Oil and Gas News Briefs
Compiled by Larry Persily
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U.S. crude gains market share amid sanctions on Russia, Venezuela

(Bloomberg; March 31) - Major beneficiaries of sanctions on Russian and Venezuelan oil are the U.S. suppliers which have muscled their way into markets once dominated by OPEC and its allies. U.S. oil export volumes have set five new monthly records since Western nations began imposing sanctions on Russia in 2022. And with trade restrictions on Venezuela set to renew in April, American barrels are beginning to displace sanctioned crude in India, one of the biggest buyers of illicit oil.

The shift underscores the extent to which sanctions have helped American crude capture market share around the world. While U.S. oil has long been the world's go-to flex supply, the disruption of energy flows after Russia's invasion of Ukraine created new pull for American barrels. Shipments to Europe and Asia surged in the aftermath, transforming the U.S. into one of the world's largest exporters. Record production from the U.S. — coming just as OPEC and its allies curb their own crude supply — has also helped American producers gain a bigger foothold in overseas markets.

"U.S. production is going up and OPEC and Russian production is going down — so the U.S., by definition, is going to have more market share," said Gary Ross, a veteran oil consultant turned hedge fund manager at Black Gold Investors. India — the third-largest crude importer and Moscow's second-largest buyer after China — is the latest market seeing an influx of U.S. oil. American shipments to India are set to jump in March to the highest in nearly a year, according to data from crude tracking firm Kpler.

More Canadian heavy crude heading to Los Angeles refinery

(Bloomberg; March 28) - Canadian crude shipments to Los Angeles are surging, a possible preview of how an expanded pipeline that's nearing start-up may redraw flows along the Pacific Coast. Three tankers carrying a total of 1.74 million barrels have sailed from Vancouver to the biggest U.S. West Coast city in March, the most in at least four years, according Vortexa tanker data. At least two of the shipments of heavy crude from the oil sands went to Marathon Petroleum, which operates a refinery in Los Angeles.

Marathon may be using Canadian oil after delays at two Mexican export terminals crimped supplies of Zapoteco crude, Vortexa analyst Rohit Rathod said in an email. Marathon's ramp-up of Canadian crude imports could be a sign of things to come once the Trans Mountain pipeline expansion — which will nearly triple the capacity of the line running from Alberta to the coast to 890,000 barrels a day — starts operating in the second quarter. Marathon is a contract shipper on the new pipeline.

While the first two cargoes off the expanded pipeline are expected to go to China, some analysts argue that U.S. West Coast refineries may become the preferred market due to the proximity and the relatively small Aframax tankers that are able to access Vancouver. Canadian crude may displace oil from Iraq, Saudi Arabia or Latin America, Erik Broekhuizen, tanker researcher for Poten & Partners, said in a note March 22.

Oil and gas producers take lead role in carbon sequestration efforts

(Bloomberg; March 27) - Just as they first ventured to do over a century ago, the world's largest oil companies are staking claims far from home — this time to swallow, rather than spew, planet-warming industrial emissions. Carbon dioxide storage is emerging as a potential multibillion-dollar revenue stream for firms like ExxonMobil, Chevron and Shell, which are under global pressure to rein in the unfettered burning of fossil fuels.

In Asia, which will generate the majority of this century's carbon emissions, Indonesia and Malaysia are among the few places where CO2, once captured, can be viably stored underground. With the cash, decades of experience injecting carbon for the purposes of pumping extra oil, and an increasing number of depleted wells that can be refilled, oil companies are already jockeying for position.

ExxonMobil CEO Darren Woods said the company has "secured exclusive rights to CO2 storage" in Indonesia and Malaysia. Shell has signed an agreement to scope out possible sites with Malaysia's national oil company, Petronas. Chevron is studying a project in Indonesia. TotalEnergies is actively exploring storage potential in the region. Indonesia's government last month rushed through a presidential decree on possible incentives for CO2 storage. Similar efforts are underway in Europe and Australia.

"There's a race," said Lein Mann Bergsmark, head of carbon capture, utilization and storage research based in Norway for consulting group Rystad Energy. "More and more oil and gas companies are dedicating efforts to acquire pore space or rights to store CO2 all around the globe." Storage is the final step in the process known as carbon capture and storage, a technology designed to suck CO2 out of the atmosphere and bury it underground forever, in theory neutralizing its effects on climate change.

Analysts say $100 oil possible by end of summer

(Bloomberg; March 28) - Oil prices have the potential to rally to $100 a barrel by the end of the Northern Hemisphere's summer, but there's a lot that could send that forecast awry. Analysts at JPMorgan Chase have laid out a scenario that sees Brent crude pushing triple digits by September, which would be the first time in two years. The biggest catalyst is a decision by Moscow to cut production further in the coming quarter.

That move, announced as part of a coordinated extension of output curbs by a group of OPEC+ members this month, would take Russia's quota below 9 million barrels a day by June, bringing it back in line with Saudi Arabia's target. Oil's price gains, the analysts say, may be amplified by the possibility that OPEC+ producers decide when they meet in June to prolong their production cuts for the rest of the year. They see an extension as a 50-50 bet. That would be enough to tip the market into a supply deficit for the whole year, according to an International Energy Agency forecast.

As for Russia itself, Moscow doesn't have the best record in meeting output promises. In January, it almost achieved its target for voluntary cuts for the first time since pledging to cut back last year. But production rose again last month.

U.S. slowly refilling Strategic Petroleum Reserve

(Bloomberg; March 28) - The U.S. purchased 2.8 million barrels of crude for the nation's emergency oil cache as it seeks to replenish depleted supplies. The Energy Department has been slowly refilling the Strategic Petroleum Reserve after it reached a 40-year-low following the Biden administration's unprecedented drawdown in the wake of the Russia's invasion of Ukraine.

In 2022, the Biden administration ordered the release of a record 180 million barrels from the emergency oil supply in the face of surging retail gasoline costs. Now, even as pump prices are back on the rise, the department has committed to refilling the cache, with the enormous storage caverns still sitting about half empty. The announcement March 28 brings the total amount of oil the U.S. has purchased for the inventories since last year to 32.3 million barrels. The department has paid an average of under $77 per barrel, below the average of $95 it sold for in 2022, the agency said in a statement.

In addition to repurchasing oil, the department's strategy to refill the system has included the acceleration of the return of loaned oil to the reserve and the cancellation of some 140 million barrels of reserve sales that had been mandated by Congress. The Energy Department plans to have conversations with Congress about canceling additional mandated oil sales. The Strategic Petroleum Reserve currently holds about 363 million barrels, according to Energy Department data. The reserve held nearly 600 million barrels at the start of 2022.

Cuba receives first delivery of Russian oil this year

(Reuters; March 31) - Cuban state-run media said at the weekend that 90,000 tonnes of Russian oil, more than 650,000 barrels, had arrived in the cash- and fuel-short country to help alleviate power outages and gasoline shortages. In 2022, Russia resumed some oil shipments to the Communist-run Caribbean island nation after they had ceased with the collapse of the Soviet Union.

However, according to shipping data, no Russian oil went to Cuba last year even as Russian media reported in June an agreement was reached between the two governments to supply 1.64 million tonnes of oil and derivatives annually. Jorge Piñón, who studies Cuba's energy infrastructure and supply at the University of Texas at Austin, put the value of the recent shipment at $46 million. Piñón said it was too early to tell if the arrival of the oil meant regular shipments would resume.

According to Cuba’s Energy and Mines Minister Vicente de la O Levy, the Communist-run country needs 8 million tonnes of oil and equivalents annually, of which 3 million are produced locally. Venezuela is Cuba’s main supplier of oil, but shipments have declined in recent years. Last year, Mexico exported significant amounts of oil to Cuba but has not done so this year. Cuba has been mired in crisis since the decade began, suffering a scarcity of food, medicine and other basic goods, and lengthy blackouts.

Wood Mac says 21% of global refining capacity at risk of closure

(Reuters; March 28) - More than a fifth of global oil refining capacity is at risk of closure, energy consultancy Wood Mackenzie found in analysis published on March 28, as gasoline margins weaken and the pressure to reduce carbon emissions mounts. Of 465 refining assets analyzed, the consultancy ranked about 21% of 2023 global refining capacity at some risk of closure.

Europe and China house the greatest number of high-risk sites, putting about 3.9 million barrels per day of refining capacity in jeopardy, Wood Mackenzie found, based on its estimate of net cash margins, cost of carbon emissions, ownership, environmental investment and strategic value of refineries. There are 11 European sites that account for 45% of all high-risk plants, the report found. About 30 European refineries have shut down since 2009, industry data shows, with nearly 90 still in operation.

This spate of closures has been brought on by competition from newer and more complex plants in the Middle East and Asia as well as the impact of the pandemic. Gasoline margins are expected to weaken by the end of this decade as demand declines and sanctions on Russia ease, while expected carbon taxes should also start to bite, the analysis showed. Operating costs could go up so much that "closure may be the only option,” said Wood Mac senior oils and chemicals analyst Emma Fox.

Number of orphan wells in Colorado grows fourfold in four years

(The Colorado Sun; March 27) - The number of orphan wells in Colorado has topped 1,000 — a fourfold increase in four years — as the state takes over 358 wells from two defunct oil and gas companies this spring. The Energy and Carbon Management Commission (ECMC), which regulates the oil and gas industry and operates the state's orphan well program, is adding the 339 wells of Dallas-based Omimex Petroleum and 19 wells from Centennial, Colorado-based Chemco Exploration.

The ECMC is also seizing $205,000 in bonds from Omimex — about $604 per well — and $60,000 in bonds from Chemco, equal to $3,158 for each well. The commission estimates that on average it takes $10,000 to $40,000 to plug and abandon a well and $100,000 for site remediation. The orphan well program spent $10.2 million in 2023, plugging 61 wells. It is plugging and abandoning an average of 63 wells a year. At that rate it will take 16 years to plug the 1,007 wells now on its list.

"This is a burden that should not fall on the state," said Kate Merlin, an attorney with the environmental group WildEarth Guardians. A large number of low-producing wells have been transferred from larger companies to smaller ones, according to data from the state commission. Those smaller operators are more vulnerable to failing and leaving abandoned wells to the state, Merlin said. To counteract this and provide more money for the orphan well program, a bill in the legislature would enable the state to go after former owners of abandoned wells for funding. The industry opposes the bill.

Japan's LNG imports continue decline in first two months of the year

(Reuters; March 28) - Japan's imports of liquefied natural gas dropped 5.9% in February from a year earlier, data released by the Ministry of Finance showed, as power producers drew LNG from storage and boosted their use of renewable energy. For the first two months of the year, LNG imports declined 8.2%, according to the data. LNG storage levels at major utilities stood at 1.95 million tonnes as of March 3, down 15% from the start of February and below the five-year average of 2.13 million, the Ministry of Economy, Trade and Industry data showed.

Storage levels were further down to 1.52 million tonnes as of March 24, according to the data released on March 27, the lowest since February 2022, Rystad Energy's senior analyst Masanori Odaka said in a note. Japan's LNG imports fell by 8% to 66.2 million tonnes last year, the lowest since 2009, following nuclear power restarts and increased use of renewable energy.

More U.S. LNG heads to Asia around southern tip of Africa

(S&P Global; March 27) – U.S. LNG cargoes looking to reach Asia are continuing to choose the longer route through the Cape of Good Hope at the end of Africa as bottlenecks impacting transits via the Panama and Suez canals remain. A record 24 U.S. LNG cargoes have traveled to Asia via the Cape of Good Hope this month as of March 27, according to S&P Global Commodity Insights. This is the largest number of monthly cargoes making the journey since S&P Global began recording data in 2010.

LNG shippers have increasingly used the Cape of Good Hope as their preferred trade passage since mid-2023, when a historic drought in Panama led to lower water levels at the Panama Canal. While draught restrictions at the Panama Canal still allowed for LNG carriers to transit, longer wait times led some U.S. exporters to bypass the canal beginning in the summer of 2023. Only 14 U.S. LNG cargoes have reached the Asian market via the Panama Canal so far in 2024, compared with 40 cargoes during the same period in 2023. Just one cargo has made the journey in March.

Following longer wait times and lower water levels in the Panama Canal, shippers pivoted to prioritizing the Suez Canal as the second fastest route to Asia. U.S. voyages to Asia via the Suez Canal reached a multiyear high in September 2023 with 17 cargoes choosing the route, the highest number of monthly passages since February 2021 at 35. The number of U.S. cargoes traveling to Asia via the Suez Canal has since dwindled, as shippers began to avoid threats in the Red Sea after a series of attacks on commercial ships passing the Bab al-Mandab Strait by Houthi militants since October 2023.

Growing LNG exports will tie U.S. gas to global prices

(S&P Global; March 28) - Rising LNG export capacity will make the U.S. natural gas market increasingly sensitive to global prices if spreads tighten, but strong international demand should generally keep utilization rates high at U.S. export terminals, market analysts said March 27. S&P Global analysts forecast U.S. LNG feed gas demand will rise to almost 25 billion cubic feet per day by 2028, up about 90% from 2023 levels.

"Once these facilities ramp up, it will be 20% of U.S. (gas) production going to exports," said Zack Van Everen, director for infrastructure research at investment bank Tudor Pickering Holt, at Hart Energy's DUG GAS+ Conference & Exhibition. "We think we really are going to be really tied to the international market." If the spread between the U.S. benchmark Henry Hub and global markets tightens, cargoes can be canceled and gas sold back to the U.S. market, holding down domestic prices, Van Everen said.

The U.S. has the ability to balance the global market thanks to its deep domestic market and flexible LNG sales agreements, Amol Wayangankar, founder of Enkon Energy Advisors, said. The U.S. will act like a swing supplier, he said. "But most of the time, when that (international) glut is not there, the gas can clear with a lot of margin to spare." However, rising global LNG demand will contribute to domestic price volatility as the limited amount of U.S. gas storage added in the past decade is a problem in dealing with growing exports and also domestic demand, conference speakers said.

U.S. gas producer will suspend 80 new wells until prices recover

(Bloomberg; March 28) - Chesapeake Energy plans to put 80 new natural gas wells into suspended animation by the end of this year, with an eye to turning them on when prices for the power-plant and heating fuel rebound from the lowest prices in years. The company already has drilled 15 such wells that are sitting in reserve, Chief Operating Officer Josh Viets said on the sidelines of Hart Energy's DUG GAS+ Conference & Exhibition in Shreveport, Louisiana.

"The way I like to think about it is we're using the reservoir as storage," said Viets, who formerly oversaw ConocoPhillips' Permian Basin operations. "When the market says, 'Hey, I need more gas,' we'll be in a position to quickly restore that to help meet the needs of consumers." U.S. gas prices have been hovering near a four-year low as an unusually mild winter dampened demand amid record production that swelled fuel stockpiles held in underground caverns. Chesapeake pledged last month to cut production by about 20% from 2023 levels.

U.S. natural gas prices have been below $2 per million Btu since early February, dropping down near $1.60 in mid-February. The company is expecting prices to shift higher as demand for liquefied natural gas rises over the next few years, Viets said.

British Columbia approves expansion work for LNG terminal

(CBC News; March 28) - Environmental groups say British Columbia's approval of a new jetty in Delta, across the Fraser River from Vancouver, to export liquefied natural gas is inconsistent with the province's climate goals. The FortisBC project consists of building a jetty on the south arm of the river adjacent to the company's existing Tilbury LNG facility. It will be used to fill ships exporting LNG, as well as to provide fuel for bunkering ships that then refuel ships running on LNG.

On March 27, the province announced it had granted the project an environmental assessment certificate with 22 "legally enforceable provincial conditions that must be followed over the life of the project." However, the province noted that the Tilbury jetty project must still receive federal approval. If built, FortisBC says it will be the first facility of its kind on the country's West Coast.

Peter McCartney, a climate campaigner for the Wilderness Committee, said the approval is a "slap in the face" to all those who have opposed the project over the past decade, and that it undermines the province's own climate commitments. "The municipalities of Richmond, Vancouver, New Westminster, Burnaby and Port Moody are all opposed to it," he said. The Tilbury facility, a small liquefaction plant and marine terminal, has operated since 1971, with expansions planned to provide the cleaner-burning fuel for the maritime industry and also small volumes for export.

Canada not interested in subsidizing LNG export projects

(Reuters; March 31) - Canada is not interested in subsidizing future liquefied natural gas projects, including electrification of projects currently in the works, Energy and Natural Resources Minister Jonathan Wilkinson said in a television interview on March 31. Countries including Greece, Germany and Japan have expressed interest in purchasing Canadian LNG while the U.S. has paused approval of new American LNG projects.

"The government is opposed to using government money to fund inefficient fossil fuel subsidies. ... We are not interested in investing in LNG," Wilkinson said on CTV. "That's the role of the private sector. They need to assess the business case and make the investments." The minister said meeting the country’s 2030 target for reducing greenhouse gas emissions will require that LNG production rely on clean electricity to power its liquefaction plants. Prime Minister Justin Trudeau's federal government has set targets to cut emissions by 2030 and requires new LNG projects to be net-zero emissions in the same time frame.

Qatar signs deals to charter 19 LNG carriers from Asian operators

(Bloomberg; March 31) – QatarEnergy has signed four agreements to charter 19 liquefied natural gas carriers from Asian ship operators as it prepares to ramp up its LNG output. China’s CMES and Shandong MarineGroup will supply six vessels each, Qatar’s Energy Minister Saad Al-Kaabi said at a ceremony in Doha on March 31. Malaysia’s MISC will supply three and a joint venture of Kawasaki Kisen Kaisha and Hyundai Glovis will provide four.

Qatar needs more LNG carriers as it’s raising its annual production capacity to 142 million tonnes by 2030 from 77 million currently. In doing so, the small Middle Eastern nation is set to reestablish its dominance of the global LNG market. Projects in Australia and the U.S. have eroded its supremacy in recent years to the point where all three countries export roughly the same. However, the U.S. recently imposed a temporary freeze on permits for new export projects and Qatar’s investments in its new facilities has put it on course to take the lead again.

QatarEnergy signed a separate charter deal for 25 LNG carriers from Qatar Gas Transport Co., also known as Nakilat earlier this month. In addition to chartering vessels, it owns a fleet of LNG carriers. In 2020, it signed landmark deals worth $22 billion with Korean and Chinese shipbuilders.

German operator says it's unprofitable to keep coal plants on standby

(Bloomberg; March 29) - A coal plant operator in Germany has warned that it's unprofitable to put power stations on standby to help keep the lights on for the next few years, as requested by the nation's regulator. Steag has been asked to keep five coal plants with 2.5 gigawatts of capacity online until the end of March 2031 to safeguard the power system in Europe's biggest economy. The company lodged a complaint against the order, it said March 28, citing the significant costs associated with such a move at a time when energy companies are supposed to be investing in cleaner fuel sources.

While Germany hopes to phase out coal entirely by 2030 — eight years before a legal deadline — many companies have warned it might not have enough alternative power sources by then to do so. Germany is set to shut off seven plants and put several others back into reserve on March 31 as a temporary permit to burn more of the dirty fossil fuel this winter expires.

At the peak of Europe's energy crisis, Steag was asked to bring five of its coal plants back online amid fears that reduced natural gas flows from Russia could lead to blackouts. While they were supposed to cease operations at the end of this month, Germany's Federal Network Agency recently classified the plants as "systemically relevant," meaning that Steag can't fully shut them down and must keep them operational. While the decision is good for Germany's energy security, "this model is not economically viable under the current rules," Steag's Chairman Andreas Reichel said.

Climate action group says oil company data insufficient

(Reuters; March 27) - The current low-carbon transition plans of 10 of Europe's and North America's biggest publicly listed oil and gas companies are not good enough to assess the risks involved, the world's leading investor climate action group said on March 27. Climate Action 100+ said the companies — including ExxonMobil, Shell and Chevron — were assessed using its sector-specific Net-Zero Standard for Oil & Gas framework by the independent Transition Pathway Initiative Centre.

The other companies included in the analysis were TotalEnergies, ConocoPhillips, BP, Occidental Petroleum, Eni, Repsol and oil sands producer Suncor Energy. Each was assessed using indicators and sub-indicators under three broad themes: disclosure, for providing information about their activities; alignment, which tests their climate ambition; and climate solutions, which tracks their investments in greener activities. The aim of the framework is to assess to what degree the disclosures and strategies of companies in the sector are aligned with the Paris Agreement on climate change.

Overall, the companies met just 19% of all the metrics. European companies performed the best, led by TotalEnergies, BP and Eni, with North American companies weaker across all three themes. While several companies are targeting net-zero emissions by 2050, a lack of detail on their planned use of carbon capture technology meant it was hard to tell how they would get there, CA100+ said.