Oil and Gas News Briefs
Compiled by Larry Persily
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Oversupply drives natural gas prices negative in West Texas

(Bloomberg; April 11) - There's so much natural gas flowing from Texas wells that producers are paying customers to take it off their hands. They can blame oil prices. With crude hovering near a six-month high, the companies extracting oil are tapping a stash of wells they drilled but hadn't completed. More oil at current prices means more cash. But one hitch is that those wells also produce gas, and right now the U.S. gas market is glutted — thanks to an unseasonably warm winter that crippled demand.

Gas stockpiles are nearly 40% above the five-year average. Pipelines are jammed. Prices have plummeted below zero, falling to about minus $2 per million Btu this week in the West Texas Waha hub. And yet, with West Texas Intermediate crude above $85 a barrel, producers keep oil flowing even if that means taking a hit on the gas that comes with it. "They're bringing these drilled, uncompleted wells online because the price of oil is higher," said Dennis Kissler, senior vice president for trading at BOK Financial Securities. "It's flooding the market with gas, and you've got no demand."

It will be weeks before the air-conditioning season kicks in for much of the U.S. and revives demand for gas. So, gas bulls don't have much to be excited about in the near term. If negative prices persist — or deepen — oil companies may rethink whether pumping more crude is worth the cost of paying someone to deal with its byproduct.

Exxon announces $12.7 billion oil project offshore Guyana

(Bloomberg; April 14) - ExxonMobil formally approved its sixth oil development offshore Guyana that will make the Latin American nation a bigger producer than OPEC member Venezuela. The Whiptail project will cost $12.7 billion and produce about 250,000 barrels per day as soon as the end of 2027, Exxon said in a statement April 12. With it, Guyana's overall daily crude capacity will climb to 1.3 million barrels per day just eight years after the advent of the country's oil production. Since Exxon's first Guyanese discovery, the nation's known reserves have expanded to more than 11 billion barrels.

Guyana's boom comes as neighboring Venezuela, a co-founder of the Organization of the Petroleum Exporting Countries, grapples with underinvestment and international sanctions that slashed oil production and government revenues. Guyana's emergence as a major oil producer also is having vast social and economic consequences for a nation of just 800,000 people. Oil revenues have allowed the government to unleash a wave of welfare and infrastructure spending, while expanding crude supplies factored into a recent OPEC decision to maintain its production caps in a bid to support prices.

Exxon plans to drill 48 wells about 120 miles offshore to feed a floating production, storage and offloading vessel named Jaguar, the country's national animal. The vessel will have 2 million barrels of crude storage capacity. Exxon expects Whiptail, which was discovered in 2021, to ultimately produce more than 750 million barrels. Guyana's oil production growth is unlikely to continue at breakneck pace once Whiptail is online in 2027. Exxon has found enough oil and gas to support as many as 10 such production vessels and is leaving its options open for a seventh project.

Canadian developer sells LNG project site to green energy company

(CBC News; April 12) - The Alberta-based energy company that abandoned plans to build a liquefied natural gas export terminal on Canada's Eastern Shore is looking to sell its permits, potentially bringing an end to a 12-year saga in Goldboro, Nova Scotia. Pieridae Energy filed a request with Nova Scotia's utility and review board this week, asking to transfer its permit to the Simply Blue Group, a sustainable ocean-energy developer based in Cork, Ireland.

The sale would breathe new life into the more than 260 acres of undeveloped coastal industrial land that Pieridae initially set its sights on in 2012. Simply Blue focuses on developing sustainable energy from the ocean through things such as offshore wind and wave energy, according to its website. The company declined an interview request. Pieridae's decision to sell its Goldboro subsidiary, assets, licenses and permits that include the undeveloped coastal land was disclosed in its financial results.

Pieridae had planned to build a land-based facility that would have brought in natural gas from across North America and a marine terminal to ship 10 million tonnes per year of LNG to Europe. Pieridae had requested $925 million in funding from the federal government in 2021. The request wasn't approved and the company paused the Goldboro project later that year, citing cost pressures.

World's coal-power capacity grew last year, mostly in China

(Bloomberg; April 11) - Global coal-power capacity rose to a record last year, led by a surge in new plants in China and a slowdown in retirements around the world, according to a Global Energy Monitor report. The world's coal fleet grew 2% to 2,130 gigawatts, with China accounting for about two-thirds of the increase followed by Indonesia and India, according to the climate research firm. China started construction on 70 gigawatts of new coal plants last year, nearly 20 times more than the rest of the world combined.

China’s expansion of what’s already by far the world’s largest coal fleet highlights Beijing’s continued focus on energy security after a series of economy-damaging power shortages in 2021 and 2022. While officials say the plants will primarily be used to balance out intermittent generation from rapidly growing wind and solar farms, the building boom has raised questions about China’s climate commitments and stymied global efforts to phase out use of the dirtiest fossil fuel.

“The recent surge in coal power development in China starkly contrasts with the global trend, putting China’s 2025 climate targets at risk,” said Qi Qin, an analyst at the Centre for Research on Energy and Clean Air, which contributed to the report. Global coal-power capacity outside of China increased for the first time since 2019, spurred in part by the fewest retirements of coal plants in more than a decade.

New BLM rule increases federal lease payments, royalty rate

(Washington Post; April 12) - President Joe Biden and Donald Trump this week outlined clashing visions for the future of fossil fuel production, underscoring how the nation’s energy policies hinge on the 2024 election. The Biden administration on April 12 finalized a rule that will require oil companies to pay at least 10 times more to drill on federal lands. The Bureau of Land Management rule represents the first comprehensive update to the federal oil and gas leasing program in more than 30 years.

The rule will require oil companies to pay $150,000 per lease on federal lands, up from $10,000. For the first time in a century, fossil fuel companies will also have to pay more in royalties for the oil and gas they extract from federal lands. The minimum royalty the government will receive will rise to 16.67% from 12.5%. That percentage is more in line with higher rates charged by most private landowners and major oil and gas states.

On April 11, Trump held a private dinner at his Mar-a-Lago Club and resort with about 20 oil executives from some of the country’s biggest firms, according to a guest list reviewed by The Washington Post. The effort was largely organized by Harold Hamm, an oil billionaire and Trump donor who has helped recruit donors to the campaign. In recent months, Trump has also talked with energy executives about the need for fewer regulations on drilling and has asked the executives what they need to drill more oil.

The U.S. is now pumping more crude than any country in history, says the U.S. Energy Information Administration — an inconvenient trend for Trump as he seeks to loosen rules on the industry and for Biden as he touts his climate agenda on the campaign trail.

[Industry criticizes proposed rules to expand protected areas in Alaska]

(Bloomberg; April 11) - The U.S. set aside 23 million acres of Alaska’s North Slope to serve as an emergency oil supply a century ago. Now, President Joe Biden is moving to block oil and gas development across roughly half of it. The initiative, set to be finalized within days, marks one of the most sweeping efforts yet by Biden to limit oil and gas exploration on federal lands. It comes as he seeks to boost land conservation and fight climate change — and is campaigning for a second term on promises to do more of it.

The changes wouldn’t affect ConocoPhillips’s 600-million-barrel Willow oil project in the National Petroleum Reserve-Alaska. But the industry says the plan is more expansive than initially anticipated and threatens to make it nearly impossible to build another megaproject in the region. That’s spooking oil companies with holdings in NPR-A, which — along with the rest of Alaska’s North Slope — was viewed as a major growth engine for the industry before the shale oil boom. Interest has surged again in recent years, fed by big discoveries. Tapping the region’s reservoirs could yield decades of production.

Santos, which leases more than a million acres within the reserve and is developing the nearby Pikka Unit joint venture with Repsol, said in a filing with the Bureau of Land Management that the proposal would infringe on its holdings, with impacts “as extensive as whole projects being denied.” ConocoPhillips, which has 156 leases in the reserve, warned the regulation would violate its contracts and “drive investment away from the NPR-A.” And Armstrong Oil & Gas, whose leases there span 1.1 million acres, said the measure could block it from building the infrastructure needed to access those tracts.

The proposal would create a formal program for expanding protected areas at least once every five years — while making it difficult to undo those designations. And it would raise the bar for future development elsewhere in the reserve.

[New oil and gas takeaway capacity a plus for Canadian producers]

(Yahoo Finance Canada; April 11) - Whether it’s the Trans Mountain oil pipeline expansion set to begin commercial service on May 1, or the large-scale LNG export terminal nearing completion in Kitimat, British Columbia, led by Shell and its foreign partners, Canada's oil and gas executives are eyeing higher prices spurred by the first new major takeaway capacity in over a decade. That has stock analysts calling for shares to move higher as producers look to new foreign markets.

The improving egress picture in Western Canada was a hot topic at this week’s energy symposium in Toronto. Randy Ollenberger, one of the bank’s top oil and gas equity analysts, called the long-awaited projects “very, very bullish for the sector.” He explained, “We’re in the midst of something we haven’t seen for a long time in Canada, and that’s the expansion of pipeline capacity. This includes LNG capacity off the West Coast. We haven’t had that for over a decade,” he told conference attendees April 9.

Moving oil and gas out of Western Canada to overseas markets has been an elusive goal for the industry, which relies on exports to the U.S. Canadian crude trades at a discount to the U.S. benchmark West Texas Intermediate due to its heavier grade and transportation costs due to a lack of pipeline capacity. “If we don’t have that excess capacity going (the expanded Trans Mountain line), we’d be putting stuff on rails. We’d be back to that circus we had a few years back where we just couldn’t move product,” Tamarack Valley Energy CEO Brian Schmidt said on the sidelines of the conference.

IEA sees lower oil demand growth in 2024 and 2025

(Bloomberg; April 12) - The International Energy Agency has cut its oil demand forecast for this year and estimated slower growth in 2025 due to a lackluster economic outlook and the rising popularity of electric vehicles. The agency’s outlook runs counter to the views of several of the world’s top traders, who at a conference said oil consumption is surging. Perceived strength in demand has been one of the key factors helping to push Brent crude above $90 a barrel, along with geopolitical risks and tighter supplies.

In its first forecast for 2025, the Paris-based IEA predicted global demand growth of 1.1 million barrels a day in 2025. It also trimmed its estimate for 2024 expansion in consumption by 130,000 barrels a day to 1.2 million, citing exceptionally weak deliveries in developed economies in the first quarter. The agency’s growth estimate is below the 1.9 million barrels a day predicted by the world’s largest independent oil trader, Vitol Group, and about 1 million barrels a day less than the increase foreseen by OPEC.

“Robust production from non-OPEC+, coupled with a projected slowdown in demand growth, will lower the call on OPEC+,” the IEA said in its monthly report on April 12. Even with the slower pace of growth, the IEA expects global demand to surpass 105 million barrels a day for the first time in the second half of 2025. Much of that increase will come from China and India, which remain the two engines of growth. In contrast, consumption is expected to decline for a second year in developing economies.

Opponents criticize approval of Texas offshore oil export terminal

(Associated Press; April 11) - In a move that environmentalists called a betrayal, the Biden administration has approved construction of a deepwater oil export terminal off the Texas coast that would be the largest of its kind in the U.S. The Sea Port Oil Terminal would be able to load two supertankers at once, with an export capacity of 2 million barrels of crude per day. The $1.8 billion project by Houston-based Enterprise Products Partners received a license from the Department of Transportation’s Maritime Administration this week, the final step in a five-year federal review.

Environmentalists denounced the license approval, saying it contradicted President Joe Biden’s climate agenda and would lead to “disastrous” planet-warming greenhouse gas emissions, equivalent to nearly 90 coal-fired power plants. The action could jeopardize Biden’s support from environmental allies and young voters already disenchanted by the Democratic administration’s approval last year of the Willow oil project in Alaska.

In a statement after the license was approved, the Maritime Administration said the project meets a number of congressionally mandated requirements, including extensive environmental reviews and a federal determination that the port’s operation is in the national interest. “While the Biden-Harris administration is accelerating America’s transition to a clean-energy future, action is also being taken to manage the transition in the near term,’’ said the agency, which is nicknamed MARAD.

Responsibility for dismantling California offshore platforms in dispute

(Energy Wire; April 12) - Two hulking platforms sucked oil out of the ocean floor off the beach at Carpinteria, California, for nearly five decades. The Hogan and Houchin platforms are now rusting monuments to California’s once-powerful fossil fuel industry. Abandoned by their last owner, they should have been torn down years ago. But a series of companies tied to the platforms say it’s not their job — and now, they want the federal government to take on the multimillion-dollar responsibility.

It’s not just a California problem. More than 2,700 offshore oil and gas wells and 500 platforms are overdue for decommissioning in the Gulf of Mexico alone, according to a recent report from the Government Accountability Office. The Interior Department has long struggled to ensure oil companies pay up and clean up once they’ve stopped pumping oil, a challenge that could only increase as decades-old infrastructure off the nation’s coastlines faces retirement. If not maintained, old platforms and their wells can leak toxins and degrade ecosystems, becoming serious environmental hazards.

“The agency has recognized these problems for years,” said John Smith, who worked on decommissioning at Interior’s former Minerals Management Service. “When it comes to doing something about it, they’re weak-kneed.” Interior could soon find itself on the hook for the millions of dollars to remove the two California platforms. That’s because the companies that once owned a stake in the structures — ConocoPhillips, Occidental Petroleum and Devon Energy — are appealing an order to take the platforms down, testing a federal regulation that requires former owners to ensure cleanup.

Climate activists call on British Columbia to halt LNG projects

(Vancouver Sun; April 10) - Dozens of climate-action groups are calling on the British Columbia government to halt plans to expand liquefied natural gas production because of the climate crisis. In an open letter April 10 to Premier David Eby and the energy and environment ministers, 88 groups argue that plans for as many as five LNG export plants in the province do not align with global efforts to limit global warming.

The letter contends that while President Joe Biden has paused approvals of U.S. LNG terminals, British Columbia is allowing environmental reviews for two projects to proceed without full consideration of the climate impacts. The province also recently approved Cedar LNG, while Woodfibre LNG and LNG Canada are under construction.

“Gas is not a solution to climate change, nor does it have any role to play in the global effort to reach net-zero emissions by 2050,” the letter states. “LNG will only prolong reliance on fossil fuels and make that commitment unattainable.” The province maintains the industry provides economic benefits, such as jobs and skills training, new economic opportunities for First Nations, and tax and royalty benefits for B.C.

Russian oil and fuel stuck aboard tankers targeted by U.S. sanctions

(Reuters; April 12) - Russian oil and products have become trapped at sea on four tankers after the U.S. hit the vessels with new Iran-related sanctions, London Stock Exchange data showed on April 12. The development shows how Moscow and Tehran have boosted cooperation in the face of rising Western sanctions and how the West is trying to untangle a web of firms to reduce the loopholes and revenue to both countries.

The U.S. on April 4 imposed new Iran-related sanctions against shipping firm Oceanlink Maritime and its vessels, citing its role in shipping commodities on behalf of the Iranian military. The U.S. is using financial sanctions to isolate Iran and disrupt its ability to fund its proxy groups and support Russia's war in Ukraine, the Treasury Department said. The vessels under sanctions includes three fuel tankers, which loaded oil products in February-March and an oil tanker that loaded Russian crude in April.

A very large crude carrier loaded Russian Urals crude off the Laconian Gulf near Greece through separate ship-to-ship transfers in late March and is currently anchored in the Suez Canal with oil onboard, the London Exchange data showed. Another vessel under sanctions took fuel oil on board in March via a ship-to-ship transfer near the Greek port of Kalamata, the data shows. The fuel oil was supplied from Russia's St. Petersburg and Ust-Luga ports in March, according to the data.

Russian LNG supplied one-quarter of Spain’s gas imports in March

(Reuters; April 10) - Liquefied natural gas from Russia comprised almost 26% of Spain's gas imports in March, up from 14.4% a year earlier, confirming that the Iberian country is a key entry hub for Russian gas into Europe. Data from Spanish grid operator Enagas showed on April 10 that Russia was the country's second-largest gas supplier last month after Algeria. LNG shipments represented 65.5% of Spain's imports, while the rest came through pipelines.

Thanks to the largest stable of LNG import terminals in the European Union, Spain has become the top re-exporter of seaborne Russian supply, which totaled 23% of all Spanish gas imports in January-March. In March, Spanish Energy Minister Teresa Ribera called for a common approach from the European Commission to ban Russian gas, including seaborne LNG, in response to Russia's invasion of Ukraine in 2022, after Lithuania had said the EU should put into law its plan to quit Russian LNG by 2027.

European Parliament wants new rules to restrict Russian LNG

(Reuters; April 11) - The European Parliament voted on April 11 to pass rules allowing European governments to ban Russian liquefied natural gas imports by preventing Russian firms from booking import infrastructure. The European Union has avoided imposing sanctions on Russian gas, which some members rely on. As a workaround, the new policy aims to establish a legal route for governments to block Russian gas deliveries to their country, though so far no major importer has indicated they will use it.

The new EU gas market rules allow governments to temporarily stop Russian and Belarusian gas exporters from bidding for capacity on the infrastructure needed to deliver piped gas and LNG into Europe. Russia slashed pipeline gas deliveries to Europe following its 2022 invasion of Ukraine — shrinking what had been the main route for Russian supplies to reach Europe. But Russian LNG continues to flow into the continent, mostly through ports in Spain, Belgium and France.

Russian LNG deliveries to Europe increased last year to almost 780 billion cubic feet of gas, up from about 560 bcf in 2021, according to EU analysis. A majority of EU nations need to approve the policy before it takes effect — a step that is expected to pass the infrastructure limitations without changes. The European Commission has not proposed total gas sanctions, which need unanimous approval from EU countries. Hungary has vowed to block a Russian gas import ban.

Growth in LNG-fueled ships raises concerns over refueling capacity

(S&P Global; April 10) - As more ships capable of running on liquefied natural gas come into operation, there is growing concern in the market that LNG refueling bunker vessel supply capacity will not be enough to meet theoretical demand for the marine fuel. "The supply crunch for LNG bunkering is inching closer. Bunker vessel orders have not kept up with orders for LNG-fueled ships, " said principal consultant at maritime classification society DNV Martin Christian Wold in a social media post on April 5.

Wold added that this is not a reason for long-term concern, but rather a change in dynamics on the horizon that the market could start to feel in 2025. The global LNG-fueled fleet has grown 181% since 2020. Currently, 520 LNG vessels are in operation, up from 471 in 2023 and 354 in 2022. As of 2024, 195 are on order. This is set to increase to 348 for 2025, with 514 on order for 2028, according to DNV figures.

There are 73 LNG bunkering vessels globally, according to data from industry coalition group SEA-LNG. Of these, 45 are based in Europe and 19 are in Asia. An Atlantic-based trader said the industry could start to feel supply tightness on a global basis. "It is a case of the infrastructure needing to catch up with the orderbook. We won't have enough bunker vessels around the world, there are regional differences but on a global basis there won't be enough," the trader said.

Investors pressure Australia’s Woodside on climate strategy

(Bloomberg; April 11) - Some of Australia’s top pension funds have been advised to oppose Woodside Energy’s climate strategy, potentially adding pressure on the energy producer over its approach to emissions. The Australian Council of Superannuation Investors (ACSI), a group which represents funds holding about A$1.9 trillion (US$1.2 trillion) under management, told members the company’s climate plans are not sufficiently developed, according to a document seen by Bloomberg News.

Members should vote against the climate strategy in a non-binding vote scheduled at the annual meeting on April 24 in Perth, according to the council. “The company is yet to make significant progress investing in large-scale abatement or new energy products,” ACSI said. “It is also unclear how the company will reduce Scope 1 and 2 emissions beyond 2030.” Woodside — one of Australia’s largest polluters — has set out plans to make a 15% reduction to its net Scope 1 and 2 greenhouse gas emissions by 2025, and is planning new measures to curb Scope 3 emissions by its energy customers.

Woodside has been criticized by some investors and campaigners over plans to invest billions in new oil and gas production, and over climate targets that are regarded as too weak. Chairman Richard Goyder faces opposition to his reelection at the annual meeting over those issues. Australia’s A$3.7 trillion pensions industry has been under increasing scrutiny over investments in polluting companies and has been publicly pressured by environmental groups to divest.