Oil and Gas News Briefs
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Oil majors focus investment on low-cost production opportunities

(Reuters; Feb. 14) - Oil majors are targeting new fields that can be profitable even if oil prices fall to about $30 per barrel, using a third year of rising demand to reshape their portfolios amid uncertainty over the industry's future. Even the world's lowest-cost oil producer, Saudi Aramco, has joined the rush to cut costs. The shift to fields with favorable break-even points follows deeper and more frequent boom-bust cycles in the past decade. It also reflects executives' belief that current high prices may not last.

"After three major oil price crashes in 15 years, there is wide acceptance that another one is likely to happen," said Alex Beeker, director of corporate research at energy consultancy Wood Mackenzie. That uncertainty and inventor demands for better returns underpin the focus on buying lower-cost production and the flexibility to adjust output when prices swing. ExxonMobil and Chevron last year spent more on shareholder payouts than on new oil projects, a sign of the industry's desire to regain investor favor.

Exxon, Chevron and Occidental recently struck deals worth a combined $125 billion to acquire companies that will help them pump oil for between $25 and $30 per barrel. In Europe, Shell and Equinor are pursuing projects with $25- to $30-per-barrel break-evens, while TotalEnergies aims to get its production costs under $25. Those costs are about half the break-even level of a decade ago, and about 40% of today's Brent global benchmark — and they are a bet that improved productivity of wells will continue.

IEA believes global oil demand growth is slowing down

(Reuters; Feb. 15) - Global oil demand growth is losing momentum, the International Energy Agency said on Feb. 15 as it trimmed its 2024 growth forecast, in sharp contrast to the view held by producer group OPEC. The IEA, which represents industrialized countries, has predicted that oil demand will peak by 2030 as the world shifts to cleaner energy. OPEC, meanwhile, expects oil use to keep rising for the next two decades.

Monthly reports this week from the two forecasters underlined their starkly different estimates for 2024 oil demand. The IEA's monthly report said it expects global oil demand to grow by 1.22 million barrels per day this year, slightly down from last month's estimate. OPEC on Feb. 14 stuck to its much steeper growth forecast at 2.25 million barrels per day.

In the IEA's view, the deceleration — about half of the growth rate of 2023 — is linked to a slowdown in China's consumption. "The expansive post-pandemic growth phase in global oil demand has largely run its course," the IEA said, adding that a harsher global macroeconomic climate is also likely to constrain growth this year. The IEA expects supply to grow to a record high of about 103.8 million barrels per day in 2024, almost entirely driven by producers outside OPEC+, including the U.S., Brazil and Guyana.

Carbon-capture project at risk if Canada does not maintain support

(Bloomberg; Feb. 15) - The world's largest carbon-capture project is at risk of never being built because of uncertainty about Canadian government incentives, according to energy consultancy Wood Mackenzie. The C$16.3 billion first phase of the Pathways Alliance massive development to store emissions underground "will be delayed and potentially scuppered" if Canada's federal and provincial governments don't figure out how to underwrite some of the financial risks involved, Peter Findlay, a Wood Mackenzie analyst, wrote in a report released Feb. 14.

Pathways, the consortium of major oil sands companies behind the proposed development, has been warning since last year that it needs firm commitments of government support so it can take preliminary steps to start the project. Without secure support, deadlines for slashing emissions could be missed, the group has said.

"The real challenge for Canadian CCUS (carbon capture and underground storage) is not insufficient incentives — they are some of the most attractive in the world — but the uncertainty of their existence throughout project life," Findlay wrote. "The value of most of these incentives could be changed by political whim at any point during the project life — even going to zero." The Pathways development would capture and store carbon dioxide, slashing an estimated 22 million tonnes of emissions by 2030.

California regulators adopt heavy shift to renewables for power sector

(S&P Global; Feb. 16) - California must add nearly 60 gigawatts of renewable energy and energy storage resources by 2035 to cut power-sector greenhouse gas emissions under a sweeping plan approved Feb. 15 by state energy regulators. "This is a critical component of California's climate change strategy," Alice Reynolds, California Public Utilities Commission president, said ahead of a 3-0 decision to approve the "preferred system plan and portfolio," which is designed to reduce emissions in the power sector.

More than 40 individual integrated resource plans filed by investor-owned utilities, community choice aggregators and other load-serving entities helped to shape the statewide preferred plan. Under the portfolio, the use of natural gas-fired power plants connected to the California transmission system "would decrease by roughly 70% by

2035" compared with 2024, Reynolds said. Overall, the 2035 plan would cut power sector emissions 58% from 2020 levels, according to the agency.

The plan also includes 15 GW of gas-generation retirements by 2039. The preferred portfolio is powered primarily by solar and wind farms, and lithium-ion battery storage. It includes the addition of 19 GW of large-scale solar resources by 2035, double the grid-connected solar as of Feb. 1. The plan also calls for 15.7 GW of four-hour batteries and 2.8 GW of eight-hour batteries by 2035. That compared with roughly 7.3 GW of battery power storage capacity on the system as of Feb. 7, according to the grid operator. The preferred plan also includes 2 GW of additional geothermal generating capacity.

Google will help collect methane emissions data by satellite

(Reuters; Feb. 14) - Google and the environmental group Environmental Defense Fund on Feb. 14 unveiled a partnership to expose sources of climate-warming emissions from oil and gas operations that will be detected from space by a new satellite. MethaneSAT will launch next month, one of several satellites being deployed to monitor methane emissions across the globe to pinpoint major sources of the greenhouse gas. It is a partnership led by EDF, the New Zealand Space Agency, Harvard University and others.

Data from the satellite will be available later this year, and Google Cloud will provide the computing capabilities to process the information. Google also said it will create a map of oil and gas infrastructure, using artificial intelligence to identify components like oil tanks. MethaneSAT's data on emissions will then be overlayed with the Google map to assist in understanding which types of oil and gas equipment tend to leak the most.

The information will be available through Google Earth Engine, a geospatial analysis platform, later this year. Earth Engine is free to researchers, nonprofits and the news media. The launch comes as governments are cracking down on the short-lived greenhouse gas source and over 50 major state-owned and independent oil and gas operators ranging from ExxonMobil to Saudi Aramco have pledged to reduce their methane leaks to near zero by the end of this decade.

U.S. natural gas producers start cutting back amid low prices

(Reuters; Feb. 15) - U.S. natural gas producers are slashing spending and reducing drilling activity following a sharp decline in prices, companies said this week during earnings presentations and analyst calls. For months of relatively low gas prices, many producers kept output mostly steady on expectations that demand would rise in 2024 and 2025 when several liquefied natural gas export plants enter service.

However, this week's collapse in gas prices to a 3½-year low convinced some drillers to reverse course. Comstock Resources, a major U.S. gas producer, said it would reduce the number of rigs in operation from seven to five and suspend its dividend until gas prices rise sufficiently. Antero Resources, another big U.S. gas producer, said it would cut its drilling and completion capital budget by 26% after reducing the number of rigs in operation to two from three. It also dropped one of its two completion crews.

"(It's) good to see operators clearly lay out plans to slow D&C (drilling and completion) capital at current gas prices," Jake Roberts, an analyst for Perella Weinberg Partners' TPH&Co., said in a note. In recent months, gas prices have dropped on near-record output and low heating demand from a mild winter that left ample amounts of gas in U.S. storage. After falling about 24% over eight days, front-month gas futures settled at $1.581 per million Btu on Feb. 15, their lowest close since June 2020.

U.S. House votes to undo pause on new LNG export approvals

(Bloomberg; Feb. 15) - The U.S. House approved legislation Feb. 15 that would effectively undo the Biden administration's freeze on new liquefied natural gas export approvals. While the bill isn't likely to be taken up in the Democratic-controlled Senate, its passage on a 224-200 vote, including nine Democrats, could embolden House Republicans to include language easing the pause in future government funding bills.

The legislation by Texas Republican Rep. August Pfluger would strip the Department of Energy of its role in approving LNG export permits and instead require the Federal Energy Regulatory Commission to deem the export of gas to be consistent with the public interest. Similar versions have previously passed the House prior to the administration's announced pause in late January, but its passage as a standalone bill comes as the GOP seeks to elevate the matter as an election-year issue.

While the effort to remove the Energy Department's role in approving LNG exports isn't seen as having enough support in the Senate, opponents of the pause have floated more moderate measures, including setting a firm deadline for the Energy Department to complete its study or adding nations such as Germany and Japan to the list of countries presumed to be in the public interest. In announcing the halt last month, the Biden administration said it would scrutinize how U.S. LNG shipments — which have tripled in the last five years — affect climate change, the economy and national security.

FERC grants 3-year extension for Louisiana LNG project to start up

(Oil & Gas Journal; Feb. 15) - The Federal Energy Regulatory Commission on Feb. 15 approved two projects to increase U.S. natural gas exports. Despite protests by the Sierra Club and others, FERC granted Tellurian a three-year extension to start

operations at its proposed 27.6-million-tonne-per-year Driftwood LNG plant on the Calcasieu River, south of Lake Charles, Louisiana. The company in October — unable to meet a 2026 FERC deadline — asked for more time to construct the plant.

Tellurian's development plans have been hindered by a lack of financing, investors and customers, delaying a final investment decision to proceed with construction. The company now hopes to bring the export terminal online by April 2029. Because Tellurian's proposed Driftwood LNG project received a long-term export authorization from the Department of Energy in 2019, the project is not subject to the Biden administration's pause in approvals of new LNG export projects.

Separately, FERC granted ONEOK a permit to build and operate the Saguaro Connector natural gas pipeline border crossing into Mexico from Hudspeth County, Texas. The proposed Saguaro Connector would move up to 2.8 billion cubic feet of gas per day through 155 miles of 48-inch pipe, transporting Permian Basin gas to Mexico. A pipeline on the Mexican side of the border will carry the gas to the West Coast for liquefaction and export.

Japanese utilities leader says U.S. remains a key LNG supply source

(Reuters; Feb. 15) - The head of Japan's gas utilities group said on Feb. 16 that the United States, the world's biggest exporter of liquefied natural gas, remains an important supply source for Japan despite the recent pause in U.S. LNG export permits. President Joe Biden last month paused approvals for applications to export from new LNG projects to review the climate change and economic impact of such projects.

"We don't know how much the pause will affect new projects, but the U.S. is the world's top exporter of LNG and its political situation is stable, so its importance has not changed in the slightest," Takahiro Honjo, the chairman of the Japan Gas Association, said when asked if the U.S. remains a stable source of LNG for Japan.

There will be little or limited direct impact on Japan by the U.S. action, as existing LNG projects will not be affected, he said. "But we need to keep a close eye on the impact of new LNG projects and the global LNG market," Honjo, also the chairman of Osaka Gas, told a news conference. Japan is the world's second-biggest LNG importer after China.

Tokyo Gas wants to grow its profits from U.S. shale investments

(Reuters; Feb. 15) - Japan's biggest city gas supplier, Tokyo Gas, expects that by 2030 its U.S. shale gas and related businesses, including trading and marketing, will contribute around 50% to its targeted overseas profit, its president said. The Japanese company paid $2.7 billion to acquire Texas-based gas producer Rockcliff Energy in

December and agreed to purchase a 49% stake in an energy marketing and trading firm in North America, ARM Energy Trading, this month.

"Our aim is to create a U.S. gas-value chain by linking our projects to increase the value of our investments, rather than seeking profits from individual projects," President Shinichi Sasayama told Reuters in an interview this week. To achieve both decarbonization and a stable energy supply, Tokyo Gas has been reshuffling its portfolio, broadening its U.S. reach from upstream assets to mid- and downstream businesses, while divesting some minority stakes in gas projects in Australia.

"We want our U.S. shale and surrounding operations to generate about a half of our overseas profit in 2030," Sasayama said, as the company seeks to raise overseas profits by 2030 to 50 billion yen ($333 million), triple its 2019 overseas profits. "The U.S. market has a great growth potential," Sasayama said, pointing to the potential for the connection and development of various decarbonization projects such as renewable energy and synthetic methane.

Russia allows unescorted LNG carriers through Northern Sea Route

(gCaptain; Feb. 16) - In an effort to pave the way for year-round transport of liquefied natural gas on the Northern Sea Route (NSR), the Russian government has eased the requirements for icebreaker escorts. The rule change applies to double-acting LNG carriers, such as those working for Novatek’s Yamal LNG and Arctic LNG-2 projects. Previously, the LNG carriers were permitted to navigate independently, without icebreaker escort, in severe ice conditions only between July 1 and Nov. 30.

The new rules expand the period to include January, June and December. The change corresponds with Russia’s efforts for year-round deliveries of LNG to Asia. According to Novatek and government officials, the new deliveries will begin late this year. “The rule change may well be related to the introduction of the next generation Arc7s that are designed to navigate independently year-round through the NSR eastern sector, with icebreaker support as and when needed,” said Ben Seligman, a specialist in Arctic oil and gas development. Double-acting ships can move forward or backward to break ice.

Novatek’s Arc7 vessels have completed hundreds of voyages on the NSR since 2017, including a dozen or so winter transits to Asia. Operational experience from these experimental voyages has increased confidence in the Arc7’s capabilities allowing for an expansion of the window of independent navigation. The latest NSR rule change continues the progression of expanding the navigation season on the route.

Chevron and partners invest to boost offshore Israel gas production

(The Times of Israel; Feb. 18) - Chevron and its partners in the Tamar reservoir off Israel's Mediterranean coast on Feb. 18 announced a decision to invest $24 million to bolster natural gas production capacity from the field. The investment is the start of a two-phase plan aimed at expanding production capacity to about 1.6 billion cubic feet a day of gas from the Tamar field to meet Israel's needs and more exports to Egypt.

The Tamar partners approved a final investment decision to start with the gas production expansion project. In the first phase, a 93-mile pipeline will be laid from the Tamar field. The investments are expected to initially support boosting production to 1.2 bcf a day of gas, up from the current 1.1 bcf a day. Work on the pipeline and production increase is scheduled for completion in 2025 at a total investment of $673 million.

Chevron operates and holds a 25% stake in the Tamar field, with Israeli partners holding the rest. The investment approval comes after the partners in the field announced on Feb. 16 that they had secured a new gas sales agreement with Blue Ocean Energy, Tamar's Egyptian importer of Israeli gas. Under the terms of the agreement, the Tamar partners will sell an additional 140 billion cubic feet of gas per year to Egypt for a period of 11 years. As of now, the Tamar reservoir exports to Egypt about 70 bcf of gas a year.

Guyana's newfound oil wealth doesn't reach everyone in the country

(Bloomberg; Feb. 15) - Guyana has undergone a huge transformation in the near decade since a massive oil discovery off its shores. That's on full display at the Georgetown Marriott hotel. By sundown, oil executives in branded shirts step out of vans and mingle with tables of development bank officials. A basic room at the chronically sold-out hotel can cost more than $600 on an average night in January. Those prices nearly tripled by the time Guyana's annual oil conference starts in mid-February, drawing in big energy CEOs and world leaders to the tiny nation of 800,000.

The arrival of the "Marriott crew" is a sign of the change that's swept the country since ExxonMobil struck oil in its waters in 2015. New wells pump out 645,000 barrels every day, which resulted in $1.6 billion in revenue for Guyana's government in 2023. The nation's economy quadrupled in size over the past five years, going from one of the lowest performing in the region to the fastest growing in the world for two years straight. The oil deposits are so large relative to Guyana's population that some projections show it overtaking Kuwait to become the world's largest per-capita crude producer.

The optimism within the hotel's walls, however, is challenged once you step outside. "I have not seen it yet, less tasted it," 55-year-old Corwin Wright said of his nation's newfound wealth. He sells bucket hats and baseball caps at the nearby market, where hundreds of vendors under tarp-covered stalls fight for the attention of passersby in hopes to hawk anything from mangoes and sugar cane juice to freshly caught pacu fish.

The oil discovery has by and large been a boon for Guyana, on South America’s north Atlantic coast. But the former British colony must navigate a path forward that avoids the resource curse that’s plagued petrostates that rely too heavily on unpredictable and finite natural resources while abandoning other areas of the economy. Newly created jobs in the energy sector are benefitting some of Guyana’s population, but many — like Wright — are suffering under rising living prices and still meager wages.

Investigators look for owner of overturned barge that caused oil spill

(CBS News; Feb. 15) - A preliminary investigation into a mushrooming oil spill in waters near Trinidad and Tobago has found that an overturned and abandoned barge blamed for the disaster was being tugged to nearby Guyana. Officials in the eastern Caribbean island nation are trying to determine the owner of the vessel after last week's spill coated beaches along Tobago's southern coast and forced at least two schools to close over health concerns.

The Trinidad and Tobago Coast Guard, with help from regional agencies and satellite images, determined that the barge and a tug boat were traveling from Panama to the South American nation of Guyana, the National Security Ministry said Feb. 14. Foreign maritime security investigators also are helping with the ongoing probe, officials said.

Officials have said it was not clear if anybody was aboard the barge when it overturned and apparently began to sink off Tobago's coast. They are still searching for the tug boat and its owner. The mystery ship made no emergency calls, with no sign of crew and no clear indication of ownership. The spill has angered many residents of the twin-island nation. Farley Augustine, chief secretary of Tobago's House of Assembly, demanded that the owner of the barge step forward and pay for the cleanup.

Researchers note higher East Coast fuel costs due to Jones Act rules

(The National Bureau of Economic Research; Feb. 1) - The Jones Act of 1920 mandates that goods transported by water between U.S. ports must travel on ships constructed, owned and operated by U.S. entities. It is frequently blamed for the higher costs of domestic shipping and the products that are transported. Researchers Ryan Kellogg and Richard L. Sweeney estimate that if the act had not been in force in 2018–2019, fuel prices on the U.S. East Coast would have been lower.

U.S. East and West coast urban areas consume large amounts of refined petroleum fuels. Some of the demand is met by shipments from Texas and the Gulf Coast, the major domestic oil and gas production centers, but a significant share of the fuel used on the East Coast is imported. The Jones Act domestic-ship requirements make it more expensive to move fuel from the U.S. Gulf Coast production center to the East Coast.

Without the Jones Act, Gulf Coast exports would have nearly completely replaced East Coast imports of jet fuel and ultra-low-sulfur diesel fuel from foreign suppliers. Gulf Coast exports would have replaced 36% of imported diesel, lowering East Coast prices but raising Gulf Coast gasoline prices because of the additional demand. Overall, the researchers found that eliminating the Jones Act would have benefited U.S. consumers by $769 million a year and reduced U.S. fuel suppliers' profits by $367 million a year.