Oil and Gas News Briefs
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Exxon plans significant boost in oil and gas production through 2030

(Financial Times; London; Dec. 11) - ExxonMobil plans to drive up production by almost 20% by the end of the decade, boosting fossil fuel spending even as rivals pull back amid fears of an oversupplied global market. The supermajor said Dec. 11 it would increase capital expenditures from $28 billion this year to $27 billion to $29 billion next year and $28 billion to $33 billion a year between 2026 and 2030. That will allow it to boost production by about 18% to 5.4 million barrels of oil equivalent a day by the end of the decade, up from about 4.6 million now.

The spending plan underlines a stark transformation in the company's fortunes just four years after activist investor Engine No. 1 launched a successful fight against the biggest Western oil producer, branding its devotion to fossil fuels as an "existential risk" to its future. But an increased focus by nations on energy security following Russia's full-scale invasion of Ukraine has moved the spotlight away from the energy transition, rewarding companies that remain focused on oil.

Exxon aims to raise output despite sluggish global demand and concerns that greater supply could overwhelm the market in the coming years. Oil analyst Paul Sankey said Exxon's promises for big capital spending and growth would add to global supplies and potentially frustrate OPEC. "I don't think the Saudis are going to love this presentation," he said. Exxon is banking on its low-cost production — notably in the vast Permian Basin of Texas and New Mexico and off the coast of Guyana — allowing it to pump oil much cheaper than its competitors.

China's oil demand could peak in 2025, research group says

(Bloomberg; Dec. 9) - China's oil demand may peak in 2025, five years earlier than expected, as the shift away from gasoline and diesel accelerates, according to a report from the nation's largest energy producer. Oil demand could reach 770 million tons in 2025 (about 5.6 billion barrels, or 15.5 million barrels per day), before gradually falling to 240 million tons by 2060, the report by a China National Petroleum Corp. (CNPC) research group released on Dec. 10 shows. Earlier this year, an official with the company said overall demand was not expected to peak until 2030.

China's economic woes have weighed on the broader oil market this year, and the nation's role as the growth engine for growth in global crude demand has diminished. The rapid adoption of new-energy vehicles and the use of liquefied natural gas to power trucks has chipped away at diesel and gasoline consumption in China. Diesel demand peaked in 2019, while gasoline consumption reached its pinnacle a year ago, Wu Mouyuan, vice president of the CNPC Economics & Technology Research Institute, said in Beijing. Capacity expansions to refining may peak in 2028 in China.

Utah oil train project goes before U.S. Supreme Court

(Colorado Newsline; Dec. 9) - The U.S. Supreme Court will hear arguments this week in a case that could determine the fate of a Utah oil train project opposed by Colorado communities. It's been more than five years since the Uinta Basin Railway was first formally proposed to federal transportation regulators. The 88-mile line would connect Utah's largest oil field to the national rail network, allowing drillers to dramatically ramp up production and ship crude in tanker cars to Gulf Coast refineries on a route that runs through some of Colorado's most environmentally fragile and densely populated places.

The multibillion-dollar proposal could be an economic boon for the isolated Uinta Basin, and it's backed by a public-private partnership between industry and seven Utah county governments. But environmental groups and Colorado's Eagle County have sued to overturn the project's federal approval, arguing that regulators failed to properly analyze "downline impacts" from the railway, including risks of accidents, spills and more.

At an estimated capacity of up to 350,000 barrels of oil per day, the railway would rank among the largest sustained efforts to transport oil by rail ever undertaken in the U.S., singlehandedly more than doubling the 2022 nationwide total. Traffic from the new line alone would represent a tenfold jump in hazmat rail cargoes through central Colorado.

Oil companies and public officials have spent decades studying ways to solve the problem of exporting the Uinta Basin's "waxy" crude oil, which contains a high degree of paraffin, or wax, and congeals into a solid at room temperature. Conventional pipelines aren't an option, and the waxy crude must be heated to be loaded in and out of tanker trucks. That's how limited volumes of Uinta Basin oil have been shipped out of the region to date, a practice that has caused spills and safety concerns of its own.

China's solar panel manufacturers agree on OPEC-style quotas

(Bloomberg; Dec. 8) - China's solar equipment manufacturers are learning they need to exercise restraint to survive. More than 30 of the top companies signed up to a program of self-discipline at the China Photovoltaic Industry Association's annual meeting last week, in an agreement fashioned after the way OPEC manages its oil supply. The firms will receive quotas for how much they can produce next year, based on their existing market share and capacity as well as expected demand, according to local media.

The accord comes as China’s solar industry contends with overcapacity, heightened geopolitical tensions and slowing demand. Companies are focused on riding out the storm in the belief that it could be at least another year or more before profits begin to recover. The agreement represents a sharp turnaround from years of stiff competition that have brought the industry to its knees, while at the same time slashing prices and raising quality to the point that solar is the cheapest and fastest growing form of energy.

It’s too early to tell whether quotas can succeed in such a fragmented and competitive industry. But what’s clear from comments made by solar executives at two high-profile events last week — the BloombergNEF Summit in Shanghai and the China Photovoltaic Industry Association’s gathering in Yibin, Sichuan — is the desperation behind the move. “The keyword for next year is surviving,” Xing Guoqiang, chief technology officer at Tongwei Co., said at the Shanghai event.

Gazprom sets record for daily pipeline gas supplies to China

(Bloomberg; Dec. 8) - Gazprom said it set a new record for daily pipeline gas supplies to China on Dec. 8. Daily flows via the Power of Siberia gas link exceeded Russia’s maximum contractual obligations, Gazprom said, without providing a figure. On Dec. 1, Gazprom raised deliveries to the daily equivalent of 1.34 trillion cubic feet per year, the design capacity of the line. China is on track to become the largest market for Russia’s pipeline gas this year, with Gazprom becoming more reliant on China after most of its European customers shunned Russian supplies in the wake of its invasion of Ukraine.

At full capacity, the line is capable of supplying about 9% of China’s total gas consumption in 2023. Exports via the route started in late 2019. Russia has also been in talks for years about building the Power of Siberia-2 pipeline to carry almost 1.8 tcf of additional gas each year from the Yamal region in northern Russia to China via Mongolia. But agreement on key issues including pricing remains uncertain.

OPEC again cuts forecast for global oil demand growth

(Bloomberg; Dec. 11) - OPEC cut its oil demand growth forecasts for this year and next for a fifth straight month, making its deepest reduction to the 2024 outlook so far after agreeing to extend its supply curbs. The Organization of Petroleum Exporting Countries chopped projections for consumption growth in 2024 by 210,000 barrels a day to 1.6 million barrels a day, according to its monthly report. The cartel has slashed projections by 27% since July as it belatedly recognizes the deteriorating market picture.

Last week, the OPEC+ alliance led by Saudi Arabia and Russia agreed for a third time to delay plans to restart halted crude production, while also slowing the pace of increases once they do begin next year. The first in a scheduled series of hikes has been postponed to April 2024 from January 2025. Oil prices have declined 17% since early July as China falters and supply from OPEC rivals in the Americas booms. Meanwhile, Brent oil futures are trading near $73 a barrel, too low for the Saudis and many others in the coalition to cover government spending.

Despite the slew of downgrades in its demand projections, OPEC's forecasts remain significantly higher than most others, and at odds with actual data for consumption this year. The alliance's growth projection for 2024 is roughly double that of Morgan Stanley and Goldman Sachs, and considerably above the International Energy Agency. It is even significantly higher than estimates from Saudi Arabia's state oil company, Aramco.

Coal-fueled power generation will reach new record in 2024

(Reuters; Dec. 10) - Global exports and use of thermal coal will reach all-time highs in 2024, despite the record roll-out of renewable energy generation capacity across all major continents. Exports of thermal coal through the first 11 months of 2024 are up by 9 million tonnes from the same months in 2023, per Kpler ship-tracking data, and will climb further in December as power firms stock up for the Northern Hemisphere winter.

Global coal-fired power generation is up by around 2% to new highs so far in 2024, while coal-fired power emissions are also at a record, data from energy think tank Ember shows. The continued expansion underscores the difficulty of dislodging fossil fuels from energy systems and may disappoint those hoping for a peak in coal burning. Top consumer China — which accounts for 35% of all thermal coal imports — remains in the import growth category. China expanded imports by around 8% to a record 340 million tonnes from Jan. 1 through the first week of December, according to Kpler.

However, climate advocates can take heart from the slowing pace of global export growth, which at 1% marks the smallest annual expansion since 2020, when COVID-19 lockdowns sparked a rare contraction in worldwide energy output. Climate watchdogs may also be cheered by annual declines in coal imports by several of the largest coal-consuming nations, which if repeated next year could trigger a decline in 2025.

New Mexico state investment earnings top income tax revenue

(Associated Press; Dec. 9) - Efforts by New Mexico to save and invest portions of a financial windfall from oil production are paying off as state government income on investments surpasses personal income tax collections for the first time, according to a new forecast Dec. 9. General fund income from the state's two multibillion-dollar permanent funds and interest on treasury accounts is expected to climb to $2.1 billion for the fiscal year between July 2024 and June 2025, surpassing $2 billion in revenue from personal income taxes.

The investment earnings are designed to ensure that critical programs — ranging from child care subsidies to tuition-free college and trade school education — endure if oil income falters amid a possible transition to new sources of energy. At the same time, legislators this year revised personal income tax brackets to lower taxes in the nation's No. 2 state for oil production behind Texas.

"We're not a poor state anymore," said state Sen. George Muñoz, of Gallup. "We've got things that we can win on — free education, child care ... low taxes for working families, for children. And that's all because we've done a lot of the work to set this up for the future." The comments came at a legislative panel Dec. 9 where economists from four government agencies announced an income estimate for the coming year. The figures are the baseline for budget negotiations when the Legislature convenes in January.

LNG industry faces push to decarbonize, especially in Europe

(Bloomberg; Dec. 11) - Police vans cordoned off a Berlin hotel Dec. 10 as environmental protesters attempted to disrupt an energy conference, splashing green paint against the side entrance of the luxury venue. Inside, the global liquefied natural gas industry gathered to debate its future. Having largely turned the page on energy price shocks, the focus is shifting to lowering carbon dioxide and methane emissions. The entire supply chain — from production to shipping to consumption — is under scrutiny.

The rush to find solutions is particularly evident in Europe and its largest economy, Germany. The pressure to decarbonize or, in the words of Shell's senior vice president Tom Summers, to "defossilize," is so big that European LNG buyers are no longer rushing to enter new projects, said BP's vice president for global LNG trading and origination, Jerome Milongo. One issue is lack of transparency. Just like comparing the sugar or fat content of food items, consumers want to know the carbon intensity of the energy products they buy, said Javier Moret, global head of LNG at German utility RWE.

However, there is "a very low willingness to pay" for the low-methane production that Europe is pushing for, said Egbert Laege, chief executive officer of Germany company Securing Energy for Europe. For many emerging markets in Africa and Asia, the cost to decarbonize is even less attainable. But if LNG is here to stay, calls to lower the industry's emissions footprint are unlikely to subside anytime soon. That means the pressure's on to adapt and reinvent, Shell's Summers said.

QatarEnergy contracts for last LNG carriers in 128-ship expansion

(gCaptain; Dec. 11) - QatarEnergy has reached a significant milestone by awarding its final batch of LNG carrier construction contracts to a Japanese-Chinese partnership between Mitsui O.S.K Lines (MOL) and COSCO Shipping LNG Investment (CSLNG). The joint venture secured the rights to own and operate six QC-Max size LNG carriers, marking the completion of QatarEnergy's historic 128-vessel fleet expansion program to transport the country's massive expansion in LNG export capacity later this decade.

The vessels will be built by Hudong-Zhonghua Shipbuilding, a subsidiary of China State Shipbuilding Corp., reinforcing China's growing influence in the global shipbuilding sector. This latest agreement builds upon an already substantial relationship between QatarEnergy and the MOL-CSLNG joint venture, which previously secured contracts for seven conventional LNG vessels in 2022, bringing their total commitment to 13 vessels.

"This is the last batch of long-term shipowner contracts in our 128-vessel strong historic shipbuilding program that will cater for QatarEnergy's future LNG fleet requirements for our LNG expansion projects, as well as the replacement requirements of some of our existing fleet," said QatarEnergy's chief, Saad Sherida Al-Kaabi, speaking at the contract signing ceremony in Doha. The scale of QatarEnergy's maritime ambitions is also illustrated by their recent $6 billion agreement with China State Shipbuilding for 18 QC-Max size LNG carriers, noted as the largest single shipbuilding contract in history.

Qatar plans to get more aggressive investing its petro wealth fund

(Financial Times; London; Dec. 10) - Qatar's $500 billion sovereign wealth fund is preparing to deploy its cash more aggressively ahead of a petrodollar windfall that could ultimately double its size. Mohammed Al-Sowaidi, the Qatar Investment Authority's new chief executive, told the Financial Times the fund expected to "do bigger-ticket deals" and invest with "more frequency" as it embarked on a review of its investment strategy.

"We have to be more aggressively deploying and finding ways where we could actually achieve more returns than the perceived risk," Sowaidi said. "You review overall your allocation policies, you look into global trends and you make some calls on the future forecasts and you see how you optimize deployment." The fund typically conducts a review of its investment strategy every five years, with the last one taking place in 2019.

Sowaidi takes over with the investment authority having doubled its workforce since 2018 ahead of an expected windfall as Qatar's vast expansion of liquefied natural gas production begins to come online. Qatar will be almost doubling its liquefaction and export capacity over the next several years. As the investment fund prepares to step up its deal flow, it is bullish on the U.S., where it has increased its exposure significantly over the past decade, as well as in the U.K. and Asia, Sowaidi said, with a focus on technology, artificial intelligence, health care, real estate and infrastructure.

Exxon to speed up development of Papua New Guinea gas reserves

(Argus; Dec. 12) - ExxonMobil plans to expedite the next stage of its P'nyang gas field in Papua New Guinea, with 4.4 trillion cubic feet of reserves, considered critical to the future of the nation's LNG export industry. Exxon, the operator of the PNG LNG joint venture, at 6.9 million tonnes of annual production capacity, will bring pre-engineering works on the new gas field forward to April-June 2025.

This would bring it forward "years sooner than previously envisaged," said ExxonMobil PNG's senior vice president of commercial development, Johanna Boothey, at the PNG Resources and Energy Investment Conference in Sydney on Dec. 10. "We expect to undertake initial ground surveys and to establish a project office in Western Province in the coming weeks," she said.

PNG's government in March signed a fiscal stability agreement for the P'nyang project with the PNG LNG partners. A final investment decision for the field is targeted for 2029, following the start-up of the planned Papua LNG export terminal, with synchronization between the two LNG projects seen as guiding the investment timeline. Papua LNG, the country's second gas export terminal is planned for 5.6 million tonnes annual capacity. The Papua LNG project, led by TotalEnergies, would also provide gas to the Exxon-led PNG LNG project, which will need additional gas supplies to maintain full production.

Cost estimates come in too high; partners delay Papua LNG project

(Australian Financial Review; Dec. 10) - The cost of the proposed Papua LNG venture blew out by 50% to $US18 billion before it was paused earlier this year to rework the design, according to Papua New Guinea Prime Minister James Marape, who wants to see construction start by the end of 2025. Australia-based Santos is a major partner in the venture. Marape said he understood that TotalEnergies, which leads Papua LNG, had made “good progress” through the redesign and rebidding process with contractors.

The LNG export project, at 5.6 million tonnes annual production capacity, originally due to start construction last year, is led by France’s TotalEnergies, with ExxonMobil and Santos as partners, as well as Japan’s JX Nippon. It involves the development of the Elk and Antelope gas fields in the eastern Papuan Basin, a pipeline to the PNG LNG site near Port Moresby and construction of new liquefaction units for the Papua LNG venture — though some gas would be processed through the existing PNG LNG plant.

Analysts say a delay beyond 2025 is possible. Santos CEO Kevin Gallagher last month committed to prioritizing shareholder returns over expanding oil and gas output. He said projects need to compete for funds and not all will proceed. Jarden energy analyst Nik Burns expects Papua LNG to be among those that proceed, but added, “there remain some question marks around the economics.” MST Marquee energy analyst Saul

Kavonic said a 2025 go-ahead is “doubtful”. He said the upstream engineering costs came in much higher than expected, and Exxon may have lost faith in TotalEnergies.

Energy Department affirms it is waiting on FERC to complete reviews

(Reuters; Dec. 10) - The U.S. Department of Energy said on Dec. 10 that it is not able to complete its reviews of two liquefied natural gas export authorizations until the Federal Energy Regulatory Commission completes its environmental reviews of the projects in Louisiana. The projects are Venture Global LNG's CP2 facility, at 20 million tonnes annual output capacity, and Commonwealth LNG, planned at 9.5 million tonnes.

The Department of Energy said the decision to wait for FERC to complete its review first is "consistent with precedent" during the administration of President Joe Biden and the previous two administrations. FERC last month pulled Venture Global's authorization to construct CP2, requiring an additional environmental review of air quality impacts. FERC has not disclosed exactly how long that review will take.

CP2 has been at the center of a fight with environmentalists seeking to limit future LNG export projects on the U.S. Gulf Coast. The facility had won FERC construction approval in June. The additional review follows a decision on Aug. 6 from the U.S. Court of Appeals for the District of Columbia Circuit that quashed FERC's approval of a different LNG plant at the Port of Brownsville, Texas, and ordered FERC to reconsider the project ramifications with a new environmental statement and public comment period.

Japan’s contracts for Russia’s Sakhalin LNG near expiration

(Reuters; Dec. 11) - As Japan's long-term contracts to secure liquefied natural gas from Russia's Sakhalin-2 project near expiration, rival producers see opportunity to fill the supply gap, even as Tokyo looks to switch to cleaner energy, industry insiders say. The country's declining demand for gas plus geopolitical pressure on Tokyo to curb its reliance on fuels from Russia mean Japanese buyers may not want to renew all of their contracts with a supplier long favored for its proximity and reliability.

Japan, the world's second biggest LNG buyer, depends on Russia for 9% of its LNG, or 6 million tonnes per year, 5 million of which come from long-term contracts at Sakhalin-2 run by the Kremlin-controlled Gazprom. The project also has strong ties with Japanese industry, with Mitsui and Mitsubishi owning a combined 22.5% in the project. Sakhalin-2's big advantage over rivals is that it is located just a few days away from Japan by sea, while cargoes from Australia, Canada and the U.S. are over a week away.

But with Japan's Western allies seeking to isolate Moscow over its war on Ukraine, Sakhalin-2 is out of favor, though it is exempt from U.S. sanctions. "Maintaining the same level of supply from Russia may prove challenging due to the agreement among G7 members to reduce reliance on Russian energy," an official at Japan's industry ministry said, adding that final decisions rest with buyers, which include several Japanese utilities. At the same time, with Japan's sluggish power demand and its push toward cleaner energy, the country's need for LNG is set to fall.

BP will merge offshore wind business with Japanese power company

(Bloomberg; Dec. 9) - BP and JERA, Japan's biggest electricity producer, will merge their offshore wind businesses as the British oil major seeks to cut its exposure to the troubled green power sector. The new company — JERA Nex bp — will be funded with as much as $5.8 billion through 2030, a downgrade of BP's previous investment plans in the technology. It comes as BP limits exposure to the high costs of renewables while seeking to soothe investors more interested in the company's core fossil fuel business.

Soaring costs in recent years have upended the investment plans of some of the world's biggest players in offshore wind. At the same time, BP has faced shareholder pressure over its energy-transition strategy, first launched in 2020, as renewables profit has shrunk while oil and gas margins have risen. The company recently indicated it won't grow its pipeline of offshore wind further, and it saw the departure of an executive who had been brought in to expand that business.

BP will significantly limit its investment in offshore wind through the joint venture, contributing as much as $3.25 billion through the early 2030s. That's less than half of BP's previous estimates of what it could spend on offshore wind this decade. JERA Nex bp is expected to be formed by the end of the third quarter 2025, the companies said in a statement Dec. 9. The new entity, to be based in London, will include both companies' offshore wind assets, including two projects planned by BP off the coast of the U.K. The joint venture will first focus on existing projects in Europe, Australia and Japan.

Argentina oil production grows, while Colombia lacks investments

(Bloomberg; Dec. 9) - A drilling push in Argentina has put it on the verge of leapfrogging regional rival Colombia as a top-three crude producer in South America. Drilling activity is accelerating in Argentina's Vaca Muerta shale region, due in large part to policies by the business-friendly government of President Javier Milei. Shale oil now accounts for about 60% of Argentine crude and has put the nation on course to reach output levels unseen in more than 20 years, according to the U.S. Energy Information Administration.

Drillers are expected to bring extra rigs to the Vaca Muerta next year. Ambitious infrastructure plans are also gaining momentum as Milei's reforms give companies an opportunity to attract international financing for pipelines and ports. Meanwhile in

Colombia, natural gas reserves are half of what they were a decade ago and crude reserves have stagnated as President Gustavo Petro has shunned oil exploration in favor of reducing greenhouse gas emissions.

Colombia’s oil and gas industry had been looking to hydraulic fracturing, the same technology used in the Vaca Muerta, to expand reserves. But after taking office in 2022, Petro halted two key fracking tests, though explorers recently made a significant offshore gas discovery. Colombian drilling investments in 2024 dropped for a second consecutive year and the declines mean that crude production won’t create enough revenue to meet the government’s tax-revenue targets, according to industry forecasts.

Texas by far the top state for gas production in U.S. in 2023

(U.S. Energy Information Administration; Dec. 10) - Five states produced more than 70% of the record 113.1 billion cubic feet per day of U.S. marketed natural gas production in 2023. Texas accounted for 28% in 2023, according to the U.S. Energy Information Administration’s monthly gas report, followed by Pennsylvania (18%), Louisiana (10%), West Virginia (8%) and New Mexico (8%).

In 2023, marketed gas production in Texas, which includes offshore fields in state waters, totaled 31.6 bcf per day, a 7% increase from 2022. The Haynesville and Permian plays, which combined account for nearly 40% of U.S. dry gas production from shale plays, are in Texas. The Permian also extends into New Mexico, where production averaged 8.7 bcf per day in 2023, an increase of 18% from 2022. Because most Permian production is associated gas from oil wells, producers respond to changes in the crude oil price rather than the natural gas price when planning their activities.

In 2023, gas production in Pennsylvania matched the 2021 record of 20.9 bcf per day, a 1% increase over 2022, and West Virginia production reached a record 8.9 bcf per day, an increase of 11%. Natural gas production from both states comes from the Appalachian Basin, which includes the Marcellus and Utica shale gas plays, and accounted for 32% of U.S. natural gas production.