Oil and Gas News Briefs
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Guyana oil production on its way to 1.2 million barrels a day by 2027

(Reuters; Feb. 6) - A consortium led by ExxonMobil, which controls all oil production in Guyana, is pumping about 645,000 barrels per day in the South American country, up from about 400,000 in late 2023, the U.S. producer said at a press conference on Feb. 6. Guyana has emerged as the world's fastest-growing new oil province in a decade with discoveries of more than 11 billion barrels of oil and gas by Exxon and its partners Hess and China National Offshore Oil Corp.

Exxon said that all three platforms currently operational are producing above their initially estimated capacities. Liza Destiny, Liza Unity and Prosperity are currently pumping about 160,000 barrels per day, 250,000 and 230,000, respectively, the company said. The partners group has said it could develop up to 10 offshore projects in the country and has proposed budgets of about $40 billion for six projects so far, of which $29 billion have been spent, Exxon said.

The group has said its fourth, fifth and sixth oil projects — Yellowtail, Uaru and Whiptail — would have a production capacity of 250,000 barrels per day each, bringing oil output in Guyana to over 1.2 million barrels per day in 2027.

India projected to pass China as largest driver of oil demand growth

(Reuters; Feb. 7) - India is expected to be the largest driver of global oil demand growth between 2023 and 2030, narrowly taking the lead from China, the International Energy Agency said on Feb. 7. The world's third-largest oil importer and consumer is on track to post an oil demand increase of almost 1.2 million barrels per day between 2023 and 2030, accounting for more than one-third of the projected 3.2 million of global increases in the period, the IEA said in a report released at the India Energy Week in Goa.

The agency forecast that India's demand would reach more than 6.6 million barrels per day in 2030, up from 5.5 million in 2023. "India will become the largest source of global oil demand growth between now and 2030, while growth in developed economies and China initially slows and then subsequently goes into reverse in our outlook," the IEA added. The single largest basis of India's oil consumption will be diesel fuel, accounting for almost half of the rise in the nation's demand and more than one-sixth of total global oil demand growth through 2030, the IEA said.

"In the case of India, compared with China or other parts of the world, the Indian economy still continues to need more transport fuels, so we expect India will continue to grow in transportation fuels. So that's something different from countries like China," Keisuke Sadamori, the IEA's director of energy markets and security, said on the sidelines of the conference. To help meet this demand, India is expected to add 1 million barrels per day of new refining capacity over the seven-year period.

Occidental CEO predicts global oil supply shortage by end of 2025

(CNBC; Feb. 5) - The oil market will face a supply shortage by the end of 2025 as the world fails to replace current crude reserves fast enough, Occidental CEO Vicki Hollub told CNBC on Feb. 5. About 97% of the oil produced today was discovered in the 20th century, she said. The world has replaced less than 50% of the crude produced over the past decade, Hollub added.

“We’re in a situation now where in a couple of years’ time we’re going to be very short on supply,” she said. For now, the market is oversupplied, which has held down oil prices despite the current conflict in the Middle East, Hollub said. The U.S., Brazil, Canada and Guyana have pumped record amounts of oil even as demand slows amid a faltering economy in China. But the supply-and-demand outlook will flip by the end of 2025, the CEO said.

“The market is out of balance right now, but again, this is a short-term demand issue,” Hollub said. “But it’s going to be a long-term supply issue.” OPEC is forecasting global oil demand will grow by 1.8 million barrels per day in 2025 on a solid economy in China, outstripping crude production growth of 1.3 million barrels per day outside OPEC. That forecast implies a supply deficit unless OPEC ditches current production cuts and boosts its own output.

U.K. bans Russian crude, but takes fuels refined from Russian oil

(BBC News; Feb. 4) - Millions of barrels of fuel made from Russian oil are still being imported to the U.K. despite Western sanctions imposed over the war in Ukraine. Russian crude is refined in countries such as India and the products sold to the U.K. This is not illegal and does not breach the U.K.'s Russian oil ban, but critics say it undermines sanctions aimed at restricting Russia's war funds.

The U.K. government denied there had been any imports of Russian oil since 2022. But a spokesman said internationally recognized "rules of origin" define that crude, once refined in another country, is classed for the purposes of trade as originating from the refining country. Two separate reports, shared with the BBC, suggest the rules on refining enable products made from Russian crude oil to arrive on U.K. soil.

The Centre for Research on Energy and Clean Air said this "refining loophole" meant that countries such as India and China, which have not sanctioned the Kremlin, are able to legally import Russian crude and refine it into products such as jet fuel and diesel. They export those products to the likes of the U.K. and European Union. "The issue … is that it increases the demand for Russian crude and enables higher sales in terms of volume, pushing up their price as well, which increases the funds sent to the Kremlin's war chest," said Isaac Levi, head of CREA's Europe-Russia policy and energy analysis.

Russian LNG producer sets up marketing office in China

(Reuters; Feb. 6) – Russia's largest liquefied natural gas producer Novatek is building a new China-based team to explore marketing the fuel, sources familiar with the plans said, as U.S. sanctions thwart plans for exports from its new multibillion-dollar Arctic project. The move illustrates Russian energy companies' continued pivot to Asia, especially China, after the Ukraine conflict cut off their access to markets in Europe. A China operation may help Novatek find customers for its newest liquefied natural gas project, Arctic LNG-2, after U.S. sanctions were imposed.

Novatek has been building a Beijing-based business development and marketing team in recent months, six sources with knowledge of the matter said. The new team is led by Xu Jinhai, a former China executive with Russian energy-focused lender Gazprombank, and will come under Novatek (China) Holdings, according to two of the sources.

Arctic LNG-2, a part of Russia's ambition to become a top global LNG supplier, was hit with U.S. sanctions in November, before its planned start-up this year. Novatek and partners, such as France's TotalEnergies, told buyers such as China's Shenergy Group and Zhejiang Energy, along with Spain's Repsol, that shipments would not be delivered due to sanctions-imposed problems. Other Arctic LNG-2 investors, including China National Petroleum Corp. and CNOOC, have sought U.S. sanction waivers. Arctic LNG-2, estimated at $21 billion, is designed to export 19.8 million tonnes per year.

Sanctions block Japanese ship owner from carrying Russian LNG

(Bloomberg; Feb. 6) - The delivery of specialized ships for a new Russian liquefied natural gas facility is being upended by U.S. sanctions, according to Mitsui OSK Lines, threatening exports. The Japanese shipping line can no longer charter the three icebreaker LNG ships to the Arctic LNG-2 project due to U.S. restrictions, and efforts to sell them could be challenging, President Takeshi Hashimoto said in an interview.

The start of the $21 billion LNG plant, a key venture for Russia, has been hit by U.S. measures as Washington penalizes Moscow for the war in Ukraine. Operator Novatek had planned to use the vessels for deliveries to customers in Asia and Europe, and

without them it will be challenging to operate the export plant at the intended capacity of almost 20 million tonnes of LNG per year. Novatek has already delayed the facility's maiden cargo and is struggling to find buyers.

"Our contractual obligation is that if we cannot provide the service to Arctic 2, we have to sell our vessel to Arctic 2," Hashimoto said in an interview in Goa, India, on Feb. 6. MOL, as the firm is known, is working with the U.S. and Japanese governments to find a solution, Hashimoto said. The first of the three icebreaker LNG vessels will finish construction later this year.

Water shortages could affect British Columbia oil and gas production

(CBC News; Canada; Feb. 4) - The agency overseeing oil and gas producers in British Columbia is warning of potential water shortages in 2024. The B.C. Energy Regulator, formerly the B.C. Oil and Gas Commission, says persistent drought last summer and fall in the northern part of the province continue to negatively affect stream flows and groundwater, with snowpack levels reading only 72% of the historical average.

"The combined impact of these events has created an increased potential for drought conditions in 2024 and another summer of possibly limited water supply in the north," reads the regulator's notice posted Jan 26. The northeast of the province, where much of the oil and gas production is concentrated, has been hit hardest by the drought. The four water basins in the region remain at drought level 5, the most severe classification on the provincial scale. Level 5 is declared when "adverse impacts to socio-economic or ecosystem values are almost certain."

A significant portion of gas extraction in the region involves water-intensive hydraulic fracturing, which blasts water, sand and chemicals at high pressure underground to release natural gas trapped in rock formations. In a statement, the Canadian Association of Petroleum Producers said its members in British Columbia are monitoring the drought situation. "In northeastern B.C., operators rely on recycling water from their own operations to maintain activities and minimize the use of freshwater resources," said CAPP Vice President Richard Wong.

Shell's LNG Canada project in British Columbia 90% complete

(LNG Prime; Feb. 5) - Shell's LNG Canada export terminal in Kitimat, British Columbia, is more than 90% complete and the project is preparing to launch commissioning activities later this year, according to Shell CEO Wael Sawan. It's the first LNG export terminal in Canada, at almost 14 million tonnes of annual output capacity. JGC Fluor is the main contractor on the job.

Besides operator Shell, other partners include Malaysia's Petronas, PetroChina, Japan's Mitsubishi and South Korea's KOGAS. The project sponsors said they expect to begin start-up activities this year, lasting more than a year, with the first commercial cargoes going out in 2025. Shell's CEO told analysts during the company's fourth-quarter earnings call on Feb. 1 that work is just over 90% complete. A 416-mile pipeline from shale gas fields in northeastern British Columbia will bring feed gas to the plant.

U.S. LNG pause fires up debate over CO2 emissions from liquefaction

(Climate Wire; Feb. 5) - The White House decision to pause approvals of new liquefied natural gas export terminals has fed a contentious debate: Is LNG dirtier than coal? Many environmentalists argue that it is, challenging the conventional wisdom that gas is a sort of diet fossil fuel that could help reduce climate pollution as the energy system shifts to renewable power. But the picture is more complicated than that, say many researchers who study the carbon content of fuels.

Gas — and LNG exports in particular — most likely contributes more to planetary warming than previously thought, but it still can reduce greenhouse gas emissions compared to coal in some instances. The idea is a bombshell in the world of energy politics, where gas has long been touted as having about half as many emissions than coal. In December 2023, 170 climate scientists signed on to a letter asking President Joe Biden to reject plans to build more LNG export terminals, mostly along the Gulf of Mexico, on the grounds that LNG is "at least 24% worse for the climate than coal."

The argument that LNG is dirtier than coal runs against previous government and academic studies, which have found that LNG can reduce planet-warming emissions. Claims to the contrary are often based on a forthcoming Cornell University study, which has yet to be peer reviewed. Robert Howarth, a Cornell professor who wrote the study, said previous research about LNG's climate impacts failed to account for the carbon dioxide emissions associated with running the compressors and equipment to liquefy the gas, a process that requires chilling it to extremely cold temperatures.

U.S. gas producer CEO calls LNG pause 'pure politics'

(Bloomberg; Feb. 6) - The chief executive officer of the country's largest producer of natural gas dismissed the Biden administration's move to freeze new liquefied natural gas exports as a political stunt, telling a House committee during a hearing Feb. 6 that the decision was designed to secure support at the ballot box. "Let's call this what it is: The Biden administration's decision is pure politics," Toby Rice, CEO of EQT Corp., said. "We all know what this really is: an election year stall designed to garner votes."

The White House announced last month it was halting approval of new licenses to export LNG while it scrutinizes how the shipments affect climate change, the economy and national security amid a backlash against natural gas from environmental groups. Part of the reason a new study is needed is because the government's existing analysis doesn't reflect evolving information about how much methane — the prime ingredient in natural gas — could warm the atmosphere, the administration said.

The Energy Department is relying on guidance from 1984 designed to gauge the public interest of LNG imports — but has not undertaken a similar process for exports — even as the U.S. has become the largest LNG exporter in the world, said Gillian Giannetti, a senior attorney with the Natural Resources Defense Council. "DOE's tools for assessing whether future gas exports are consistent with the public interest are both obsolete and inapplicable," Giannetti told the Subcommittee on Energy, Climate, and Grid Security.

Louisiana caught between environmental worries and LNG jobs

(Thompson Reuters Foundation; Feb. 5) - The U.S. government decision last week to pause new gas export permits will not remove the massive facility retired oil and gas worker John Allaire sees from his Louisiana property, but it will at least likely halt the plant's planned tripling in size. The terminal is one of several built in the rural, sparsely populated coastal area over the past decade that have transformed the area economy, but also led to protests and unease among residents worried about the environment.

Seven U.S. gas export terminals are now in operation, with five more set to soon come online, largely in Louisiana and Texas. The gas export terminal near Allaire's property opened in 2022 and today offers a view of hulking storage tanks, gas flares from stacks and marine tankers coming and going. The arrival of the liquefied natural gas industry around 2015 was seen as a "savior" for the area's dying offshore oil and gas drilling, Allaire said, but since then it has cut off local access to the sea and hurt tourism.

The administration's temporary freeze, which the government will use to study the economic and environmental impacts of LNG exports, will affect only facilities that have yet to be permitted. The decision has been applauded by residents such as Allaire, as well as national climate campaigners. But it has sparked concerns over the potential effect on local economies and workers. As U.S. gas exports rise, southern Louisiana has become home to three of the country's largest LNG export facilities, with several others under construction or proposed, adding jobs and tax revenues to the area.

U.S. LNG developer plans to sell gas assets to stay alive

(Reuters; Feb. 7) - The proposed sale of U.S. LNG developer Tellurian's natural gas production assets represents a move to stay afloat amid dwindling survival options, said

two people familiar with the company's thinking. Tellurian has spent years and hundreds of millions of dollars trying to finance and build the 27.6 million-tonne -per-year Driftwood plant in Lake Charles, Louisiana. On Feb. 6, it put on the market a natural gas production unit that it once dangled as an incentive for investors to invest in the plant.

The company's ability to raise new money from the stock market has shriveled with its shares trading at less than 48 cents each and revenue from the gas production business drying up as prices tumbled. Tellurian had warned investors last fall that continued losses and dwindling cash reserves might not be enough within a year to cover operating and debt costs. The going-concern warning preceded its ouster of chairman and co-founder Charif Souki.

"Driftwood is trying to reestablish commercial relationships, that is vital. They need to finalize (LNG) sales contracts and sources of equity investments without which the project can't move forward," said Alex Munton, director of global gas and LNG research at consulting firm Rapidan Energy Group. A sale of Tellurian's Haynesville shale assets will be only a stopgap measure. They produce a relatively small volume of about 200 million cubic feet per day, not enough to cover the billions of dollars required to complete construction of Driftwood LNG, Munton said.

Qatar and Indian buyer sign 20-year LNG deal

(Bloomberg; Feb. 7) - Qatar agreed to reduce its liquefied natural gas prices in a long-term contract with Indian company Petronet LNG, part of a wider effort by the Persian Gulf producer to lock in customers for its massive output expansion. Petronet on Feb. 6 renewed a contract to buy 7.5 million tonnes of LNG a year from Qatar from 2028 for 20 years in one of the largest ever deals for the fuel. The country has so far found buyers for just about half of its new supply and needs to tie down others to long-term deals.

The new contract is at about a 12.2% link to Brent oil, with a fixed charge of roughly 30 cents per million Btu, said traders who asked not to be named as the terms are private. That’s less than the current agreement, which expires in 2028 and is at a 12.67% link to Brent with a 52-cent fixed charge. Qatar, the world’s third-biggest LNG exporter, has signed long-term deals with companies including Shell, TotalEnergies, Eni and China’s Sinopec for the massive expansion to its annual output capacity from 77 million tonnes now to 127 million tonnes by 2027, at an estimated cost of over $50 billion.

At a 12.2% slope, for example, plus the fixed charge, LNG would be delivered to India at about $10 per million Btu if oil averaged $80 a barrel during the period used in the contract calculations, or just under $9 per million Btu if oil averaged $70 per barrel. The oil-linked prices would be less expensive for India than spot-market prices for LNG in much of 2022 and 2023.

Mitsui signs 10-year deal to buy gas condensate from Qatar

(Reuters; Feb. 5) – QatarEnergy has signed a deal to supply Japan's Mitsui with 11 million barrels of condensate per year for 10 years starting in April, Qatar's state-owned energy company said on Feb. 4. The deal includes an option to increase the volume of condensate QatarEnergy exports to Mitsui when additional volumes become available from Qatar's vast North Field liquefied natural gas expansion project, the QatarEnergy statement said. Condensates, the byproduct of the natural gas production process, are often used in the production of gasoline.

Japanese Prime Minister Fumio Kishida agreed to strengthen energy ties and economic cooperation with Qatar in July when he visited the major gas-producing country. Mitsui said last October it was considering buying a stake in Qatar's North Field expansion project as a way to ensure a stable supply of LNG. The North Field expansion is expected to boost Qatar's production to 126 million tonnes of LNG per year by 2027, up from 77 million tonnes now.

Australia's Woodside, Santos call off US$52 billion merger

(Reuters; Feb. 7) - Australia's Woodside Energy and Santos said Feb. 7 that they had ended talks to create a possible A$80 billion (US$52 billion) global oil and gas giant, with Santos adding that it would look for other ways to bolster its value. Woodside, which is more than twice as large as Santos by revenue and market capitalization, said it would only pursue a deal that would clearly benefit its shareholders. The talks fell apart as the companies could not agree on a valuation level, according to sources.

Santos said that after "an initial exchange of information, sufficient combination benefits were not identified to support a merger that would be in the best interests of Santos shareholders." Woodside had faced pressure from some investors not to pay a premium for Santos in what would have been one of the largest corporate takeovers in Australian history. "Woodside's decision to walk away is a relief," said Simon Mawhinney, chief investment officer at Allan Gray which holds about A$700 million worth of Woodside stock. The fund last week wrote to Woodside, warning against pursuing a deal.

This is the second time in just over eight years that Woodside has ditched a deal that would have given it gas assets in Papua New Guinea, prized for low production costs and proximity to big LNG buyers in north Asia. Santos, which has long underperformed the wider energy sector, said it would continue a months-long review into ways to unlock value for shareholders. Analysts and investors said Santos could try to sell all or part of its 51% share of the Pikka oil project in Alaska. Doing so would free up cash for new projects and reduce exposure to an asset of questionable value, said Mawhinney.

Shipping line president acknowledges LNG leaks

(American Journal of Transportation; Feb. 6) - Methane leaks from an older generation of ships powered by liquefied natural gas are limiting the climate benefit of the fuel, Mitsui OSK Lines President Takeshi Hashimoto said in an interview in India on Feb. 6. Although ships using LNG result in about 25% less carbon dioxide emissions than traditional marine fuels, older vessels often fail to burn all the methane. That means some of it leaks into the atmosphere, where it can have a devastating climate impact.

The comments — a rare public acknowledgment of the leakage issue from a major shipper — are all the more telling because of Mitsui OSK's size. The firm marshals a fleet of more than 800 ships transporting everything from oil to gas to commodities to goods in containers. The remarks highlight how the industry is becoming increasingly concerned that releases of the potent greenhouse gas are worse than initially thought.

"When we started using LNG, people didn't care about the methane slip," Hashimoto said in Goa, where he was attending India Energy Week. "Everybody recognizes that this methane issue should be sorted out and the brand new vessels are much better than before." Despite the slippage, LNG-powered ships still have a better overall emissions profile than conventional fuel oil-burning vessels, Hashimoto said, adding that his firm is working to improve its own fleet's performance.