to mid-century, the EIA prepared three scenarios. In its business-as-usual case, the rise in renewables will cut domestic gas consumption by the power sector by a third by 2050, leading to a fall from the current consumption of 32 billion cubic feet per day to just under 23 bcf, per the EIA report. In all cases projected by the agency, the center of the new development will be the Gulf Coast, where rich reserves of gas and a dense network of pipelines make LNG cheaper to produce and transport.

U.S. LNG plant developer appeals denial of export permit extension

(Reuters; May 23) - Pipeline operator Energy Transfer slammed the U.S. Department of Energy's denial of an export-permit extension for its Louisiana liquefied natural gas export project, seeking a rehearing. The DOE had denied Energy Transfer's request for a three-year extension of its multibillion-dollar Lake Charles LNG project, saying the request did not meet the department’s criteria for granting second extensions. The decision caused one potential customer to suspend contract talks, the company said.

The denial violates U.S. law governing such regulations, "raising serious constitutional concerns of lack of due process and impermissible takings," the company wrote in a filing on May 22. The rejection wrongly relied on an interpretation that "will likely result in a project's demise," the company said in its request for reconsideration. "Lake Charles LNG is the most advanced LNG project in the United States that has not taken FID and we believe it satisfies the criteria for an extension," said a company spokesperson.

A person familiar with the DOE's thinking said, "All currently operating U.S. liquefied natural gas export facilities secured a financial investment decision, were constructed, and commenced exports within the original seven-year authorization window provided by DOE." Energy Transfer said the three-year extension was needed to accommodate the unplanned delays and "severe shortages" of equipment needed to build the Lake Charles project. If the extension is granted, the company could make an investment decision by the end of this year. The developer said it has spent $350 million to date.

Chinese company replaces Baker Hughes at Russian LNG project

(High North News; May 22) - China continues to fill the technology gap left by the exit of Western companies from Russia’s Arctic energy projects. For the past year, Novatek has been looking to procure crucial gas turbines for its Arctic LNG-2 project. Originally, U.S.-based Baker Hughes had been slated to provide the equipment to liquefy natural gas and make electricity at the plant. But after the invasion of Ukraine and subsequent sanctions, the company did not deliver the bulk of the turbines, leaving Novatek with just four out of 20 required to operate all three production lines of Arctic LNG-2.

Each production line requires about 150 megawatts of power. Last year, Novatek devised plans to contract a floating Turkish power plant to address its needs. These efforts, however, petered out, according to Novatek, after the two sides could not agree on contract terms. The much-needed turbines will come from Harbin Guanghan Gas

Turbine, a division of China Shipbuilding Industry. The company will provide turbines for the first and second liquefaction lines at the $20 billion project, expected to begin production in 2023 and 2024. Completion of the third line is at least two years away.

According to reports by Russian newspaper Kommersant, the turbines by Harbin Guanghan Gas Turbine are adaptations of Ukrainian equipment from the 1980s. As such, they may not have the same efficiencies and reliability as modern turbines by Baker Hughes and Siemens. “Long-term reliable operation of prototypes in the conditions of the Gulf of Ob will be a serious risk,” said Kommersant.

Petrochemical industry could provide market for Russian gas

(The Barents Observer; May 24) - Big gas projects have been built in Yamal over the past decade. Russia’s far northern peninsula that stretches into the Arctic Ocean has vast reserves, and thousands of miles of pipeline have been built to connect the area with markets in Europe. But following the war on Ukraine, sanctions have put a halt to the flows. Russia no longer has a European market for its pipeline gas and Moscow is grappling with what to do with the abundant energy that now is “stuck” in the Arctic.

In a government meeting this week, Prime Minister Mikhail Mishustin summoned key ministers to discuss what he sees as potential way to use the excess gas — the development of a petrochemical industry. According to a document, the so-called roadmap approved by government on May 6 calls for a major development of new petrochemical plants, and the Yamal Peninsula is a key priority region.

Mishustin and his government are in a hurry. Already by the end of 2023, key measures in the roadmap are to be executed. By July 2024, a more comprehensive plan for the development of petrochemical industry in Yamal is to be presented. And by year 2025, Russia’s production of polymeric materials is to be increased by more than 30% to 9,9 million tons. The presentation of the new industrial plans for Yamal come immediately ahead of Mishustin’s visit to China. It is quite likely that Chinese companies will play an important role in the upcoming projects.

China wants to accelerate new gas pipeline from Turkmenistan

(Reuters; May 24) - China is accelerating the building of a long-delayed Central Asian pipeline to source gas from Turkmenistan even as Russia pushes its own new Siberian connection, as Beijing juggles its energy security needs with diplomatic priorities. Beijing is keen to bolster Central Asia ties, but nearly a decade after construction began, the project has been hobbled by complex price talks and the technical hurdles of laying a pipeline crossing another three central Asian nations, Chinese state oil officials said.

But Moscow's recent push to land its second Siberia pipeline connection with China, the Power of Siberia 2, to make up for shrunken sales in Europe due to the Ukraine crisis, provides Beijing a lever to advance the Central Asian project, according to Chinese oil officials and industry consultants. "Central Asian pipelines are considered a cornerstone investment in China's energy and geopolitical space. It's a supply channel with strategic value that supersedes commercial concerns," a state-oil official familiar with China National Petroleum Corp.'s global strategy told Reuters.

China may eventually seal both deals to feed its long-term gas needs, but is prioritizing Turkmenistan, industry officials said, as Beijing has long seen Central Asia as a frontier to expand trade, secure energy and maintain stability in its once-restive Xinjiang region. Combined, multi-year contracts worth tens of billions of dollars to bring gas via both pipelines would meet 20% of China's current demand. The pipelines are key to Beijing's goal of using gas as a bridge fuel toward its carbon neutrality targets and also helping to shield it from the volatile liquefied natural gas market.

Heat wave pushes Asian buyers toward Russian fuels

(Bloomberg; May 20) - The extreme heat that's been scorching Asia in recent weeks has produced one clear beneficiary — Russia. As countries across the region scramble to make sure they have enough coal, gas and fuel oil to keep the lights on and air conditioners running, Russian energy being shunned by the West is looking increasingly attractive. What began as a push from the Kremlin to fund its invasion of Ukraine has now turned into a pull from Asian economies anxious about making sure their power generators are supplied with enough fuel in what could be the hottest year on record.

“The worst place to be right now amid these searing temperatures is South Asia, especially poorer nations like Pakistan or Bangladesh,” said John Driscoll, director of JTD Energy Services in Singapore. “When you can't even take care of your people's basic needs, it's very hard to care too much about international affairs.” Russian exports to Asia of thermal coal and gas, the two fuels most often used for electricity generation, have grown markedly this year, figures from data intelligence firm Kpler show.

Coal volumes jumped sharply to 7.46 million tons in April, about a third higher than a year earlier. Shipments of liquefied natural gas to Asia have also been growing in recent months after prices retreated from record highs that had made the fuel unaffordable for many poorer nations. Meanwhile, Asian imports of Russian fuel oil, a dirtier but cheaper alternative for power generation, had the two highest months on record in March and April, according to Kpler.

The Philippines will need LNG to replace declining domestic gas

(Reuters; May 24) - With just four years before the Philippines' only gas field is set to run dry, the country has started importing liquefied natural gas, creating a new problem for a government struggling to curb high inflation. LNG is needed to help replace gas from the Malampaya field, which supplies power plants that meet a fifth of the electricity requirements on the country's main Luzon island.

Imported gas costs will be passed through to power prices, and as a result power prices could jump sharply, a challenge for a country where inflation hit a worrying 14-year high in January. "A big challenge is LNG price volatility and how secure is supply," said Irwin Yeo, senior LNG analyst at Poten & Partners. The country "will face economic and political risks" from passing through LNG costs to power prices, he said.

Gas output at the Malampaya field has declined sharply since peaking in 2019, hitting its lowest since 2004 last year, data from the energy department showed. Initially the country will need around 3 million tonnes per year of LNG to replace Malampaya's supply, but that will fall to around 2.3 million to 2.7 million and possibly less by 2030, depending on how rapidly generation from renewable energy grows, said Kittithat Promthaveepong from consultancy The Lantau Group. The Philippines aims to have 35% of its power generated by renewables by 2030, up from about 23% currently.

South Africa may extend life of coal plants to provide energy security

(Bloomberg; May 24) - South Africa is considering extending the lives of some of its biggest coal-fired power plants as the government seeks to bolster the country’s long-term energy security amid a deepening crisis. Kendal and Lethabo, two plants that represent about fifth of the state-owned power utility’s current capacity, are possible candidates, according to people familiar with the matter. Officials tasked with ending the crisis and making sure it doesn’t recur are looking at all options.

The ruling African National Congress is scrambling to deal with fallout from intensifying power cuts a year before elections. However, extending the lives of the polluting coal-fired giants would be a financial challenge for the embattled state power utility and raise questions about South Africa’s commitment to curbing greenhouse gas emissions.

The government and the utility also are planning to delay the decommissioning of units at smaller coal plants — which was due to happen over the next year or two. Those plants have a combined capacity of 4.9 gigawatts and are already partially idled. The cost of running those plants longer will be assessed against the expense of diesel-fired plants, which are usually used sparingly at times of high demand, or whether the costs outweigh the hit to the economy from sustained outages. The plants would also need to meet costly pollution abatement requirements, unless they were granted exemptions.

Wildfires cut into Canada's oil and gas production

(Bloomberg; May 24) - Wildfires in Alberta have shut in 350,000 barrels of oil and gas-equivalent production, Rystad Energy estimated with "high confidence" in a May 23 report. Those volumes include cuts announced by companies and volumes associated with Chevron's production from the Duvernay formation in the Fox Creek area. The number of people evacuated due to the fires has declined to 24,000 from 29,000 on May 22, according to the Alberta Emergency Management Agency.

About 2.5 billion cubic feet per day of natural gas production — about 15% of all of Canada's output — has been shut down by the blazes. While some oil output has been curtailed, crude pipeline operations in western Canada have been "largely unaffected," energy consultancy Wood Mackenzie said. "Based on the current location of the fires, we expect crude supply, flows, and storage levels to be significantly less affected than in May-June 2016, when widespread fires shuttered oil-sands production," the firm said.