

Oil and Gas News Briefs

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Exxon, Chevron deals show strong focus on Western Hemisphere

(Wall Street Journal; Oct. 25) - As the world becomes more dangerous, the two largest Western crude producers are focusing their investments closer to home. Chevron is acquiring Hess in a \$53 billion deal that gives it access to one of this century's biggest oil finds in the South American country of Guyana and allows it to double down on shale by expanding its presence to North Dakota. Both regions are established oil producers with limited geopolitical tensions, affording Chevron new reserves with fewer risks.

Chevron follows a megadeal by ExxonMobil, which bought Pioneer Natural Resources in a \$60 billion merger that anchors its future to the prolific Permian Basin of West Texas and New Mexico. The back-to-back acquisitions signal that the majors are increasingly turning their attention to the Western Hemisphere as international investments are complicated by the threat of expanding regional conflicts, from Ukraine to the Mideast.

Exxon and Chevron built their businesses for decades by scouring the globe for exploration opportunities as investors pressured the companies to add to their booked reserves. As a result, oil giants operated in far-flung locales rife with what is known in industry parlance as "aboveground risk." The emergence of U.S. shale eased some of the pressure as companies were able to drill in their own backyards, where frackers didn't have to worry about wars or sudden regime changes.

As the companies have retreated from overseas, their overall production volumes have shrunk. Exxon produced about 3.7 million barrels of oil equivalent a day last year, down about 17% from 2011, its annual peak. Chevron's international output fell 3% last year after concessions in Thailand and Indonesia expired. Following the Pioneer deal, about 45% of Exxon's production will come from the U.S., up from roughly 31%.

Norway's climate change committee recommends halt to new permits

(Argus Media; Oct. 27) - Norway's climate change committee said Oct. 27 that the government should begin to prepare for "the final phase of Norwegian petroleum activities," recommending a number of far-reaching measures including an immediate halt to exploration and extraction permitting. The committee is tasked by parliament to review options to get the country to its target of reducing greenhouse gas emissions by at least 50% by 2030 compared with 1990 levels.

The report said upstream policy "must be changed" and that Norway "must reduce the extent of petroleum extraction toward 2050 more than what is in current expectations." It noted that the oil and gas industry accounts for 25% of the country's total emissions. It said "the higher the level of activity in the oil and gas industry, the more the emissions in other sectors must be reduced" if Norway is to hit its 2050 goal.

The committee recommended no further permits for exploration, construction or operation until the government has a strategy in place for the "final phase;" a permanent halt in exploration without direct connection to existing infrastructure; and that "no decision is made to build new infrastructure that binds us to emissions ... beyond 2050."

The report also noted that pandemic-induced tax incentives have resulted in a surge of plans for development and operations in the country's upstream sector, adding, "an expectation of such political packages provides unfortunate incentives and makes the transition more difficult both for the petroleum industry and other industries."

North America set to more than double LNG export capacity in 5 years

(U.S. Energy Information Administration; Oct. 25) - Over the next five years, the U.S. Energy Information Administration expects North America's liquefied natural gas export capacity to expand by 12.9 billion cubic feet per day — more than double — as Mexico and Canada put into service their first terminals and the U.S. adds to its existing LNG capacity of 11.4 bcf a day. By the end of 2027, LNG capacity will grow by 1.1 bcf a day in Mexico, 2.1 bcf a day in Canada and 9.7 bcf a day in the U.S. with a total of 10 new projects across the three countries, totaling almost 100 million tonnes of LNG per year.

In Mexico, the EIA said, three small-scale projects are under construction — one on the West Coast, supplied by gas from the Permian Basin in the U.S., and two on the Gulf Coast, with a couple more West Coast projects in the planning stages. In Canada, one LNG export terminal is under construction in British Columbia, with a 2025 in-service date, with a second, smaller project expected to start construction within a few months.

In the United States, five LNG export projects are under construction with a combined 9.7 bcf a day of natural gas liquefying capacity, almost 75 million tonnes a year of LNG, close to 20% of total global trade of the fuel last year: The QatarEnergy/ExxonMobil Golden Pass terminal in Texas; Plaquemines, in Louisiana; Corpus Christi Stage III expansion in Texas; Rio Grande LNG in Texas; and Port Arthur, also in Texas. Exports from Golden Pass LNG and Plaquemines are expected to start in 2024.

Total could take its Qatari LNG elsewhere if Europe doesn't need it

(Reuters; Oct. 26) - TotalEnergies said on Oct. 26 that liquefied natural gas cargoes covered by a 27-year deal it signed with Qatar this month could be diverted to non-European countries if needed. The deal, and similar long-term LNG agreements signed by other European energy majors with Qatar, has raised concerns about whether European Union goals to reach net-zero emissions by 2050 will be achieved.

"If we need to redirect part of these LNG (flows) to another country ... I think Qatar and ourselves, if it's in our interest, we will do it," TotalEnergies CEO Patrick Poyanne told analysts in a conference call. He said it was not France but TotalEnergies that committed to the deal, although he thought it was likely the LNG flows would end up in France or elsewhere in Europe. "I don't see (how) you could manage complex power electricity markets in Europe with a lot of renewables without having flexible assets."

Deliveries of 3.5 million tonnes per year are due to start in 2026 and continue until 2053. Shell signed an identical 27-year deal with Qatar a week after TotalEnergies' agreement. Both are Qatar's biggest and longest gas supply deals with Europe, as the region seeks to compensate for Russian gas lost after the EU imposed energy import restrictions following Russia's invasion of Ukraine last year. Pouyanne, who has been accused by climate activists of doing too little to combat carbon emissions, said the company's net-zero pathway could still have "even quite a large share of LNG."

Forecasts differ on future demand for natural gas in Asia and Europe

(Bloomberg; Oct. 27) - The view on how important natural gas will be as a bridge during the energy transition looks very different in the two major markets. From Indonesian utilities to Indian importers, the message at the Singapore International Energy Week conference this week was clear: Asia will need a lot more gas to help it move from coal to renewable sources of power. That's in contrast to the International Energy Agency's annual report the same week. It expects global demand for the heating and power-station fuel to peak this decade as advanced economies shift rapidly to renewables.

In Asia, the IEA sees consumption falling 40% by 2050, based on climate pledges by governments in the region. But executives and policymakers at the conference in Singapore laid out a picture of far stronger growth than the IEA. China's gas demand will double through 2050, said Andy Elliott, president of ExxonMobil LNG Asia Pacific, while panelists from India and Vietnam highlighted investments being made in pipelines and LNG import terminals that will ensure gas use past 2050.

Indonesian power producers and miners have called for more funding for gas as the fuel will help replace coal. Singapore committed to building another LNG import terminal to boost energy security. The gas demand outlook in Europe, however, is more ambiguous as governments advocate policies that could dramatically curb fossil fuel consumption. "We don't know how fast the energy transition will come," Fabian Kor, a Singapore-based vice president at Securing Energy for Europe, which supplies gas to Germany.

Germany's top judges reject challenges to LNG law

(Bloomberg; Oct. 26) - Germany's top administrative judges have given another boost to government measures fast-tracking the construction of liquefied natural gas import terminals and pipeline connections to secure energy supply after Russia's invasion of Ukraine. The Federal Administrative Court in Leipzig on Oct. 26 threw out the first of a couple of lawsuits brought by two men over an LNG terminal and a floating unit in Brunsbüttel, in the northern part of Germany. Their property was provisionally seized to allow construction of pipelines to connect the terminal with the gas network.

Germany's highest administrative tribunal, which has final jurisdiction over challenges against the LNG law, has now reviewed a series of key legal issues concerning the controversial legislation, Court President Andreas Korbmacher told the parties at a hearing on Oct. 26. The judges had already rejected two preliminary complaints filed by the same plaintiffs in other cases. "We have reached fairly firm ground," Korbmacher said. "We have issued several rulings which tackled a spectrum of legal issues."

Germany fast-tracked the construction of LNG terminals last year to avoid a gas shortage after Russia curtailed shipments to the continent — in a law which cuts short environmental scrutiny of energy infrastructure projects. So far, three floating storage and regasification units in Wilhelmshaven, Brunsbüttel and Lubmin have started operations, with three more expected to go online this winter.

Canadian gas producers tout their advantages to supplying Asia

(S&P Global Platts; Oct. 25) – Start-up of the Shell-backed LNG Canada project in 2025 will provide the impetus for new investments in British Columbia and its hinterland, as Asian buyers target Canada for its low-carbon liquefied natural gas, a senior industry official said Oct. 25. A number of Asian embassies, and Japan in particular, have been talking to Canadian industry players about securing supplies and "are saying we want you in the market and we want your product," Timothy Egan, president of the Canadian Gas Association, told S&P Global Commodity Insights in an interview from Ottawa.

There are four Canadian LNG projects in British Columbia in various stages of development: LNG Canada, at 14 million tonnes per year, is under construction, with start-up expected by 2025; Woodfibre LNG, at 2.1 million tonnes, is expected to start construction soon; and First Nations-backed Ksi Lisims, at 12 million tonnes, and Cedar LNG, at 3 million tonnes, are in the planning stages. All are targeting to operate within the provincial government benchmark of carbon intensity levels.

Canadian producers expect that their low-carbon intensity could fetch a price premium with Asian buyers. While pricing will be a key element for buyers, Canadian producers believe their core advantage will stem from security of supplies at a time of geopolitical crisis like the war in Ukraine and the Middle East crisis, Egan said. "Pricing will be a

strategic aspect. But given the incredible volatility in the global markets, buyers want secure supplies and Canada can offer that. That may translate into a price advantage.”

Thailand boosts LNG imports but weak on renewable energy

(Reuters; Oct. 25) - Thailand has jumped from 11th to eighth in the world ranking for imports of liquefied natural gas, after purchases through October soared 25% from the same period in 2022, data from Kpler shows, helping it crack the top 10 of fuel importers for the first time. Thailand's robust appetite for LNG contrasts with substantial declines in LNG purchases by other major importers this year, cheering key exporters such as Qatar, Australia and Malaysia.

But Thailand's appetite for gas is a growing concern for supporters of Southeast Asia's energy transition, as Thailand is viewed as a regional power that can influence others in energy transition ambitions and strategies. The main driver of Thailand's LNG imports — which have jumped by 127% since 2019 — is its gas-heavy electricity generation system. With more gas-fueled power, Thailand is reducing its consumption of coal. But burning all that gas means the country's emissions still are higher than a year ago.

As a result, Thailand's total power sector emissions have climbed to new highs this year, despite curbs to coal generation, raising concern for climate trackers hoping for region-wide efforts to reverse emissions trends. Thailand has been one of Southeast Asia's slowest developers of solar and wind energy supplies, which currently account for less than 5% of its total generation. Vietnam, by contrast, sources over 13% of its electricity from solar and wind, while in Asia as a whole that share is around 11%.

Egypt may be unable to resume LNG exports to Europe

(Bloomberg; Oct. 29) - Egypt's gas imports have ground to a halt, the cabinet said Oct. 29, in a development that reflects the impact of the Gaza conflict on the North African nation and could dash hopes of a resumption of liquefied natural gas exports to Europe. The cabinet, explaining the reasons for the expansion of power cuts that have roiled the country for months, said gas imports from an Israel offshore field have fallen to zero at a time when warmer-than-usual temperatures led to an increase in electricity demand.

The halt in the gas imports appears linked a decision earlier this month by Israeli authorities to shut down the offshore Tamar gas field amid concerns it could be impacted by the fighting between its military and Hamas in the Gaza Strip. Chevron, which runs the gas field that Israel ordered shut as well as another major field that has stepped up production, did not respond for comment. Without imports, Egypt will need to depend on domestic production to meet 100% of its gas needs.

The latest announcement that imports have stopped will be watched by European gas traders. Egypt imports gas from Israel and then exports some of it on to Europe as LNG. Italian oil giant Eni said last week it had expected Egypt to restart gas exports as domestic demand drops. In Egypt, power cuts have been in place since the middle of the year, with officials linking them to unusually high temperatures along with cost-saving measures as the country grapples with its worst currency crisis in decades.

Shell scales back low-carbon solutions workforce

(Reuters; Oct. 25) – Shell will cut about 15% of the workforce at its low-carbon solutions division and scale back its hydrogen business as part of CEO Wael Sawan's drive to boost profits, the company said on Oct. 25. The staff cuts and organizational changes come after Sawan, who took the helm in January, vowed to revamp Shell's strategy to focus on higher-margin projects, steady oil output and grow natural gas production.

Shell will cut 200 jobs in 2024 and has placed an additional 130 positions under review as part of a drive to reduce the headcount in the unit, which numbers around 1,300 employees, the company confirmed to Reuters. Some of these roles will be integrated into other parts of Shell, which employs more than 90,000 people, the company added.

The low-carbon solutions operations include the hydrogen unit and other businesses looking at decarbonizing the transport and industry sectors, but do not include the renewable power business. The division also includes Shell's carbon capture and storage and nature-based solutions businesses, which will not be impacted by the current round of cuts, the sources said. The main focus of the changes has been the hydrogen business. Shell plans to sharply scale back its hydrogen light mobility operations, which develop technologies for light passenger vehicles, the company said.

Hydrogen proponents may need to turn focus to achievable uses

(Reuters commentary; Oct. 26) - Hydrogen bulls have taken a beating recently, with the International Energy Agency cutting demand for the fuel in key forecasts and Shell announcing job cuts and reduced scale in its hydrogen business. The downbeat outlook is in stark contrast to the mood surrounding hydrogen just a few years ago, when it was widely hyped as a potential fuel for the freight sector and hard-to-electrify industries.

Hydrogen's chief problem is that the pace of development — both supply and demand — has been sharply lagging developments elsewhere, most notably in the electrification of vehicles that seemingly negate the need for hydrogen-powered engines. However, while the prospects for hydrogen may be diminished from earlier characterizations as a clean-burning panacea, the sector will likely benefit from the resulting narrower focus by developers on making the fuel fit-for-purpose for the cases for which it is still promising.

A major drawback for potential green hydrogen users is that there has been too little of the stuff available to allow for much real world testing. What's more, green hydrogen currently costs multiple times an equivalent volume of natural gas. That combination of scarcity and high cost has made it a challenge for potential users to properly assess the viability of using hydrogen as a power fuel or heat source instead of current fuels.

Compounding the issue of supply shortages has been the proposed use of hydrogen in applications that can be better and more cheaply served by other energy sources, such as electricity. Hydrogen could be highly effective in the production of fertilizer, and in several chemical production and oil refining applications. Hydrogen developers may be better able to hasten the delivery of scalable solutions for such heavy industries.

[Canada suspends carbon-pricing charge on heating fuel](#)

(Global News; Oct. 26) – Canada's federal government will pause applying carbon pricing to home heating oil deliveries for three years in a bid to accelerate the switch to more environmentally friendly heat pumps, Prime Minister Justin Trudeau announced Oct. 26. He also said the government will be rolling out incentives to Atlantic Canada households that are more reliant on heating oil, including enhanced payments and grants to lower the cost of installing a heat pump. Those incentives will be piloted in the Atlantic beginning in two weeks and then rolled out across the rest of the country.

Rural communities will also see a doubling of the payment afforded to them as part of quarterly carbon-pricing rebates, Trudeau said. The three-year carbon-pricing pause for home heating oil will start in two weeks and last until March 31, 2027, applying to every jurisdiction under the federal charge. Removing the carbon price from home heating oil will save an average homeowner \$250 a year. The carbon price intends to make fossil fuels more expensive as an energy source to encourage people to find alternatives.

Atlantic premiers have said since the summer — when the four provinces switched to the national carbon levy — that the pricing scheme disproportionately impacts their region, where home heating oil is still used by almost one-third of households. That's a far higher proportion than the rest of Canada. The carbon price is also higher on heating oil than natural gas, which is more commonly used in other provinces.