Oil and Gas News Briefs
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Japan’s LNG imports decline as more nuclear power plants restart

(IndraStar Global; Feb. 12) - The restart of nuclear reactors has significantly affected Japan’s energy landscape. The resumption has reduced the reliance on liquefied natural gas imports for power generation, which increased significantly to compensate for the lost electricity generation after the 2011 Fukushima Daiichi accident when Japan decided to suspend operations at all of its 48 nuclear power reactors. This led to a heavy reliance on imported LNG.

However, in 2015, Japan began gradually allowing some nuclear reactors to resume operations. By December 2022, 11 gigawatts of nuclear capacity had been returned online, decreasing LNG imports for electricity generation. Since 2015, the increasing contribution of nuclear generation has been steadily replacing generation from fossil fuel sources, primarily gas. As a result, Japan witnessed a significant decline in LNG imports in 2022, about a 15% decrease, or 1.7 billion cubic feet per day, compared to 2015.

This trend is expected to continue, with further reductions anticipated in LNG imports into Japan. In 2023, Japan has taken additional steps to bolster its nuclear energy sector by restarting Takahama Units 1 and 2, adding approximately 1.6 GW to its nuclear capacity. Additionally, Japan passed the GX Decarbonization Power Supply Bill, signaling its commitment to establishing a decarbonized electricity system, with nuclear power designated as the primary component of the country's baseload electricity.

Shell trims long-term forecast for LNG demand growth

(Bloomberg; Feb. 14) - Shell said demand for liquefied natural gas by 2040 will be slightly lower than previously forecast as the world prepares for life beyond fossil fuels. The energy major, which usually holds a bullish stance on consumption, said in its global LNG Outlook that demand is expected to reach 625 million to 685 million tonnes a year in 2040, compared with a previous estimate which saw top usage exceed 700 million tonnes. Estimates for gas demand have varied widely due to the changing pace of the transition away from fossil fuels.

Shell holds the largest gas liquefaction and marketing portfolio among global energy majors, covering almost 20% of worldwide demand, according to Bloomberg Intelligence. Its outlook comes after the International Energy Agency in October lowered its forecast for global gas demand for a fourth consecutive year, seeing a peak by 2030.

Shell said global natural gas demand peaked in the 2010s in places such as Japan, Europe and Australia. It expects North America to follow in the 2030s and the rest of the world in the 2040s. Still, global demand for LNG is expected to rise by more than 50% by 2040, even as gas consumption starts to peak, Shell said. Global trade in the fuel reached 404 million tonnes in 2023, up from 397 million a year earlier. The market "will continue growing into the 2040s, mostly driven by China's industrial decarbonization and strengthening demand in other Asian countries," the report said.

Judges hear case calling on FERC to look at LNG climate impacts

(Energy Wire; Feb. 13) - A pair of Biden-appointed judges signaled on Feb. 12 that the Federal Energy Regulatory Commission may need to take a closer look at climate and air quality impacts of liquefied natural gas export terminals. The remarks from judges of the U.S. Court of Appeals for the D.C. Circuit came during oral arguments over FERC's certification of a Louisiana LNG project. The hearing came two weeks after the Biden administration said the Department of Energy would pause export approvals to better account for climate impacts when deciding if the projects are in the public interest.

The Energy Department approves exports; FERC approves siting and construction of new LNG facilities. The court has previously required FERC to beef up its consideration of greenhouse gas emissions from the projects it oversees. "I don't know why (FERC) would be so reluctant to find significance. It seems easier than litigation like this," said Judge Florence Pan. The judge pressed FERC attorney Susanna Chu to explain how high a project's emissions had to be to prompt the agency to explore other alternatives.

The arguments centered on challenges against FERC's approval of Commonwealth LNG. The project is slated to be one of about a half-dozen proposed and existing LNG export facilities in Louisiana. Pan said Commonwealth LNG's emissions would be 36 times higher than FERC's proposed threshold for judging emissions "significant." The judge added, "I think the bottom line is there is no line that you would think greenhouse gas emissions are significant." Chu said FERC has withdrawn that threshold policy.

Judge Brad Garcia also drilled down on how FERC accounts for cumulative air quality effects in an area expected to host several other LNG terminals. Even if the emissions from one facility are incremental, said Garcia, "why is that relevant to the total level (of emissions), which is what cumulative impacts analysis is asking (FERC) to talk about?" The court took the case under advisement and will issue its ruling at a later date.

Former Republican federal officials criticize pause in U.S. LNG

(Reuters; Feb. 12) - Dozens of former officials from the past two Republican U.S. administrations on Feb. 12 urged Congress to reverse the Biden administration's pause on approvals of liquefied natural gas exports, saying the shipments promote global stability. President Joe Biden paused approvals of exports from pending and future LNG projects to big markets in Asia and Europe late last month in order to review the environmental and economic impacts of the booming business.

Biden acted after pressure from environmentalists concerned about greenhouse gas emissions during the lifecycle of the LNG industry and pollution from LNG plants near vulnerable communities. The 35 officials, including Rick Perry and Dan Brouillette, energy secretaries under former President Donald Trump, wrote to lawmakers heading energy and foreign affairs committees in the House of Representatives and the Senate.

"It is imperative that we reverse this action and continue to advance our economic, energy, and geopolitical interests while leading on environmental progress," the former officials said in the letter. U.S. LNG exports to Europe rose after Russia invaded Ukraine in 2022. Overall, U.S. exports worldwide are expected to double by the end of the decade based on projects already approved.

Sempra targets 2027-2028 start-up for new LNG project in Texas

(LNG Prime; Feb. 12) – U.S. engineering and construction giant Bechtel is moving forward with construction on the first phase of Sempra's Port Arthur LNG export project in Texas worth about $13 billion. Sempra Infrastructure, a unit of Sempra, took a final investment decision last March for the first phase of Port Arthur LNG. The first phase is fully subscribed with 10.5 million tonnes per year under binding long-term contracts.

Sempra Infrastructure has entered into long-term agreements with ConocoPhillips, the U.K.'s Ineos, France's Engie, Germany's RWE, and Polan's PKN Orlen. Besides signing a 20-year deal for 5 million tonnes of LNG per year, ConocoPhillips is also a 30% shareholder in the project. Last year Sempra Infrastructure completed the sale of a 42% non-controlling interest in Port Arthur LNG Phase 1 to private-equity firm KKR. Sempra Infrastructure has a controlling 28% indirect interest in Phase 1.

Bechtel won the construction contract for two trains with a total capacity of about 13 million tonnes per year. The expected commercial operation dates for Train 1 and Train 2 are 2027 and 2028, respectively. Sempra is also working on the second phase. The company last September won Federal Energy Regulatory Commission approval to build and operate the second phase, which would double the plant's output capacity, but it still needs Department of Energy approval to export the gas — which is on pause while the department reviews the climate and economic impacts of additional U.S. LNG exports.

[Canada's energy minister supports U.S. pause in new LNG approvals]

(Bloomberg; Feb. 14) - The U.S. decision to pause approvals of liquefied natural gas exports is welcome, and there are risks that some infrastructure will end up stranded, Canada's energy minister said. The Biden administration is "doing the right thing" and is following on the footsteps of Canada's actions to fight climate change, said Jonathan Wilkinson in an interview. "Increasingly, there is a lot of skepticism about how many more LNG facilities are going to be required and the risk of stranded assets is real."

The Canadian official's comments come after the U.S. administration decided at the end of January to halt the approval of new LNG export licenses while it scrutinizes how the shipments affect climate change, the economy and national security. The move strikes at the heart of the debate over LNG's role in the future of energy, with advocates contending it's crucial for getting developing nations to stop using coal and enabling Europe to power its economy without Russian gas.

Environmentalists, meanwhile, warn that building the enormous infrastructure required to ship LNG ensures it will be burned for generations to come. Wilkinson shared that view, arguing LNG may be used to "displace future renewables which doesn't help us at all from a climate perspective." Wilkinson was speaking on the sidelines of an event celebrating the 50th anniversary of the International Energy Agency in Paris this week.

[There is some good in Canada's government-owned oil line]

(Bloomberg commentary; Feb. 11) - For the past decade, the Canadian oil industry has experienced the meaning of "with friends like these, who needs enemies." To its south is an obvious export route and huge client — the U.S. But American courts and politicians blocked new oil lines, strangling the industry to the north. The bottleneck cost Canadian oil companies billions of dollars in forgone revenue, delaying the industry's growth. With pipelines full, any extra barrels have had to move by costly railway, depressing their value. At its worst in 2018, Canadian crude sold at $50 less than a barrel of U.S. oil.

At a cost of C$35 billion (US$26 billion), the government, rather than the private sector, has built a pipeline for an additional 600,000 barrels a day linking Alberta's oil fields with a coastal port near Vancouver. The line is nearly finished and the first barrels could move before June. With it, the discount of Canadian oil should narrow. It will be the first significant outlet for Canada to export its oil beyond the U.S., enabling Canadian oil to flow via tanker to the growing energy markets of Asia, including China.

When in 2018 Canadian Prime Minister Justin Trudeau nationalized the project, his government called it a "sound financial opportunity." The plan was to build the pipeline, called Trans Mountain Expansion, and then sell it to private investors, hopefully making money. Seen through that prism, it’s been a colossal taxpayer-funded mistake. Marred by cost overruns, it’s worth a fraction of what the government spent building it.

Despite its colossal cost, it has two advantages that may compensate for the financial folly. First, it’s likely to trim the discount of Canadian to U.S. crude, leading to more cash for everyone in the petroleum industry — including provincial government royalties. Second, it should facilitate investment in more production, leading to more revenues.

Court hears case between Wisconsin tribe and pipeline company

(Milwaukee Journal Sentinel; Feb. 8) - The gridlocked battle between a Wisconsin tribe and a Canadian pipeline owner has entered its next legal round. On Feb. 8, the 7th U.S. Circuit Court of Appeals heard oral arguments about whether Enbridge Energy's Line 5 can continue to move Canadian oil across the Bad River Band of Lake Superior Chippewa's reservation. The line has been operating on the tribe's land near Lake Superior with expired easements — the rights to cross the land — for over a decade.

Last June a federal judge ordered Enbridge to remove the pipe from the tribal band's land within three years or face a shutdown. Both sides appealed the decision. Enbridge argues the judge didn’t have the authority to threaten a shutdown. Tribal officials insist three years is too long. The legal fight is much bigger than the 12-mile stretch that Line 5 crosses through the tribe’s land. It comes at a time when tribal nations are more concerned than ever about climate change and what is happening to the land and water around them. For them, it’s related to tribal treaty rights and U.S. reliance on fossil fuels.

Juli Kellner, a spokesperson for Enbridge, said shutting down Line 5 would hurt Great Lakes businesses and communities that rely on the line for energy needs. The judges said they didn't want to make a decision until they hear from the U.S. government, which asked for a 30-day extension to submit a brief in the case. Line 5 runs 645 miles from Superior, Wisconsin, to Sarnia, Ontario. It transports 450,000 barrels per day of crude oil and 80,000 barrels of natural gas liquids. It supplies up to 55% of Michigan’s propane and transports oil to refineries in Ohio, Pennsylvania, Ontario, and Quebec.

Colorado state senators want to ban new oil and gas drilling by 2030

(The Colorado Sun; Feb. 12) - Democratic state senators say they will introduce legislation banning new oil and gas drilling in Colorado by 2030 and demanding companies pay more to seal up old wells, bringing into the Capitol a fight that has previously played out in statewide ballot petitions and elections. Environmental groups have been moving to get a similar ban on the November 2024 ballot, but meanwhile are strongly backing the legislative effort by Sens. Sonya Jaquez Lewis and Kevin Priola.

The ban would allow for continued pumping from existing wells but would also phase out modifications to those thousands of wells through redrilling or deepening. Unused drilling permits would expire. Previous operators of orphaned wells would have to pay more to hasten state cleanup efforts. “Many Coloradans agree with us that we can’t keep drilling forever,” Jaquez Lewis said in an email Feb. 11.

“Oil and gas emissions are negatively impacting public health. This legislation makes sure that Colorado takes strong action to reduce greenhouse gas emissions by putting a definite end date on new well permits so we can work toward a sustainable energy future,” Jaquez Lewis said. Colorado’s oil and gas industry, concentrated in highly productive hydraulically fractured wells in Weld County, said it will aggressively fight the bans, as it has fought against residential well setbacks and other restrictions.

TotalEnergies wants out of onshore Nigeria operations, same as Shell

(Reuters; Feb. 8) - French energy giant TotalEnergies is seeking to sell its minority share in a major Nigerian onshore oil joint venture, following Shell's divestment last month, CEO Patrick Pouyanne said. The Shell Petroleum Development Co. of Nigeria, in which TotalEnergies holds a 10% stake, has struggled with hundreds of onshore oil spills as a result of theft, sabotage and operational issues that led to costly repairs and high-profile lawsuits over the years.

"We want to divest our share," Pouyanne said at TotalEnergies' annual results presentation on Feb. 7. "Fundamentally, it's because producing this oil in the Niger Delta is not in line with our (health, security and environmental) policies. It's a real difficulty." The Shell-led partnership operates a network of pipelines, 263 oil wells, 56 gas wells, six gas plants, two oil export terminals and a power plant, according to its website.

TotalEnergies is the latest international oil company seeking to withdraw from Nigeria's onshore sector after decades of operations. Shell last month announced it had agreed to sell its 30% stake in the onshore operations to a consortium of five mostly local companies for up to $2.4 billion. TotalEnergies, which produced a total of 219,000 barrels of oil equivalent per day in 2023 in Nigeria, remains a major operator of offshore fields in the West African country. Earlier this week it announced the start-up of the Akpo West oil field located 85 miles off the coast.

Oil companies deliver refined products to Venezuela

(Bloomberg; Feb. 9) - Oil majors including Chevron and Repsol are alleviating Venezuela’s fuel shortages as part of new deals following the lifting of U.S. sanctions that have allowed them to expand operations in the South American nation. Italy’s Eni and France’s Etablissements Maurel et Prom are also among the companies delivering

a string of fuel and refined products to state-owned Petróleos de Venezuela in the past four months, according to sources and data from intelligence firm Kpler.
Some of the deliveries are part of recently signed deals that offer more operational control to the foreign partners, including procurement and financial decisions.
Venezuela imported 84,000 barrels a day of refined oil including gasoline, diesel and naphtha in January, according to data from Kpler. That's the highest since October 2020, when Iran started to supply fuel to the country to address shortages.

The increased imports have helped ease years of painful fuel shortages that kept drivers in line for sometimes days to fill up their cars and severely restricted Venezuela's industrial and agricultural activity. They follow the easing of U.S. sanctions in October as the Biden administration pushed for President Nicolás Maduro to compromise on free and fair elections. The U.S. awarded a six-month license for oil operations in Venezuela. But it's not clear whether the companies will keep supplying fuel if oil and gas sanctions are renewed in April, as the Biden administration has warned.

Saudi says 'we're transitioning' after it halted oil expansion plans

(Reuters; Feb. 12) - Saudi Arabia decided to halt its oil capacity expansion plans because of the energy transition, its energy minister said on Feb. 12, adding that the kingdom has plenty of spare capacity to cushion the oil market, if needed. The Saudi government on Jan. 30 ordered state oil company Aramco to halt its oil expansion plan and to target a maximum sustained production capacity of 12 million barrels per day, 1 million below a target announced in 2020, which was set to be reached in 2027.

"I think we postponed this investment simply because ... we're transitioning," Prince Abdulaziz bin Salman said at the IPTC petroleum technology conference in Dharan. He said Aramco has other investments to make, including in oil, gas, petrochemicals and renewables. Saudi Arabia has said it aims to reach net-zero emissions by 2060 and Aramco says it wants to reach net-zero emissions from its own operations by 2050.

Prince Abdulaziz said the kingdom had a "huge cushion" of spare oil capacity in case of major disruptions to global supplies caused by conflicts or natural disasters. Under cuts agreed to by the Organization of the Petroleum Exporting Countries and allies led by Russia, or OPEC+, Saudi oil production is about 3 million barrels per day below its 12 million maximum sustainable capacity, making it the world's biggest holder of spare capacity.

Sanctions cutting deeper into fleet of tankers carrying Russian crude

(Bloomberg; Feb. 13) - A chunk of the vast fleet of tankers that Russia uses to deliver its oil is grinding to a halt under the weight of U.S. sanctions, a sign that tougher measures by Western regulators might be starting to have tangible effects on Moscow. About half of the 50 tankers that the U.S. Treasury began sanctioning on Oct. 10 have failed to load cargoes since they were listed, according to a ship-by-ship tracking by Bloomberg.

The latest to be targeted — the Sovcomflot carrier NS Leader — performed an immediate U-turn off the coast of Portugal on Feb. 8 when its owner was named by the U.S. It was sailing toward a Russian oil port in the Baltic Sea at the time. The U.S. has intensified sanctions and investigated potential breaches, a step that drove many Greek tanker owners out of the trade. The result has been ballooning freight costs and Russian oil that's being trading at deeper discounts to international benchmarks, according to organizations including the International Energy Agency.

Of the 50 tankers sanctioned since early October, 18 have collected cargoes. Of those, nine were shuttle ships and nine appeared to collect consignments as normal. One is still carrying a cargo it took on board before it was sanctioned. That leaves 31. Of those, seven had been idled even before sanctions and three may well load soon. That leaves 21 that haven't loaded cargo since. In recent weeks, the U.S. and U.K. have published further guidance outlining part of a tougher approach to enforcing sanctions, including advice on how to approach the so-called shadow fleet moving Russian crude.

World's largest coal miner will boost output in India to meet demand

(Reuters; Feb. 14) - State-run Coal India plans to start operations at five new mines and expand capacity of at least 16 existing ones to address growing demand for the fuel, its chairman told Reuters on Feb. 14. India has increasingly relied on coal to address record power demand in recent months, with the rise in coal-fired power output outpacing renewable energy growth for the first time since at least 2019.

A record output by Coal India — the world's largest coal miner whose profits and share price have surged since early 2023 — is set to boost inventories at power plants running on domestic coal by 16.1% year-over-year to 40 million tonnes by end-March, Coal India Chairman P.M. Prasad said in written response. The company is on track to exceed its production target for the second straight year during the fiscal year ending March, Prasad said, after failing to achieve its output goals for 16 straight years.

Coal India aims to boost output by more than 7% to a record 838 million tonnes for the fiscal year that starts April 1, with initial stockpiles at 80 million tonnes, over 15% higher from a year earlier. The miner plans to start operations at five new mines, with a combined annual capacity of 14.3 million tons in the next fiscal year, Prasad said.

Insurgent attacks return near site of LNG project in Mozambique

(Bloomberg; Feb. 13) - Islamic State-linked fighters carried out their deadliest attack on Mozambican troops since 2021, according to a researcher, driving up security concerns ahead of TotalEnergies' planned return to build a $20 billion liquefied natural gas project. Fighters raided the town of Mucojo, 85 miles south of the LNG project, on the weekend. They killed as many as 25 government service members, according to radio station Zumbo FM, which is based in the provincial capital of Pemba, and other news reports.

The causalities were the highest in a single battle for Mozambique's defense forces since 2021, according to Tomas Queface, analyst and investigator at Cabo Ligado, a website that tracks the conflict. Tomas Bandae, Macomia's district administrator, acknowledged the attack in comments streamed by Maputo-based newspaper O Pais, without saying how many people died.

“The insurgents are gaining more strength,” Queface said by phone from Maputo, Mozambique's capital. “It's very worrying.” A string of attacks since December has marked a resurgence in violence after Mozambican and regional forces last year announced major gains in the six-year war that's left at least 4,849 people dead. The improved security situation provided a TotalEnergies-led consortium with the confidence to consider resuming the gas project by the middle of this year after halting it in 2021.