Oil and Gas News Briefs
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Bank survey predicts U.S. oil prices could fall below $60 by 2027

(Bloomberg; Dec. 4) - Banks are gearing up for U.S. oil prices to fall below $60 a barrel by the middle of President-elect Donald Trump's new term in office, according to a survey from Dallas-based law firm Haynes Boone. West Texas Intermediate, the U.S. benchmark, is expected to drop to $58.62 a barrel by 2027, the mean estimate of 26 banks participating in the survey released Dec. 4. WTI fell below $69 on Dec. 4.

Trump has said he'll push shale producers to ramp up output, telling supporters pump prices will fall even if it means operators "drill themselves out of business." Crude prices in the U.S. have fallen from the year's high in April of near $87 amid concerns about a looming global surplus. While shale producers have pledged to slow production growth, efficiencies are allowing them to pump more oil even while spending less.

"If prices drop further, our experts wouldn't be surprised if producers start paring 2025 budgets to curb drilling," Alex Ljubojevic, director of Enverus Intelligence Research, said in a report this week. Operators in the Permian Basin of West Texas and New Mexico could cut drilling rigs by roughly 10% next year to keep output flat in the world's busiest shale patch, Enverus said.

Banks forecast Brent will average $70 in 2025

(Reuters; Dec. 6) - Morgan Stanley and HSBC revised down their expectations for an oil market surplus next year and forecast a Brent price of $70 a barrel, following a decision by OPEC+ to delay plans for more output. On Dec. 5, OPEC+, which groups the Organization of the Petroleum Exporting Countries and allies including Russia, postponed the start of oil output increases by three months until April. It also said the cuts would stretch out until September 2026, nine months later than previously planned.

Morgan Stanley raised its Brent forecast for the second half of 2025 to $70 from $66 to $68 per barrel, the bank said in a note on Dec. 5. The bank lowered its estimate for OPEC-9 production (OPEC members minus Iran, Libya, and Venezuela, which are exempted from output curbs) by 400,000 barrels per day for 2025, and by 700,000 by the fourth quarter of next year. It also cut its estimate for Iran's production by about 100,000 barrels per day through 2025.

HSBC maintained its price forecast at $70 per barrel for 2025 and beyond, it said in a note on Dec. 6. It anticipates a market surplus of 200,000 barrels per day in 2025 if

OPEC+ proceeds with production hikes in April. Previously, it expected a surplus of 500,000. Bank of America expects Brent to average $65, assuming no significant increase in OPEC+ production volumes in 2025. "Demand growth has slowed this year and is expected to remain tepid in 2025 too, tipping the market into surplus next year."

Chevron plans to slow down production growth in Permian Basin

(Bloomberg; Dec. 5) - Chevron plans to slow production growth in the biggest U.S. oil field next year in the most definitive sign yet that President-elect Donald Trump faces an uphill battle to ramp up U.S. energy output. Chevron will reduce capital expenditures in the Permian Basin to between $4.5 billion and $5 billion in 2025, a drop of as much as 10%, the company said in a statement Dec. 5. Globally, Chevron expects to spend about $17 billion compared to $19 billion this year in the first budget cut since 2021.

"Production growth is reduced in favor of free cash flow," Chevron said in the statement. The Permian region of West Texas and New Mexico has been one of the world's fastest-growing sources of oil production over the past decade and now pumps more than 6 million barrels a day, putting it ahead of Iraq, the No. 2 OPEC producer. Independent drillers drove the initial shale revolution but supermajors such as Chevron eventually glommed on to the basin's potential.

The slowdown will be welcome news for OPEC and its allies as they struggle to contain a glut of crude from the U.S. and elsewhere that has pushed oil prices down 18% since the end of April. It's also a reality check for Trump who has promised to unleash American oil production as part of his "drill, baby, drill" energy policy that he pledged will cut energy prices in half. Chevron still plans to increase production from the Permian next year, but growth will significantly decelerate from the 15% annual increase since 2021 as the company nears its million-barrels-a-day target.

Saudi oil minister says OPEC+ decision based on market conditions

(Reuters; Dec. 6) – Saudi Energy Minister Prince Abdulaziz bin Salman said Dec. 6 the OPEC+ decision to push back the start of increased oil output by three months until April was based mainly on fundamentals. "There are so many things going on over the next two months but primarily the decision to delay bringing these barrels to the second quarter is tied to the issue that the first quarter is not a good quarter to bring in volumes as it is known to be a quarter for building stocks," Prince Abdulaziz told CNBC.

OPEC+, which groups the de facto Saudi-led OPEC with allies including Russia, on Dec. 5 also extended the full unwinding of cuts by a year until the end of 2026 due to weak demand and booming production outside the group. The decision "also gives you a meaningful way to have a better understanding not necessarily of what will happen with regard to the U.S., respectfully, but there are so many other things — growth in China, growth in Europe, and lack of it thanks to transitioning, and what is happening in the U.S. economy, interest rates, inflation," the oil minister said.

"There are too many moving parts. But honestly, the primary cause for moving or shifting — bringing these barrels — is based on fundamentals," Prince Abdulaziz said. OPEC+, which pumps about half the world's oil, had been planning to start unwinding cuts in October but a slowdown in global demand and rising output elsewhere forced it to postpone the plans on several occasions. OPEC+ members are holding back 5.86 million barrels per day of output, or about 5.7% of global demand, in a series of steps negotiated since 2022 to support the market.

Tariffs on Canadian oil to U.S. could boost exports to Asia

(Bloomberg; Dec. 5) - The expansion of Trans Mountain pipeline represented a US$24 billion bid to help Canada's oil producers reduce their near-total reliance on the U.S. market. That's a bet that may pay off sooner than expected if President-elect Donald Trump follows through on tariff threats. The pipeline expansion added almost 600,000 barrels of daily capacity when it started operation in May, allowing drillers to boost output and ushering in a period of stable and relatively higher prices for Canadian oil.

The line stretching from Edmonton to a port near Vancouver has lived up to its promise of opening new markets for oil sands crude in Asia. The government-owned line could become an even more critical relief valve for Canada's oil patch if Trump imposes 25% tariffs on imports from the country, raising the cost of Canadian crude for U.S. refiners.

The marine terminal could help ship as many as 630,000 barrels a day — roughly 16% of Canada's oil exports — directly to Asia or elsewhere, avoiding tariffs. "They will be scrambling to find tankers," Susan Bell, a Rystad Energy analyst, said. Trump pledged to impose tariffs on Mexico and Canada on his first day in office unless they curb the flow of fentanyl and migrants into the U.S. While oil and gas were excluded from tariffs in his first administration, his post threatening tariffs said they'd apply to "ALL products."

Trans Mountain has spare capacity because cost overruns — which quadrupled the line's cost to US$24 billion — have hiked tolls and made spot shipments uneconomical. The government-owned corporation that runs the system has forecast the line won't fill up before 2028, but tariffs would change the economics, Bell said. That also could make Trans Mountain a more valuable asset for the federal government, which bought it in 2018 to save it from cancellation, and has been looking to sell it to private buyers.

[FERC orders additional review of proposed Louisiana LNG project]

(Reuters; Dec. 4) - Venture Global LNG on Dec. 4 slammed a call by U.S. regulators for an additional environmental review of its proposed Louisiana gas export project as unnecessary, adding that it will be ready to begin construction once the project gets a final go-ahead. The Federal Regulatory Energy Commission last week pulled Venture Global LNG's authorization to construct its CP2 export facility, requiring an additional environmental review of the development’s impact on air quality.

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 NextDecade's 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. CP2 has been at the center of a fight with environmentalists seeking to limit future LNG projects on the U.S. Gulf Coast. The facility won FERC construction approval in June.

Venture Global did not say if FERC’s decision would delay construction of the plant, proposed for a production capacity of 20 million tonnes per year. Engineering and construction giant Worley won a contract last year to build the first phase. "CP2 LNG unquestionably meets or exceeds all required environmental air standards as determined by FERC in its July 2024 order and will be formally replying to the commission in the coming days," a Venture Global spokesperson said.

[New owner of proposed Louisiana LNG project signs up Bechtel]

(Reuters; Dec. 5) - Australia's Woodside Energy said on Dec. 5 it has signed an engineering, procurement and construction contract with U.S. engineering firm Bechtel to develop a Louisiana liquefied natural gas project it purchased this fall. The contract will cover the foundation development for the project's three production trains, with a capacity of 16.5 million tonnes per year.

Woodside fully owns the Louisiana LNG project after its $1.2 billion acquisition of developer Tellurian in October. Tellurian had failed to sign up committed customers, raise financing or attract partners for the development. Woodside, since taking over, is seeking to sell a 50% stake in the project.

The oil and gas producer also stated that it aims to make the final investment decision by the first quarter of 2025. "Total Louisiana LNG expenditure from December to the end of the first quarter of 2025 is forecast to be up to $1.3 billion, which is included in the overall estimated cost for the foundation development," Woodside said in a statement.

Partners work with government to restart Mozambique LNG project

(Reuters; Dec. 5) - Japan's Mitsui is collaborating with TotalEnergies and the Mozambique government to finalize plans for restarting construction of the $20 billion Mozambique liquefied natural gas project, Mitsui CEO Kenichi Hori said on Dec. 5. The project, led by TotalEnergies, has faced delays due to concerns over violent unrest in the region. Work stopped in 2021, waiting for the government to control insurgents.

"We are working closely with the operator Total and the Mozambique government to ensure that security and finalize preparations for resuming construction," Hori told investors, adding the security situation in the area is showing signs of improvement. "Several key checkpoints remain, but we are now in the final stages of preparation to restart construction as soon as possible," he said.

Highlighting the project's strong competitiveness, high-quality gas and substantial reserves, Hori said the Japanese trading company will move forward while carefully managing risks. TotalEnergies CEO Patrick Pouyanne said in October that 70% to 80% of a $14 billion financing package underpinning the project has been reconfirmed by financiers. "We are waiting on the green light on financing from three credit agencies, some are in Western countries where rules on gas have changed ... as soon as that is in place we will move," Pouyanne said at the time.

European industries at risk of higher natural gas prices

(Reuters; Dec. 5) - Europe's struggling industries are bracing for a new natural gas price shock over the coming winter months as colder weather depletes stocks, competition with Asia for liquefied natural gas intensifies, and the prospect of reduced Russian pipeline gas supply looms. Since the energy crisis of 2022, when prices peaked after Russia invaded Ukraine and cut its gas flows, dozens of firms across Europe have closed factories and cut jobs as high gas prices undermined their competitiveness.

European Union gas demand is 17% below the five-year average observed during pre-pandemic years. At the same time, gas prices are at their highest level in over a year and analysts predict they will rise further. "The concern is that we are laying our guard down because energy prices are lower now than what we saw in 2022," Svein Tore Holsether, CEO of Oslo-listed Yara, a fertilizer company, told Reuters in October. "It’s important to remind ourselves that we’re still at much higher (price) levels than other key regions like the U.S., the Middle East, and Russia.”

In a report on Europe's competitiveness in September, former European Central Bank chief Mario Draghi said the loss of cheap Russian gas following the 2022 attack on Ukraine had a "huge cost" to the economy and that fossil fuels would be needed at least for the remainder of the decade. "Even though energy prices have fallen considerably from their peaks, EU companies still face electricity prices two to three times those in the U.S. Natural gas prices paid are four to five times higher," the report said.

Some Chinese companies looking to sell their surplus LNG

(S&P Global; Dec. 6) - Some Chinese state-owned and second-tier oil and gas companies have been looking to sell LNG cargoes for the January-February 2025 period to alleviate pressure from growing inventory and weak domestic demand, according to market participants. The selling interest reflects expectations that regional heating demand is unlikely to surge as winter progresses, which would help lower spot Asian LNG prices despite some demand for spot cargoes from Europe that would typically trigger price competition and tighten supply.

"We did hear of some players selling spot LNG. They are definitely making some profit, as the cost of the cargoes is lower than their own term contracts or a previous buying spree," a trade source said. Opportunistic Chinese LNG importers have previously sold LNG purchased under relatively cheaper oil-linked contracts, earning higher spot prices.

Not all national oil and gas companies were selling, as they have a mandate to secure winter supply for energy security and would face scrutiny. However, second-tier gas companies were reportedly active. Other Chinese LNG importers selling cargoes were optimizing their January-February portfolios, traders said. "Currently, supply in China exceeds demand, and it makes sense that Chinese players are selling cargoes in the spot market to capitalize on stronger spot prices," a second Chinese trade source said.

Oversupply of LNG carriers drives rates to all-time lows

(Nikkei Asia; Dec. 7) - A supply glut of liquefied natural gas carriers combined with delayed LNG export plant construction have dropped shipping rates for the fuel to all-time lows. November is usually a high-demand period for LNG tankers ahead of the winter months. Power utilities would hire ships on the spot market to bring in more fuel. But in November, from 17 to 20 carriers were available for spot contracts, according to shipbroker Fearnleys, up from five to nine during the same month last year.

Only about two to four LNG tankers were accessible in November 2022, when Europe needed new supplies of natural gas following Russia's invasion of Ukraine. The supply of new carriers has exceeded demand for LNG transport, tracing back to the rush of orders for vessels around 2022 driven by the construction of new LNG production terminals in Qatar and the U.S., which are scheduled to begin exports next year.

As a result, 74 LNG carriers will be completed this year, according to Japanese marine shipper Nippon Yusen, more than double 2023. Tanker supply is expected to remain at a similarly high level at least through 2025. This situation has put downward pressure on the market to charter LNG tankers. According to Fearnleys, spot rates for new ships were $30,000 per day in early November for Pacific routes to Asia, and $22,000 for Europe-bound Atlantic routes. These were the lowest readings since comparable data started being kept in 2018. Spot fees have since dropped even more.

Japanese utility restarts another nuclear power reactor

(Reuters; Dec. 7) - Japan's Chugoku Electric Power on Dec. 7 restarted its Shimane nuclear power station in western Japan, shuttered since shortly after the 2011 Fukushima meltdown, the company said. The long-delayed restart of the plant's 820-megawatt No. 2 reactor, which was shut down in January 2012, boosts the number of Japan's operational reactors to 14, with a combined capacity of 13,253 megawatts.

Japan's demand for liquefied natural gas and thermal coal is expected to fall next year, with Tohoku Electric Power also recently resuming operations of the 825-megawatt No. 2 reactor at its Onagawa nuclear plant in northern Japan. The increased operation of nuclear power plants is expected to help Japan meet the growing power demand from semiconductor plants and data centers that support artificial intelligence applications.

The government anticipates power output to grow to between 1.35 trillion and 1.5 trillion kilowatt-hours (kWh) by 2050, from 1 trillion kWh projected for this decade, as Japan establishes more data centers, chip factories and other energy-intensive businesses. For Chugoku Electric, the restart of the Shimane reactor follows an investment of 900 billion yen ($6 billion) in safety measures to comply with post-Fukushima regulations.

QatarEnergy criticizes new EU social, environmental requirements

(Bloomberg; Dec. 8) - A directive setting strict environmental, social and governance (ESG) reporting standards for large firms operating in the European Union creates challenges that make “absolutely no sense” for companies like QatarEnergy, according to its chief executive officer. “My message to Europe and to the EU Commission is: Are you telling us that you don’t want our LNG into the EU?” QatarEnergy CEO Saad Al-Kaabi, who’s also minister of state for energy affairs, told the Doha Forum.

“I am sure not going to supply the EU with LNG to support their energy requirements and then be penalized with our total revenue worldwide,” Al-Kaabi said on Dec. 7, in reference to the EU’s Corporate Sustainability Due Diligence Directive. The directive, which came into force in July, outlines steps that large companies must take to identify and address adverse human rights impacts, such as child labor, as well as climate issues and other factors. It mandates detailed corporate transition plans and opens businesses to lawsuits if there are violations in their value chains.

The directive will harm European companies first, Al-Kaabi said. While Qatar supports the desire to uphold human rights and labor rights as well as to reduce environmental impacts, “the issue is how you go about it,” he said. Any large non-EU company that operates within the bloc and makes more than 450 million euros ($476 million) within or from the EU is subject to the directive. “For QatarEnergy, and with all the expansions we are undertaking, I can assure you we cannot meet net-zero,” Al-Kaabi said.

Qatar promotes its expansion in LNG, fertilizer and urea production

(Gulf Times; Qatar; Dec. 8) - Qatar will double its LNG production in a few years to almost 160 million tonnes per year in a “responsible way” with carbon capture and sequestration, Minister of State for Energy Affairs Saad bin Sherida al-Kaabi said Dec. 7. Qatar’s LNG production will increase from 77 million tonnes per year to 142 million with expansion projects, al-Kaabi said. In Texas, “we are adding 16 million to 18 million tonnes per year with our partner, ExxonMobil, through the Golden Pass project.”

Participating in a newsmaker interview at the Doha Forum 2024, al-Kaabi said all of Qatar’s LNG ships will be fueled by liquefied natural gas and not heavy fuel oil. This will help reduce emissions and the overall carbon footprint. Al-Kaabi also highlighted Qatar’s investments in petrochemicals, fertilizer and renewable-energy sectors. “We have already announced to increase our petrochemicals production by almost 130%. This will be realized through the largest polyethylene plant in the region, which we are building in Ras Laffan (Qatar) along with Chevron Phillips Chemical Co.,” he said.

“And in the U.S., we have partnered with Chevron Phillips Chemical for the Golden Triangle Polymers Plant in Texas, which is considered the biggest in the world.” Qatar’s urea production, he said, will go up from about 6 million tonnes per year currently to 12.4 million in 2030 with production commencing at the world-scale urea fertilizer complex at Mesaieed Industrial City. “Now we are the second largest fertilizer producer in the world. And by 2030, we will become the largest fertilizer producer in the world.”

Shell and Equinor will merge U.K. offshore assets into new company

(CNBC; Dec. 5) - Shell and Norway’s Equinor on Dec. 5 announced plans to combine their British offshore oil and gas assets to create a jointly owned energy company. The joint venture will be established in Aberdeen, Scotland, in an effort to sustain fossil fuel production and the security of the U.K.’s energy supply. The companies plan to close the deal by the end of next year, subject to approvals. At that time, the new company is set to become the U.K. North Sea’s largest independent producer, Shell said.

It is expected the company will produce more than 140,000 barrels of oil equivalent per day in 2025. “Domestically produced oil and gas is expected to have a significant role to play in the future of the U.K.'s energy system," Zoë Yujnovich, integrated gas and upstream director at Shell, said in a statement. "The new venture will help play a critical role in a balanced energy transition, providing the heat for millions of U.K. homes, the power for industry and the secure supply of fuels people rely on," Yujnovich added.

The 50-50 joint venture is set to include Equinor's equity interests in Mariner, Rosebank and Buzzard fields and Shell's assets in Shearwater, Penguins, Gannet, Nelson, Pierce, Jackdaw, Victory, Clair, and Schiehallion. Equinor employs about 300 people in the U.K., while Shell has a staff of about 1,000 people in oil and gas jobs nationwide. Analysts led by Biraj Borkhataria at RBC Capital Markets said they expect "tax synergies" to be a significant factor in the combination of the companies' U.K. offshore oil and gas assets.

BP reportedly seeking buyers for U.S. natural gas pipeline business

(Reuters; Dec. 6) - BP is seeking buyers for a stake in its U.S. natural gas pipeline network, four people with knowledge of the matter said. The company could raise up to $3 billion from the sale, two of the people said, with one of them adding that BP may sell up to a 49% stake in the business. The sale process is part of CEO Murray Auchincloss's drive to reduce the company's debt levels, which have risen over the past year, another two sources said.

BP declined to comment. With its share price languishing, BP is facing investor pressure to improve performance and profitability amid concerns over the company's energy transition strategy. It has plans to sell stakes in its Lightsource BP solar business as well as its U.S. onshore wind division and offshore wind operations. Net debt rose to $24.3 billion at the end of September, from $22.3 billion a year earlier, due to lower than anticipated asset disposals, BP said in its third-quarter results.

The company's shares have lost more than 18% of their value so far this year, a worse performance than any of its rivals. The U.S. oil and gas pipeline sector has undergone increasing consolidation in recent years as production grows and problems with permitting for new pipelines make existing assets more valuable. BP owns about 1,500 miles of pipelines that transport 1.1 million barrels of crude, natural gas and fuels per day across the U.S., according to its website.

Large gas field discovered offshore Colombia

(Bloomberg; Dec. 5) - Colombia's biggest offshore natural gas discovery by Petrobras and Ecopetrol could triple the country's reserves if the deposit is commercially viable, potentially easing the nation's gas shortfall. The Sirius-2 exploration well has confirmed more than 6 trillion cubic feet of gas in place and could lift Colombia’s reserves by 200%, Petroleo Brasileiro, the operator of the project, said on Dec. 5.

Petrobras expects to confirm the commercial viability of the discovery by 2027, and then it would take three years to reach first production after getting the project licensed. If the project goes forward, it could produce 460 million cubic feet a day for 10 years, nearly half of Colombia’s current domestic demand, and there are no plans to export any of the gas. “We’ve spent 20 years looking for the biggest reservoir in the country, and today we are announcing it,” Ecopetrol CEO Ricardo Roa told reporters. Ecopetrol is the largest oil and gas company in Colombia; Petrobras is Brazil’s state-owned oil company.

Colombia this month started facing a shortfall of gas, and deepwater wells like Sirius-2 are its main hope to reverse the situation. Roa said the company is reducing its gas consumption to ease the deficit, and also has plans to build a liquefied natural gas facility to increase imports. The project should be enough to avert a shortfall when it comes online, but that depends on domestic gas production because some existing wells are in decline, said Rafael Guzman, Ecopetrol’s vice president for hydrocarbons.

Alberta makes slow progress in plugging inactive wells

(Reuters; Dec. 5) - The number of inactive oil and gas wells in Alberta, Canada's main fossil fuel-producing province, fell 5% in 2023 from a year earlier, showing progress in decommissioning and reclamation work, a regulatory report said on Dec. 5. Alberta now has 79,000 wells classed as inactive versus 83,000 in 2022. Inactive wells no longer produce oil or gas and need to be permanently plugged and the land restored.

Canada is the world's fourth-largest oil producer and sixth-largest gas producer, and its western provinces are dotted with hundreds of thousands of active and inactive wells. Some of those wells are orphans, meaning the companies that owned them have gone bankrupt or ceased to exist. Companies spent C$769 million (US$548.23 million) on well closures. The Alberta government's Site Rehabilitation Program spent C$174 million, and the industry-funded Orphan Well Association spent C$149 million.

"This year's data indicates the industry is making notable progress on cleaning up oil and gas wells, pipelines, and facilities," Laurie Pushor, CEO of the Alberta Energy Regulator, said in a statement. Alberta's inactive well count grew 5% a year between 2000 and 2020 as the province's energy sector expanded rapidly. Environmental campaigners warned taxpayers could end up having to pay billions of dollars in well clean-up costs unless energy companies were held to account.

U.S. steps up sanctions on tankers carrying Iranian oil

(Reuters; Dec. 3) - The Biden administration on Dec. 3 ramped up sanctions on Iran, targeting 35 entities and vessels it said carried illicit Iranian petroleum to foreign markets as part of what the U.S. Treasury Department called Tehran's "shadow fleet." The sanctions build on those imposed on Oct. 11 and come in response to Iran's Oct. 1 attack on Israel and to its nuclear escalations, the Treasury Department said.

Such sanctions target key sectors of Iran's economy with the aim of denying the government funds for its nuclear and missile programs. The move generally prohibits any U.S. individuals or entities from doing any business with the targets and freezes any U.S.-held assets. Eight of the 21 sanctioned ships are loaded with oil, while another was headed to a Russian port to load a cargo, shipping data on LSEG Workspace showed.