Oil and Gas News Briefs
Compiled by Larry Persily
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China wants lower price for gas through second Russian pipeline

(S&P Global; Sept. 13) - State-run China National Petroleum Corp. (CNPC) is negotiating to bring down the price of Russian natural gas through the proposed 1,600-mile Power of Siberia 2 pipeline amid expectations that a deal could emerge as early as this year, according to multiple sources. The highly anticipated deal, which would open a new conduit for Russian gas supply into northern China, has been on the drawing board for nearly two decades and could become one of the most significant cross-border energy deals signed by a Chinese state oil and gas company in recent years.

The circumstances under which Power of Siberia 2 gets finalized will be significantly different from when it was first conceived, with major geopolitical ramifications due to the ongoing situation in Europe and the growing rift between the U.S. and China, as well as China's vastly changed economic and energy landscape. While CNPC is looking for a lower price for the gas, Russia is desperate to find an alternative buyer to the European market. CNPC has been taking advantage of its negotiating leverage.

The delivered cost of Power of Siberia 2 gas is expected to be cheaper than most new LNG imports in the northern and central coastal demand centers in China for several reasons, Jenny Yang, senior director, S&P Global Commodity Insights said. "Unless Gazprom offers a good deal to China, China can go with other supply options with perhaps better flexibility and diversification like LNG imports," she said.

China currently imports pipeline gas from several countries, with gas via Russia's Power of Siberia 1 the cheapest. In 2020, for example, Russian pipeline gas to China averaged $4.15 per million Btu compared to more than $9.08 for gas from Myanmar, and around $5 to $6 for gas from Turkmenistan, Kazakhstan and Uzbekistan, customs data showed.

ExxonMobil reports investment in Qatari LNG reaches $30 billion

(Upstream; Sept. 14) – ExxonMobil's investments in Qatar's liquefied natural gas expansion have reached $30 billion. Peter Clarke, senior vice president at ExxonMobil, told Arabic-language daily Asharq that the company has made multiple investments in the Middle East nation through long-term partnership agreements. "We have also invested in 27 LNG vessels to transport Qatari gas. Over the past years, we have invested nearly $30 billion in major projects in Qatar. … We also have important ventures with Qatar in the U.S., mainly Golden Pass LNG (Texas)," Clarke said.

Exxon and QatarEnergy are partners in the $10 billion Golden Pass project, which is scheduled to start production in 2024. Clarke said ExxonMobil started investing in Qatar's gas projects during the 1990s and has been associated with the development of 12 of the 14 LNG trains in the emirate. ExxonMobil last year picked up a sizable stake in Qatar's huge North Field East LNG expansion plans, which will take the country's output capacity from 77 million tonnes per year to 110 million by 2026.

Under the terms of the agreement, QatarEnergy and ExxonMobil are partners in a new joint-venture company, in which the Qatari player holds 75% and ExxonMobil 25%. The joint venture in turn owns 25% of the entire North Field East project, including four LNG trains with a combined nameplate capacity of 32 million tonnes per year. ExxonMobil is aiming to significantly expand its global LNG business, almost doubling its LNG portfolio to 40 million tonnes by 2030, a top company executive said earlier this year.

World faces steep supply shortfall if Saudis continue production cuts

(Bloomberg; Sept. 12) - Global oil markets face a supply shortfall of more than 3 million barrels a day next quarter — potentially the biggest deficit in more than a decade — as Saudi Arabia extends its production cutbacks. The latest data published by OPEC show why the kingdom's supply squeeze, amid a period of record demand, has sent oil prices surging beyond $90 a barrel. Riyadh said last week it will extend its output reduction until the end of the year, even though markets are already tightening.

World oil inventories, having depleted sharply this quarter, are set for an even steeper drop of roughly 3.3 million barrels a day in the next three months, forecasts published in a report from the Organization of Petroleum Exporting Countries indicated on Sept. 12. If realized, it could be the biggest inventory drawdown since at least 2007, according to a Bloomberg analysis of figures published by OPEC's Vienna-based secretariat.

The kingdom's hawkish strategy, aided by export reductions from fellow OPEC+ member Russia, threatens to bring renewed inflationary pressures to a fragile global economy. Diesel prices have surged in Europe, while American airlines are warning passengers to brace for increased costs.

U.S. energy data agency forecasts $93 Brent during fourth quarter

(Reuters; Sept. 12) - Global oil inventories are expected to fall in the fourth quarter after Saudi Arabia extended its output cuts this month, even as U.S. production is forecast to rise more than previously thought, the Energy Information Administration said in a report on Sept. 12. Saudi Arabia said it would continue its oil production cut of 1 million barrels per day through to the end of the year.

The decline in global oil inventories should increase the price of the international benchmark Brent crude contract to an average of $93 per barrel during the fourth quarter, up from the $86 average in August, the EIA said. Brent is expected to ease to an average of $87 by the second half of 2024 as inventories rise, the EIA said. "High oil prices combined with uncertain economic conditions could lessen global demand for petroleum products through 2024," said EIA Administrator Joe DeCarolis in a statement.

In the U.S., crude output is seen rising by 870,000 barrels per day in 2023 to a record 12.78 million, up from last month's forecast of a slightly smaller increase. In 2024, output is expected to rise by an additional 380,000 barrels per day to 13.16 million.

IEA expects fossil fuel demand will peak by 2030

(CNBC; Sept. 12) - Demand for oil, gas and coal will hit an all-time high before 2030, according to Fatih Birol, executive director of the International Energy Agency. That's notable progress for the global fight against climate change but not fast enough to keep global warming within the internationally supported target of limiting global warming.

"Despite recurring talk of peak oil and peak coal over the years, both fuels are hitting all-time highs, making it easier to push back against any assertions that they could soon be on the wane. But according to new projections from the International Energy Agency, this age of seemingly relentless growth is set to come to an end this decade, bringing with it significant implications for the global energy sector and the fight against climate change," Birol wrote in an op-ed published in the Financial Times.

The IEA is a global intergovernmental energy agency founded in 1974 after the oil crisis in 1973, and which now includes in its energy charter clean energy and the global energy transition. Birol's assessment is based off of the IEA's forthcoming report, the World Energy Outlook, which is due out in October and which will show "the world is on the cusp of a historic turning point," Birol said. The sea change in energy demand is due to, among other reasons, growth of clean energy technologies like solar panels and electric vehicles, and current global governmental policies, Birol said.

Alberta regulator transfers control of 3,000 oil and gas wells

(Calgary Herald; Sept. 8) - Alberta's energy regulator has transferred control of thousands of oil and gas wells and other facilities held by a troubled Calgary company to the group that's responsible for cleaning up poorly maintained or abandoned sites. In an order issued Sept. 6, the regulator told the Orphan Well Association that it would be responsible for the care and operation of more than 3,000 oil and gas wells, 2,700 pipeline segments and 350 facilities owned by AlphaBow Energy.

The Alberta Energy Regulator's documents state that AlphaBow's entire environmental liability is $154 million. The regulator told the association to "suspend" AlphaBow's wells, meaning surface structures must be safely locked and the drill hole plugged with concrete. Suspending a well is not a complete cleanup. "AlphaBow will be responsible for all costs and expenses incurred by the (association)," the regulator's letter reads. An AlphaBow representative declined comment on the regulator's move.

AlphaBow, privately held, was created after the 2018 collapse of Sequoia Resources, another Calgary-based energy company, said Drew Yewchuk, a lawyer formerly with the University of Calgary Public Interest Law Clinic. "This company was supposed to operate longer … holding the aging infrastructure," he said. "From the time it was created, it looks like the company was probably doomed." AlphaBow has a long history of regulatory problems. In June 2022, the regulator rated it as an "unreasonable risk" after not spending enough on cleanup and outstanding debt, including municipal taxes.

U.S. shale drillers extend wells farther out to boost returns

(Wall Street Journal; Sept. 10) - For Dennis Degner, the milestone is 25,000 feet. Oil and gas wells stretched just a fraction of that length laterally underground in 2010, when the now-CEO of Range Resources joined the gas producer. Back then, innovations in horizontal drilling and fracking were just beginning to transform global energy markets.

Now, with the end of the shale boom in sight, Wall Street is pressuring companies to cut spending and boost returns to help their share prices. Growth at all costs is out. The slow grind of achieving efficiency is in. The market has pushed oil and gas producers to idle drilling rigs and bore fewer — but longer — wells. In Pennsylvania, a nearly 22,000-foot Range Resources gas well has put Degner's target within striking distance.

Improvements from souped-up drilling rigs to specialized drill bits to technologies that provide better underground steering have helped firms pump out better-than-expected production — and dividends and buybacks for shareholders. Some producers are boring so far underground with each lateral well that analysts say they are nearing the point of diminishing financial returns. Longer term, energy experts warn that the advances won't be enough to reverse a structural decline in U.S. shale output.

Researchers at Rystad Energy said 16% of wells drilled this year in the oil-rich Permian Basin, which spans West Texas and New Mexico, extended laterally beyond 12,500 feet. Only 1% did so five years ago. But boring farther leads to more technical difficulties and geologic uncertainties, analysts say. Unexpected fractures in shale rock can destabilize operations and lead to costly equipment issues.

Oil and gas companies see potential for lithium in drilling brine

(Energy Wire; Sept. 12) - Since oil and gas drilling began nearly 150 years ago, the salty wastewater it produces has been a nuisance for operators. Now, the electric vehicle revolution could turn the industry's billions of barrels of brine into dollars. Oil and gas companies are eyeing their own byproduct — along with naturally occurring brine found deep underground — as a source of lithium, a highly sought-after metal needed to make EV batteries.

Industry executives and experts say companies are close to bringing to market technologies that extract lithium from brine in producing wells, creating a new revenue stream. The CEOs of ExxonMobil, Chevron and Occidental Petroleum have said their companies are working on pilot projects to extract lithium from brine. "We've been pushing for this for a decade and no one's been listening," said Brent Wilson, founder and CEO of Galvanic Energy, an exploration and consulting company. "Now we've gained a lot of interest from the majors. … The industry is finally waking up."

Companies usually mine hard rock and clay for lithium or access the silvery-white metal through evaporation using massive ponds. But oil and gas companies are looking to an emerging suite of methods called "direct lithium extraction." That refers to technologies that directly remove lithium from brine in salt flats and bodies of water — or from the wastewater of oil and gas drilling. In 2021, researchers at the University of Texas, Austin, found that a single week's worth of water from hydraulic fracturing in Texas' Eagle Ford shale could produce enough lithium for 300 EV batteries.

Russia sends first non-ice class oil tanker through Arctic waters

(High North News; Sept. 12) - In a sign of things to come, Russia has sent the first non-ice class Aframax oil tanker into the Arctic. Hampered by Western sanctions, a desperate Russia has decided to forgo long-standing practices regarding ice protection in an effort to reroute ever-larger amounts of crude oil to China, experts say. In what will likely become a watershed moment for the Arctic, Russia has dispatched the first-ever conventional oil tanker across its Northern Sea Route.

The Leonid Loza departed from anchorage outside Murmansk in the early hours of Sept. 11, destined for Ningbo, China. Given its current speed and heading, the Aframax tanker — capable of carrying up to one million barrels of crude oil — will enter Russia's Northern Sea Route to the north of the Novaya Zemlya archipelago on Sept. 13. Until now, oil shipments have only occurred in ice-class ships.

With the European oil market off-limits, Russia has rerouted some of its Arctic and Urals crude to China. During July and August, it dispatched about a dozen ice-class tankers from Primorsk and Ust-Luga in the Baltic as well as Murmansk in the Barents Sea. "Desperate countries do desperate things. At least the tanker is double-hulled, thanks to the legal changes made at the International Maritime Organization after the Exxon

Valdez accident," said Michael Byers, professor and Canada research chair in global politics and international law at the University of British Columbia.

U.S. No. 1 LNG exporter in first six months of the year

(Reuters; Sept. 12) - The U.S. exported more liquefied natural gas than any other country in the first six months of 2023, regaining the top spot after the restart of a fire-idled Texas plant, the U.S. Energy Information Administration said on Sept. 12, citing data from industry body Cedigaz. The increase in U.S. LNG exports mainly resulted from Freeport LNG in Texas returning to full service as demand for the fuel remained strong, especially in Europe, the statistical arm of the Department of Energy said.

Freeport was back at full power in March, after an eight-month outage caused by a fire in June 2022. U.S. LNG exports averaged 11.6 billion cubic feet per day during the first half of this year, up 4% year-on-year, while Australia came in second at 10.6 bcf per day on average, followed by Qatar at 10.4 bcf. U.S. LNG exports consumed about 11% of the nation's gas production. Europe and Britain remained the main destination for U.S. exports in the first six months, accounting for 67% of total U.S. exports, the EIA said.

Russia finds companies willing to transport modules for LNG project

(High North News; Sept. 11) - A year and a half into Western sanctions against Russia, it is becoming clear that initial expectations regarding their impact on the country's Arctic LNG-2 project were exaggerated. In contrast to widespread reporting throughout 2022 that companies would no longer transport key prefabricated modules for Novatek's Arctic LNG-2 from China to Russia, the deliveries continue. Dutch Red Box Group, owner and operator of two ice-capable heavy-lift carriers, the Audax and Pugnax, has completed several shipments in 2022 and 2023, an analysis of shipping records shows.

The Pugnax loaded modules at a construction yard north of Shanghai two weeks ago and entered the Northern Sea Route with destination of Novatek's Belokamenka yard last week. Meanwhile, the Audax completed a recent delivery and is returning to Asia. The European Union's sanctions package passed in 2022 set broad prohibitions for the transfer of technology for liquefaction of natural gas, including the "supply, transfer or export, directly or indirectly, goods and technologies suited for use in the liquefaction."

When sanctions took effect, experts highlighted how Russia relied on a fleet of Western heavy-lift carriers to transport its large, prefabricated modules from yards across China to the construction yard near Murmansk. Neither Rex Box nor the Dutch government responded to inquiries how a Netherlands-based company may continue transporting LNG modules under the existing sanctions regime. The Arctic LNG-2 project is scheduled to start production and exports early next year.

Chinese shipyards win more orders for LNG carriers

(S&P Global; Sept. 12) - Chinese shipyards have accumulated their largest number of LNG newbuild orders to date, positioning them in coming years as an alternative to South Korean yards that currently dominate LNG ship construction. While Chinese yards have been successful in expanding the market share in other ship types such as crude and refined product tankers, and dry bulk vessels, the LNG carrier space has been elusive due to the need for more technological and shipbuilding expertise.

The main Korean yards such as Samsung Heavy Industries, Hyundai Heavy Industries and Daewoo Shipbuilding & Marine Engineering collectively have the largest market share in LNG shipping, with a reputation for high-quality construction and delivering ships on schedule, sometimes well ahead of the LNG projects they may be linked to.

However, in recent years, the rush for long-term LNG contracts after the Ukraine crisis resulted in new LNG ship orders that pushed yard capacity in South Korea to its limit, opening the door for China to expand its presence. In the first half of 2023, Chinese yards received 14 large LNG carrier orders, accounting for 35% of global orders for the period, state-owned media Xinhua News Agency reported. Chinese shipping companies like state-owned COSCO, Chinese national oil and gas companies and second-tier gas companies are expected to control a growing share of the global LNG fleet.

Europeans start to push back against climate change laws

(Bloomberg; Sept. 10) - In 2019, in the midst of bad-tempered parliamentary battles to shape the terms of Britain's exit from the European Union, the U.K. became the first country to legislate for net-zero emissions by 2050. The law passed without a single vote against it. The unity hasn't lasted. The target remains in place, but Prime Minister Rishi Sunak sees climate as a profitable political battle field in the run-up to an election which polls show he's likely to lose.

His government has opposed the expansion of a low-pollution zone in London and issued 100 new oil and gas exploration licenses, something opposition leader Keir Starmer has promised to halt. Egged on by right-wing newspapers, some of Sunak's Conservative Party members of Parliament want to go further — backtracking on the plan to phase out new internal-combustion cars in 2030, for example. They argue that cutting emissions is an expense cash-strapped Britons can't afford. There have even been calls for a referendum on the whole idea of net-zero.

At the G20 summit in New Delhi on Sept. 10, Sunak said consumers shouldn't be made to suffer from the push to reduce emissions. The fraying climate consensus isn't unique to Britain. In June, 13,000 people gathered in a German town to protest against a law to ban gas-fueled boilers, an issue that's rocked Olaf Scholz's coalition, where the Green Party is a partner. Parts of the EU's so-called Green Deal have encountered opposition

from member states, notably France, which opposed stricter exhaust emissions rules, and Germany, which almost stopped a ban on combustion engines.

Liquefied hydrogen carrier stops in Singapore on test run

(Offshore Energy; Sept. 11) - Singapore has welcomed the world's first bulk liquefied hydrogen carrier, the Suiso Frontier, designed and manufactured by Japan's Kawasaki Heavy Industries (KHI) and operated by Shell Japan. The vessel was berthed at the Shell Energy and Chemicals Park Singapore from Sept. 1-7. "The properties of hydrogen and its potential to be produced at scale using renewable sources make hydrogen a potential fuel to support the energy transition to a low- and zero-carbon future," said Teo Eng Dih, CEO of the Maritime and Port Authority (MPA) of Singapore.

"MPA is actively studying the use of hydrogen and its carriers as a marine fuel and welcomes collaboration with industry players such as KHI and Shell as well as our work with our research community, such as the A*STAR Institute of High-Performance Computing, to bring the Suiso Frontier to Singapore," he said.

The vessel, which can carry up to 330,000 gallons of liquefied hydrogen at minus 423 degrees Fahrenheit, completed its maiden voyage between Australia and Japan in February 2022 and is now in the demonstration phase, aiming to assess performance, reliability and integrity of its system through more load-and-unload cycles.

Failure to approve route change could delay Canadian oil pipeline

(Bloomberg; Sept. 11) - The expansion of a Canadian government-owned oil pipeline from Alberta to the Pacific Coast could be delayed by nine months if regulators don't approve a route change, the builder said in a regulatory filing. The expanded Trans Mountain line might not be completed before December 2024 in a "worst-case" scenario where regulators force the company to stick with a plan to tunnel under land that's important to an Indigenous community, according to a filing with the Canada Energy Regulator. The earliest the tunneling could be completed is by April, the company said.

The Trans Mountain expansion has already faced repeated delays since it began more than a decade ago, causing the price tag to more than quadruple to C$30.9 billion ($22.8 billion). The project — which would more than triple the volume of crude Alberta's producers can pipe to a West Coast export terminal to 890,000 barrels a day — was due to start operations by the end of the first quarter of 2024.

Trans Mountain is seeking approval for a route change in British Columbia that would scrap the tunneling project in favor of an alternative that's more intrusive — but cheaper — after running into engineering challenges. But the Stk'emlúpsemc te Secwépemc

Nation opposes the change, saying it would do “irreparable harm” to its cultural and spiritual rights. The regulator has scheduled hearings on the change for this month.

China seeks bids to stock up on LNG for winter

(Bloomberg; Sept. 12) - China is looking to stock up on liquefied natural gas for winter, returning to the spot market in a move that risks reducing supply to other importers. Unipec, the trading arm of Sinopec, released a tender to purchase more than a dozen shipments for this winter, in addition to additional deliveries through the end of 2024, according to traders with knowledge of the matter.

While it isn’t clear if Unipec’s shipments are to meet domestic demand or for use in its trading portfolio, this is still the biggest push by a state-owned Chinese importer to procure LNG from the spot market since February. China’s LNG imports fell by 20% last year due to virus restrictions and high prices. While deliveries have increased this year, they’re still below 2021 levels, when China was the world’s top buyer.

The nation’s potential return to the market could curb the availability of LNG for Europe, which is turning to the fuel to replace pipeline gas deliveries from Russia. Risks from frigid weather, from worker strikes in Australia and from China’s appetite for fuel threaten to disrupt the LNG market’s delicate balance, according to executives and analysts at the Gastech conference in Singapore last week.

Chevron appeals to Australian agency to intervene in strike

(Bloomberg; Sept. 12) - Chevron’s requests for a regulator to intervene in the labor dispute at its liquefied natural gas projects in Australia will be heard on Sept. 22, as workers threaten to ramp up strike action this week. The gas producer must participate in further mediation with the unions before the date of the hearing, Fair Work Commission President Adam Hatcher said in a preliminary hearing Sept. 12.

Chevron applied for so-called intractable bargaining declaration for sites in Western Australia. If the submission is approved, the commission can decide to assist in further negotiations or make a determination on terms and conditions of employment. Partial strikes including work stoppages and bans on carrying out overtime and other duties started Sept. 8 at Chevron’s Gorgon and Wheatstone export plants, which together supplied close to 6% of the world’s LNG last year.

International gas price benchmarks soared at the prospect of an escalation to full union walkouts planned for two weeks starting Sept. 14. Offshore Alliance, a partnership between the Australian Workers’ Union and the Maritime Union of Australia, said on Sept. 12 that it plans to continue industrial action until it secures a new agreement.

China’s oil imports up in August, but it could be temporary

(Reuters columnist; Sept. 11) - China's imports of most major commodities rebounded in August, but the strength in arrivals of crude oil, iron ore and coal is more likely related to temporary factors rather than a recovery signal for the world's second-largest economy. Oil imports surged to 12.43 million barrels per day in August, the third-highest daily rate and up 20.9% from a weak import volume in July, according to data released on Sept. 7 by the General Administration of Customs.

While domestic travel has rebounded, lifting demand for gasoline and jet fuel, there are other factors at work driving China's crude imports. Chief among them is that China has been building oil inventories for much of the year, adding about 950,000 barrels per day to storage tanks in the first six month of the year. The question then becomes why were imports weak in July even though refinery rates remained robust? The answer is likely that China's refiners pulled back on buying oil for July delivery because at the time the cargoes were arranged prices had been rising and were close to their year’s highs.

The strength in China's imports in August is likely because at the time the cargoes were bought, prices had fallen, given the lag of up to three months between when shipments are arranged and delivered. This means that China's crude imports in September may be robust, but arrivals from October onward would have been bought at higher prices and volumes could decline. History suggests that China's refiners tend to trim imports and dip into reserves if they believe prices have risen too high or at too rapid a pace.

BP CEO resigns from company

(Bloomberg; Sept. 13) - The abrupt resignation of BP chief Bernard Looney marks the loss of an executive who pushed for a transition to clean energy more aggressively than any of his industry peers, with mixed results. BP said Sept. 12 that the 53-year-old CEO was departing after failing to fully disclose to the company board some of his past relationships with colleagues. Chief Financial Officer Murray Auchincloss will take the top job on an interim basis.

Looney’s exit caps a tumultuous three years leading BP in its most radical strategy shift since John Browne transformed the company into a transatlantic giant by buying U.S. rivals Amoco and Atlantic Richfield over two decades earlier. From the North Sea to Texas, Looney pushed BP into greener territory, with big bets on hydrogen and offshore wind. Without the architect of that pivot, the company’s direction is now in question.

In 2020, just a week into the top job, Looney announced BP would embark on an ambitious net-zero path to help fight climate change. It was a bold shift, not only because the company was at the time considered a climate laggard, but also because the company’s attempt to rebrand BP as “Beyond Petroleum” in the early 2000s ended

mostly in write-downs. Looney's style was a stark contrast from his more restrained predecessor, Bob Dudley, who feared Big Oil was moving too fast into green energy.