Oil and Gas News Briefs
Compiled by Larry Persily
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Guyana faces social, political challenges in managing oil wealth

(Associated Press; May 4) - Villagers in a tiny coastal town in Guyana lined up, leaned into the microphone and shared their grievances as someone yelled, “Speak the truth!” And they did. One by one, speakers listed what they wanted: a library, streetlights, school buses, homes, a grocery store, reliable electricity, wider roads and better bridges. They spoke to the country’s prime minister and other officials who organized the meeting to hear people’s concerns — and boost their party ahead of elections.

The list of needs is long in this South American country of 791,000 people that is poised to become the world’s fourth-largest offshore oil producer. The boom will generate billions of dollars for the poor nation. It’s also certain to spark fights over how the wealth should be spent. With $1.6 billion in oil revenue so far, the government has launched construction of 12 hospitals, seven hotels, scores of schools, two main highways, its first deep-water port and a $1.9 billion gas-to-energy project that the vice president told The Associated Press will double Guyana’s energy output and slash power bills by half.

While the projects have created jobs, it’s rare for Guyanese to work directly in the oil industry. The work to dig deep into the ocean floor is highly technical, and the country doesn’t offer such training. Experts also worry that Guyana lacks the expertise and legal and regulatory framework to handle the influx of wealth. They say it could weaken democratic institutions and lead the country on a path like that of neighboring Venezuela, a petrostate that plunged into political and economic chaos.

“Guyana’s political instability raises concerns that the country is unprepared for its newfound wealth without a plan to manage the new revenue and equitably disburse the financial benefits,” according to a USAID report. A consortium led by ExxonMobil found the first major oil deposits in 2015. Combined with additional deposits, the resource will generate an estimated $10 billion annually for the government, according to USAID.

Oil market ‘shrugs off’ Russian pledge of oil production cuts

(Wall Street Journal; May 4) - This week’s tumble in oil prices has its origins in concerns that the Federal Reserve’s campaign of higher interest rates is slowing the economy and curbing energy demand. But there’s another factor behind the slide: Traders think Moscow hasn’t followed through fully on pledges it made to throttle back its production. They say Russia keeps pumping and exporting huge volumes of oil to maximize income for its beleaguered economy — crude that has added to a global surplus and undermined Saudi Arabia's effort to bolster market prices.

As anxiety about the economy mounted, West Texas Intermediate futures, the U.S. oil benchmark, slid below $70 a barrel this week for the first time since late March and are approaching their lowest levels since the run-up to the Ukraine war. Oil prices, including the global benchmark Brent crude, are well below where they stood in early April after Saudi Arabia, Russia and other members of the OPEC+ cartel said they would reduce output to stabilize the market. Saudi Arabia is due to start cutting its output this month.

Moscow had said it would extend to the end of the year the unilateral curbs that took effect in March and were framed as retaliation against Western sanctions on its oil. "The market has fully shrugged that off," said Doug King, CEO of London-based RCMA Capital, which trades oil and other commodities. He sees little evidence that Russia has reduced crude production. "There seems to be ample supply, whatever is said on the OPEC+ side," King said. Adding to the pressure on prices, "there's a slowdown in industrial demand, certainly on the Western side of the equation," he said.

Asian demand drives Russian seaborne oil exports to 4-year high

(Bloomberg; May 4) - Russia is expected to increase seaborne oil exports from its western ports this month to a four-year high to meet Asian demand for low-priced oil, two sources familiar with the loading plans from the ports said. Weaker global prices mean Russian oil trades below $60 per barrel, the price cap level imposed by Western countries, making it more attractive to Asian buyers as they have fewer issues than others with banks and compliance.

Oil exports from Russia's main western outlets, Primorsk, Ust-Luga and Novorossiisk, will reach a combined 2.42 million barrels per day this month, slightly up from 2.38 million last month, according to Reuters calculations based on data provided by the sources. May exports from the ports will be almost 2% higher than in April and the highest since 2019, Reuters data showed.

Under the sanctions cap, Russian barrels sold below $60 per barrel on an FOB basis in the port of loading — which does not include freight and insurance — can be shipped and insured by Western companies, while volumes sold above the cap are banned from the services. Apart from weaker oil prices that are facilitating trade, more oil is available for export as oil refineries in Russia are undergoing seasonal maintenance in May, which reduces domestic demand.

Greek shipping tycoon profits from moving Russian oil

(Wall Street Journal; May 4) - Most Western shipping companies stopped moving Russian oil after the U.S. and allies sanctioned Moscow's prize export. But in Greece, home to one of the world's biggest merchant fleets, tanker owners are doubling down. At the front of the pack is George Economou, a 70-year-old shipping tycoon with a taste for art, minimalist superyachts and ventures some rivals say they wouldn't dare attempt.

His new money-spinner: Claiming a narrow lane of business that serves the economic interests of both Russia and the U.S., but is too treacherous for many competitors. TMS Tankers, one company in Economou's network, has transported tens of millions of barrels of Russia's crude and fuel since Moscow's invasion of Ukraine, according to shipping data analyzed by Global Witness, an anticorruption group that has campaigned on Ukraine's behalf for tougher sanctions. That makes TMS the second-biggest player in the trade of transporting Russian oil, behind Russia's state-owned Sovcomflot.

Tankers linked to Economou made more than 200 voyages from Russian ports from invasion day, Feb. 24 of last year, through to the end of February this year, according to Global Witness. It's a lucrative business, netting between $4 million and $5 million in profit for each 60-day voyage from the Baltic Sea to India — the busiest route — and back, according to ship brokers and rival owners. The voyages bolster Russia's ailing budget, help keep global oil prices in check and mint money for one of Greece's most powerful industries. They have also made Economou a target of criticism in Ukraine.

"There's money to be made, lots and lots of money," said Michelle Wiese Bockmann, an analyst at Lloyd's List Intelligence, a shipping-information provider. Economou, who has lived in Greece and New York in recent decades, falls within a Greek shipping tradition whose modern-day heroes, Aristotle Onassis and Stavros Niarchos, made fortunes navigating 20th-century geopolitical crises that spilled into oil markets.

China buying a lot of crude as refiners enjoy profitable margins

(Bloomberg; May 4) - China's recovery may be disappointing some oil bulls, but there's one incontrovertible fact: The world's biggest importer is drawing in a lot of crude by sea. Some 125 supertankers with the capacity to deliver 250 million barrels were en route to the Asian country at the end of last month, vessel tracking data compiled by Bloomberg show. That's the most in more than two years, and cargo loading data for April support the idea China is set to receive even more.

Back in February, traders reported a surge in purchases by China's crude processors including Unipec, the trading arm of refining giant Sinopec, with millions of barrels being snapped up from the Middle East, U.S. and West Africa. Traders involved in the Asian physical market say China's oil appetite will probably stay relatively healthy, though it's unclear whether it will be as strong as it was earlier this year.

Asian refiners typically book spot cargoes a couple of months in advance of when they are needed. The ramp-up in China's buying earlier this year following the exit from its COVID-zero policy led to a jump in tanker traffic headed for China. Unlike most buyers elsewhere in Asia, Chinese refiners have been able to purchase discounted oil from producers in Russia, as well as Iran and Venezuela, supporting their margins, traders said. Theoretical refining margins for smaller independent refiners as of late April were about $19 a barrel, up 20% from two weeks earlier, according to OilChem data.

Explosion rips open 'shadow fleet' oil tanker near Malaysia

(Bloomberg; May 7) - Off the coast of Malaysia, in one of the world's busiest shipping channels, an explosion on board the aging oil tanker Pablo ripped off its deck like a sardine can and began a fire that sent dark plumes of smoke into the sky. It was a tragic accident that could have been a much larger catastrophe. The Gabon-registered ship, capable of carrying some 700,000 barrels of crude oil, was coming through the South China Sea after offloading a cargo in China and was nearly empty.

For nearby maritime authorities, the headache has just begun. There is little evidence of the owner, a Marshall Islands-registered company whose fleet contains no other ships, and no trace of insurance. Both are vital for a cleanup to begin. It underlines the risks that come with expansion of a dark fleet of aging vessels moving sanctioned oil around the globe. Since the wave of sanctions against Russia, observers of the oil trading business have reported the purchase of hundreds of old tankers by undisclosed buyers.

The ship is 40 nautical miles off Malaysia's Pulau Tinggi island. Oil, potentially from the wreck, has reportedly washed up on Indonesia's coast. "The Pablo casualty is tragic, and a stark reminder of what we have been saying all along: The shadow fleet poses a serious threat both to people's lives and to the marine environment," said Rolf Thore Roppestad, CEO of Gard, the largest of the protection and indemnity clubs that insure much of the world's fleet against risks such as oil spills. If the owner can't be found, local authorities can seize the ship and try to cover what costs they can. However, it's unlikely that selling what's left of the charred Pablo would cover the costs of removal.

Low U.S. natural gas prices could reduce electric bills for consumers

(Wall Street Journal; May 7) - When U.S. natural gas prices plummeted this winter, the conventional wisdom was that producers would cut back drilling to help tighten supplies. But they kept drilling. That trend is a potential boon for consumers, who could benefit from lower electricity bills heading into the hot summer months, but a risky gambit for gas companies. Previous price crashes saw operators shut in wells and shelve rigs.

This time, companies are betting that the lull is short term and that resilient demand for gas, combined with new liquefied natural gas export terminals coming online, will boost prices starting next year, executives and analysts said. Still, operators find themselves in a Catch-22 situation. Without a significant pullback in activity, the market will likely remain oversupplied and prices subdued, but dialing back too abruptly could leave companies scrambling to catch up with demand later, executives and analysts said.

A mild winter in Europe and the U.S., combined with a prolonged outage at a major LNG export terminal that freed up supply for the domestic market, brought prices down to an average of $2.65 per million Btu in the first quarter of the year. That was down from an average of $6.45 for all of 2022. U.S. output is expected to average 100.9 billion cubic feet a day this year, 3% above 2022. An abundance of gas likely means lower electricity prices for consumers as they head into the summer and turn on the air conditioning.

IEA forecasts global demand for natural gas flat this year

(Bloomberg; May 4) - Rising demand for natural gas in Asia and the Middle East is set to offset a decline in other regions this year, keeping the global market tight, according to the International Energy Agency. China's consumption is forecast to jump by more than 6%, underpinning a demand increase of almost 3% in Asia on the whole, the agency said in its quarterly Gas Market Report. Demand in Europe's advanced economies is poised to drop 5% as renewable energy takes up a larger share of power generation. Overall global demand is forecast to remain flat.

"Global gas supply is set to remain tight in 2023, and the global balance is subject to an unusually wide range of uncertainties," said the IEA, which advises major economies. Asia's consumption — and China's recovery from the COVID era — will be key for the market. The IEA expects China's imports of LNG to jump by as much as 15% this year, while still remaining below 2021 levels. India's gas demand is projected to increase 4%, following a drop amid soaring prices in 2022. In North America, gas demand is set to drop by 2%, as less of the fuel is used in heating and power generation.

Russia working to catch up with its own LNG technology

(Bloomberg; May 3) - Desperate to find new markets for the vast quantities of natural gas it once sent to Europe by pipeline, Russia is on a mission to dramatically increase its ability to export the fuel by sea. The catch is it needs to develop its own technology to do so, and fast. Russia wants to triple liquefied natural gas exports by the end of the decade, an ambitious goal that would make it a major supplier and, crucially, allow the holder of the world's largest gas reserves to tap much-needed new consumer markets.

To accomplish this, Moscow is accelerating its own liquefaction technologies to compete with the best LNG equipment makers, from France to the U.S. — all of whom left Russia after its invasion of Ukraine. Novatek, Russia's privately owned LNG exporter, received a patent for its own liquefaction process in April. The technology is based on a design being used at the Yamal LNG facility, the company's first project to produce fuel — and so far the biggest LNG plant in Russia. But there have been problems at that unit.

"Homegrown Arctic LNG technology has become an absolute priority of the Putin administration," said Morena Skalamera, a lecturer in Russian studies at Leiden University in the Netherlands. "It is definitely not yet anywhere close to a viable substitute to Western technology, but (Russia has) an incentive to keep on improving in a wartime economy." Part of the trouble is that Russia focused for decades on sprawling pipeline networks, leaving it far behind the rest of the world in terms of LNG technology.

Liquefying gas is hugely complicated. Facilities are massive marvels of engineering that can span the size of hundreds of soccer fields and cost billions of dollars. A typical plant takes three to four years to build, and includes a maze of pipes that transport, treat and then supercool gas before the LNG is loaded onto specially designed vessels.

High energy costs push Thailand to speed up shift to renewables

(Bloomberg; May 3) - The fallout from the global energy crisis is pushing Thailand to accelerate its shift to renewables after dragging its feet for years, the latest nation to embrace wind and solar in order to reduce dependence on imported fuel. The Southeast Asia country was forced to rethink its renewable energy strategy following last year's surge in natural gas prices sparked by Russia's invasion of Ukraine, said Wattanapong Kurovat, director-general of the Energy Policy and Planning Office.

"When we called on renewables plants to sell us more energy last year, we found that what we had was really all there was," Wattanapong said. While some nations are responding to the surge in global fuel prices by investing more in coal mines or gas fields, others — like Thailand — are looking at solar panels and wind turbines to make themselves more energy independent. Thailand depends on LNG imports for much of its power generation. The nation's state power utility was saddled with roughly 150 billion baht ($4.4 billion) in costs to curb utility bill rate hikes last year.

As part of an energy security push, the government last month announced winners for a roughly 5-gigawatt renewables power purchase plan that is set to essentially double its wind and solar capacity by 2030. Authorities are now planning another round for 3.67 gigawatts later this year, said Wattanapong. This is a reversal for Thailand, which had stalled new wind and solar in preference for gas for years as a transition fuel toward adopting cleaner sources. It can also be difficult in parts of the emerging world for renewables to gain a foothold amid grid restraints, red-tape and a lack of funding.

India may adopt new policy to stop building coal-fired power plants

(Reuters; May 5) - India plans to stop building new coal-fired power plants, apart from those already in the pipeline, by removing a key clause from the final draft of its National Electricity Policy in a major boost to fight climate change, sources said. The draft, if approved by the cabinet chaired by Prime Minister Narendra Modi, would make China the only major economy open to fresh requests to add significant coal-fired capacity.

India and China account for about 80% of all active coal projects as most developing nations wind down capacity to meet climate targets. As of January 2023, only 20 countries have more than one coal project planned, according to E3G, an independent climate think tank. "After months of deliberations, we have arrived at a conclusion that we would not need new coal additions apart from the ones already in pipeline," one of three Indian government sources said.

China and India have together been lobbying for freedom for countries to choose a roadmap to cut emissions. India, whose proposed coal power capacity is the highest after China, had repeatedly refused to set a timeline to phase out coal, citing low per-capita emissions, surging renewable energy capacity and demand for inexpensive fuel sources. Coal is expected to be the dominant fuel in generating electricity in India for decades, but activists have pressed for a halt to new coal-fired plants, arguing this would at least help to reduce the share of the polluting fuel in overall power output.

U.S. regulators announce new rules to reduce pipeline methane leaks

(Reuters; May 5) - U.S. regulators on May 5 announced new rules aimed at reducing leaks of methane, a potent greenhouse gas, from the pipeline system that could eliminate 1 million tonnes of methane emissions by 2030, the equivalent of emissions from 5.6 million cars. The Transportation Department's Pipeline and Hazardous Materials Safety Administration issued a proposed notice of rulemaking, laying out measures to clamp down on methane leaks from the vast network of gas infrastructure.

That network includes 2.7 million miles of gas transmission, distribution and gathering pipelines, underground natural gas storage tanks and liquefied natural gas facilities. The measures would play a role in broader U.S efforts to clamp down on methane emissions, complementing new proposed rules by the Environmental Protection Agency to strengthen methane leak detection and elimination in the oil and gas sector.

The proposal requires pipeline operators to establish advanced leak detection programs to find and repair all gas leaks by strengthening survey and patrolling requirements using technology such as aerial or vehicle surveys, gas imaging cameras and continuous monitoring systems. It will also establish timeframes for repairs of leaks. The proposed measures were developed as a result of the bipartisan PIPES Act of 2020, which created dozens of new regulatory mandates for the PHMSA to target methane.

Section of B.C. gas pipeline construction shut down for violation

(Calgary Herald; May 2) - TC Energy's C$14.5 billion Coastal GasLink natural gas pipeline in British Columbia has been cited for more non-compliance of controlling sediment and erosion, this time into streams and rivers. The company said it is taking steps to mitigate problems during spring melt. The provincial Environmental Assessment Office last week ordered a 2-mile stretch of the pipeline construction in northern B.C. shut down because sediment-laden water was reaching a tributary of the Anzac River.

The 416-mile pipeline, now 87% complete, will feed natural gas from northeastern B.C. to LNG Canada's export plant being built near Kitimat on the northcentral coast. The environmental agency, which ensures companies comply with construction project requirements, said an April 24 inspection had found "impacts" to the Anzac River, 80 miles northeast of Prince George. Sediment-laden water was being pumped into an area that ran into fish-bearing tributaries of the Anzac River, the agency said May 2.

The area is covered by a 2022 compliance agreement that sets out specific work plans that Coastal GasLink must follow to combat earlier repeated sediment and erosion problems on the pipeline project. The company must cease all work activities in the 2-mile area related to erosion and sediment control until the problem is fixed and confirmed by the agency, which issued three administrative penalties to Coastal GasLink in 2022 and 2023 totaling $456,200 for sediment and erosion control problems.

Canada opens investigation into oil sands tailings release

(The Canadian Press; May 4) - Environment Canada is opening an investigation into whether Imperial Oil broke federal laws with two releases of tailings from its Kearl oil sands mine in northern Alberta. The federal agency's enforcement branch said it is looking into whether the releases broke the Fisheries Act, which forbids putting hazardous materials into waters inhabited by fish.

In May 2022, Imperial workers discovered what they at first called discolored water seeping from one of the mine's tailings ponds. The substance was later found to be groundwater mixed with mine tailings. Another release in February sent 1.4 million gallons of contaminated surface water overflowing from a containment pond. Environment Canada has confirmed the presence of hydrocarbons and acids in a small fish-bearing lake located almost entirely within Imperial's lease. Federal inspectors have said they believe the tailings-contaminated water is hazardous to wildlife.

The federal investigation of Imperial comes just weeks after Canada's second-largest oil company Suncor Energy found 32 dead birds at one of its oil sands mining operations. Suncor now faces additional scrutiny from regulators and investors as it seeks to improve its corporate citizenship after a series of operational and environmental problems. Despite efforts to prevent birds from landing in the ponds, where they can become stuck and die, Suncor reported it found 32 birds, a muskrat and a vole.

Japan says it supports investment in Mozambique gas projects

(Bloomberg; May 4) - Japanese businesses will be encouraged to increase their investment in natural gas projects in Mozambique as the southeastern Africa country aims to move ahead with development of its large offshore resources, Prime Minister Fumio Kishida said. Japan will encourage “the entry of more Japanese businessmen” in Mozambique, Kishida said on May 4 in the nation’s capital. “Cooperation in the energy sector with the development of liquefied natural gas projects” will continue, he said.

Tokyo-based Mitsui holds a 20% stake in Mozambique’s flagship $20 billion LNG project. Led by TotalEnergies, the gas project has been halted for more than two years due to Islamic State-linked terrorist attacks in the region. Security in Mozambique’s Cabo Delgado province that’s home to major gas projects has improved significantly since regional troops arrived to assist the government, but some attacks persist. TotalEnergies has expressed interest in restarting work, but has not named a date.

Kishida promised financial support for Mozambique to counter terrorism. “Security is crucial for the operation of Japanese companies in northern Mozambique,” he said. Mozambique had recently announced it will receive maritime surveillance equipment and a ship donated by the Japanese government worth $830,000.

Norwegian company will build hydrogen electrolyzers in Michigan

(Michigan Live; May 3) - Norwegian company Nel Hydrogen will build a $400 million factory in Michigan to manufacture equipment that produces hydrogen fuel, Gov. Gretchen Whitmer announced May 3. The company has yet to choose a site for the factory. Whitmer made the announcement at an investment conference in Maryland alongside Nel CEO Håkon Volldal and U.S. Secretary of Commerce Gina Raimondo.

Hydrogen fuel cell vehicles are the primary zero-emissions competitors to conventional electric vehicles, but the availability of hydrogen fuel is scarce in the U.S. and costs remain high — not to mention that nearly all hydrogen in the U.S. is produced from natural gas, largely negating the environmental benefits of hydrogen fuel cell vehicles, which emit only water and hot air.

Nel’s factory in Michigan, the release said, will be the first in the U.S. to produce electrolyzers, which use electrolysis to produce hydrogen from water. Wooing hydrogen-centric industry to Michigan has been a long-term effort from Whitmer and the Michigan

Economic Development Corp. Whitmer traveled to Norway as part of a trade mission in January, where she met with Nel executives.

Decision expected by November on offshore East Timor gas project

(Reuters; May 3) - The head of East Timor's national oil company said he expects a decision by November on whether to pipe natural gas from its offshore Greater Sunrise project to the Southeast Asia island or to Australia for liquefaction and export. Production at the new field could start around 2030, Antonio De Sousa, CEO of Timor Gap, said May 2 on the sidelines of the Offshore Technology Conference in Houston.

The projected multibillion-dollar development on the maritime boundary between East Timor and Australia has been stalled for decades amid disputes over where the gas should be processed into liquefied natural gas. In February, however, partners in the Sunrise Joint Venture, which includes majority owner Timor Gap, operator Woodside and Osaka Gas, committed to working rapidly to pick the best option for developing the field, factoring in for the first time the benefits for East Timor, population 1.3 million.

A study to evaluate processing and selling the gas in East Timor, called Timor-Leste, versus Australia requires the approval of a designated authority representing the interests of both countries. "Once the authorities approve, we can do the study, which will maybe take between three to six months to finalize," De Sousa said. Development of Greater Sunrise is critical to the island nation's economy as its main source of revenue — the Bayu Undan oil and gas field — stopped producing gas earlier this year.

U.N. still needs to raise millions to remove oil from rusting tanker

(Associated Press; May 4) - Donors pledged an additional $5.6 million May 4 that will enable the United Nations to start transferring more than 1 million barrels of crude oil from a rusting tanker off the coast of war-torn Yemen that poses a major environmental threat, but the U.N. said nearly $24 million is still needed to offload all the oil. The tanker, which was purchased by the U.N. Development Program in March to take on the oil, is expected to arrive in the region in the coming days and the transfer operation is expected to start before the end of May, U.N. deputy spokesman Farhan Haq said.

The U.N. agency said Egypt, France, Italy, Luxembourg, Malta, Norway, South Korea, the U.K. and private company Octavia Energy and its subsidiary Calvalley Petroleum announced pledges totaling almost $8 million, of which $5.6 million represents new funding. With the new pledges, the U.N. has now raised $105.2 million for the operation to remove the oil from the Safer, with an addition $23.8 million still needed, UNDP said.

The Japanese-made Safer was built in the 1970s and sold to the Yemeni government in the 1980s to store up to 3 million barrels of oil pumped from fields in Marib. The impoverished Arab Peninsula country has for years been engulfed in civil war. No annual maintenance has been done since 2015 on the ship. Most crew members were pulled off the vessel years ago. In 2020, documents showed that seawater had entered the Safer’s engine compartment, increasing the risk of sinking.