Oil and Gas News Briefs
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January 29, 2024

Biden pauses LNG export approvals for new environmental review

(Reuters; Jan. 26) - President Joe Biden paused pending approvals of exports from new liquefied natural gas projects on Jan. 26, a move cheered by climate activists that could delay decisions on new plants until after the Nov. 5 election. The Department of Energy review during the pause will look at economic and environmental impacts — particularly climate change impacts — of projects seeking approval to export LNG.

The review will take months and then will be open to public comment which will take further time, Energy Secretary Jennifer Granholm told reporters in a teleconference. Biden said in a statement: "During this period, we will take a hard look at the impacts of LNG exports on energy costs, America's energy security, and our environment." Biden said the pause "sees the climate crisis for what it is: the existential threat of our time."

Administration officials vowed the pause would not hurt allies, saying the plan will come with exemptions for national security should allies need more LNG. Companies and countries in Europe are worried about steady supplies of U.S. gas as the region tries to wean itself off pipeline gas from Russia. U.S. allies in Asia also covet LNG as they seek to slow coal consumption. The last review of LNG exports was in 2018 when export capacity was 4 billion cubic feet per day. That capacity has tripled, and the U.S. is now the world's top LNG exporter — and set to grow more with projects under construction.

Delay in new U.S. LNG export approvals could extend past election

(Wall Street Journal; Jan. 26) - The Biden administration effectively froze the approval process for new plants to export U.S. liquefied natural gas, bowing to demands from environmental groups and angering oil and gas companies. President Biden said Jan. 26 that the administration will pause export application reviews as it takes stock of the country's newfound status as the world's largest LNG exporter.

In a call with reporters, Energy Secretary Jennifer Granholm said the process would not affect already authorized exports or gas for allies, including Europe, which has relied heavily on U.S. gas since Russia's war on Ukraine. The decision delivers a significant victory for environmental groups which, alongside some Democratic lawmakers, have for months pressured Biden to halt plans for new LNG plants, arguing the expansion would have a harmful effect on the climate, the U.S. economy and local communities.

The announcement comes as Biden gears up for a heated presidential contest against former President Donald Trump, who pledged he would expand fossil fuels on his first day if he wins. Biden has to balance two seemingly conflicting imperatives: persuading young, climate-concerned voters, while reassuring foreign allies that the U.S. will keep cranking out the fuels they depend on. The Energy Department review will take months and will be followed by a public comment period, officials said. It will immediately impact four LNG projects whose applications are pending before the agency, they said.

LNG developers must receive approval first from the Federal Energy Regulatory Commission before they can get Energy Department authorization to export to countries with which the U.S. has no free-trade agreement. Analysts said that updating the DOE application process would likely delay new approvals until after the November election.

Industry criticizes decision to pause new U.S. LNG export approvals

(E&E News; Jan. 26) - The Department of Energy pause in approvals of liquefied natural gas exports while it conducts an open-ended analysis of the impacts of the shipments is being blasted by fossil fuel groups and applauded by environmentalists who say it is necessary to address climate change. Marty Durbin, president of the U.S. Chamber of Commerce's Global Energy Institute, said U.S. LNG "plays an essential role in the energy transition" by displacing Russian gas and coal.

"The administration's decision to freeze review of new LNG terminals is deeply disturbing and raises significant risks around the globe," Durbin said in a statement Jan. 26. "Our allies around the world have made it abundantly clear they need more U.S. LNG, and the White House should listen." In a post Jan. 25 on X, one of three commissioners leading the Texas Railroad Commission — which regulates the state's oil and gas industry — also blasted the Biden administration over LNG exports.

While much of the criticism of LNG has focused on climate change, pressure on the Department of Energy to curtail LNG export approvals has also come from advocates like Paul Cicio, president of the Industrial Energy Consumers of America, an industry group representing domestic manufacturers. IECA says "U.S. natural gas and electricity prices are impacted by LNG exports when U.S. inventories are low, which is what happened in the winter of 2021-2022 and spot prices of gas increased by 300%."

Pause in U.S. LNG export approvals puts several projects in limbo

(Bloomberg; Jan. 26) - The White House freeze on new natural gas export licenses starkly divides terminal developers into two camps: those who can move forward with multibillion-dollar investments and those stuck in limbo. More than a dozen companies poised to liquefy natural gas for shipment overseas were in the queue for federal permission to send the fuel to some of the world's biggest buyers when the Energy Department called a halt to new approvals on Jan. 26.

Those would-be exporters now face an unknown delay while the department analyzes the potential impacts of increased LNG production on the climate, economy and national security. At the same time, rival developers already in possession of the coveted licenses were left unscathed by the announcement. If every one of the already-licensed projects moves forward and gets built, U.S. production of LNG for export will almost double — pushing the U.S. further ahead as the world's largest exporter.

Here's a few of the biggest projects in suspended animation: Energy Transfer was in the process of seeking an extension of the export license for a Louisiana project that otherwise will expire before construction can be completed. Commonwealth LNG's license request for its Louisiana terminal has been under review for four years. Venture Global LNG's third project in Louisiana, known as CP2, hadn't even begun the application process with the Energy Department when the freeze was announced.

Halt to LNG export approvals could stall Sempra's Texas expansion

(San Diego Union-Tribune; Jan. 24) - The White House decision to require further environmental reviews of proposed liquefied natural gas export terminals — though initially focused on one project in Louisiana — may slow down other projects, including one by a subsidiary of San Diego-based Sempra.

Sempra Infrastructure's Port Arthur project is already under construction on the Gulf Coast of Texas, with start-up planned for 2027-2028, but federal approval for exports still is needed to move forward with Phase 2 expansion efforts. The pause in federal approval affects Department of Energy reviews, including taking a deeper look at climate change impacts.

The Port Arthur LNG project is a big one. Phase 1, which is fully permitted and broke ground in March 2023, is designed for capacity to produce about 13 million tonnes per year. The proposed Phase 2 expansion would roughly double that number. Sempra Infrastructure also is the majority owner of another export facility on the Gulf Coast — Cameron LNG, a $10.5 billion project in Louisiana that opened in August 2020. It also has plans to expand but company officials say the Cameron project has already received all the necessary permits to move forward.

Texans divided over pause in new LNG export approvals

(Beaumont Enterprise; Texas; Jan. 26) - Activists and politicians are split on how the president's pause on approving more liquefied natural gas exports ultimately will impact the Texas Gulf Coast. The decision comes after Gulf Coast residents and many leaders have demanded change for years and hundreds of thousands of Americans joined in to support a stop to the expansion of LNG exports. Environmental groups and health organizations have sent letters to the Biden administration, with activists delivering over 230,000 petitions to the Energy Department calling for a halt to all proposed projects.

Port Arthur's John Beard has been one of those activists. "We began this work in 2021 to elevate the voices of the community, of people, who were concerned and who were being affected by not only what's going on now, but these future and pending projects," said Beard, executive director of Port Arthur Community Action Network. "While we're glad of the decision, that's only a pause. Now we have to create policy that's going to do more to protect impacted communities like Port Arthur and others along the Gulf Coast."

However, Texas House Speaker Dade Phelan had a much different response, calling the move an "irresponsible decision," showing Biden's "complete disregard" for America's energy security and communities like Southeast Texas that support the industry. He called the president's decision a "misguided attempt to appease radical climate-change activists. … The Biden Administration's reckless policies may impress his woke base, but the people of Southeast Texas deserve a president who understands the critical role the oil and gas industry plays for a thriving state and secure nation."

Delay in new U.S. LNG export projects creates risk for Europe

(Bloomberg; Jan. 27) - Europe, long-reliant on Russian natural gas, has nearly severed its dependency on the Kremlin in less than two years. Its preferred replacement — gas from the U.S. — is widely viewed as abundant, politically palatable and less likely to be choked off than pipelines from Siberia. It's also growing riskier by the day. On Jan. 26, the White House announced the polarizing decision to halt the approval of new export permits for liquefied natural gas amid a backlash from climate-minded voters.

The pause, which won't affect plants under construction or in operation, threatens to delay or even derail future projects. "U.S. LNG continues to be the cornerstone of Europe's supply diversification strategy," said Leslie Palti-Guzman, head of market intelligence and research at SynMax. The Biden decision sends a message "regarding solidarity and the reliability of supply. … This is particularly crucial at a juncture where supplies from Russia" and others can be "mired in unpredictability," she said.

In a very short window, the U.S. has carved out a large share of Europe's gas supply — the booming shipments account for about half of the region's LNG imports and is widely expected to grow. Europe's decision to swap Russian gas for U.S. LNG instead of a harder pivot to renewables means its energy security remains dependent on factors far outside its control, like the Atlantic hurricane season or political games in Washington.

“This could be a pause for political purposes, to appease Biden’s base in the run-up to the general election. Or it could be a longer halt to permitting that clamps down on the chances of these terminals being approved longer term,” said Energy Aspects gas analyst David Seduski. If a Republican, like Donald Trump, wins the presidency instead, the regulatory halt will “almost certainly be undone” in early 2025, he said.

Canada’s energy industry calls Biden’s LNG decision ‘a loss’

(The Calgary Herald; Jan. 26) - Canada’s energy industry is reacting with dismay to President Joe Biden’s move to pause approvals of new U.S. liquefied natural gas export terminals. The Canadian Association of Petroleum Producers said it considers LNG a lower-emission source of secure energy that can help countries get off coal. “LNG facilities on the U.S. Gulf Coast are also offering Canadian producers an opportunity to export their natural gas globally,” Lisa Baiton, the association CEO, said in an emailed statement on Jan. 26.

Canadian pipeline giant Enbridge also expressed its displeasure with the decision. The company currently sends natural gas to five operating LNG export facilities on the U.S. Gulf Coast and has said it is interested in expanding its export strategy through further acquisitions in the region. “Our immediate view is any delay in the development of U.S. liquified natural gas is a loss for the U.S., our allies, for U.S. jobs and for efforts to cut emissions around the world,” said an Enbridge spokeswoman in an email.

Canada does not have its own LNG export capacity. This country’s first export facility, being built near Kitimat, British Columbia is not expected to become operational until later this year. Heather Exner-Pirot, special advisor to the Business Council of Canada, said Biden’s decision is deeply concerning for the Canadian energy sector. “Your first instinct might be, maybe this is good for Canadian LNG, you know, because our main competitor is having its wings clipped,” she said. “But Canadian natural gas companies are so integrated with the North American market that there isn’t really a separation.”

LNG opponents in British Columbia want pause on approvals

(Vancouver Sun; Jan. 25) – British Columbia environmental groups are calling on the province’s premier to pause liquefied natural gas approvals to study their impacts on the climate crisis following a decision by the Biden administration to delay a decision on exports from a Louisiana LNG project. Peter McCartney, a climate campaigner at the B.C. Wilderness Committee, praised President Joe Biden’s plan to halt new approvals and “saying no” to fossil fuel infrastructure.

“This is great news for anyone living on planet Earth and we hope this move inspires Premier David Eby and his … (provincial) government to finally abandon plans to radically expand fracked gas exports," McCartney said in a news release Jan. 24. McCartney said shipping LNG to power-generating plants in Asia is as bad or worse for the climate than burning coal because leaks throughout the supply chain release methane, which traps far more heat in the atmosphere than carbon dioxide.

Another B.C. environmental group, Dogwood, is also welcoming the report, claiming that exports drive up domestic prices for natural gas. "That's good for oil and gas companies, but not for households who rely on gas for heating and cooking," Kai Nagata, communications director at Dogwood, said in a prepared statement. Last spring, B.C. environmental groups asked the province to delay its review of the proposed C$10 billion Nisga'a-led Ksi Lisims LNG project near the Alaska border so that its effects on federal and provincial emissions caps could be considered.

Some European Parliament members say no need for more U.S. LNG

(The Hill; Jan. 25) - Big Oil is trying to make Europe "the excuse" for an unnecessary and planet-heating expansion in natural gas exports, 60 left-leaning members of the European Parliament wrote in a Jan. 23 letter to President Joe Biden. "Europe should not be used as an excuse to expand (liquefied natural gas) exports that threaten our shared climate and have dire impacts on U.S. communities," the members wrote.

Several legislators on both sides of the Atlantic have been sharply critical of proposals to build dozens of new terminals to liquefy U.S. natural gas, arguing that it allows fossil fuel companies facing low prices in glutted U.S. markets to earn higher prices overseas. But fossil fuel trade groups like the American Petroleum Institute have argued these gas exports are essential in national security terms, and that a surge in LNG exports "provides supply options for America's allies — most notably to the European Union."

While the European lawmakers expressed gratitude for U.S. gas exports to help replace Russian gas in the winter after Moscow's 2022 war on Ukraine, they argued the need has passed — and a new danger is in sight. "Europe's current consumption of fossil gas is already being met under current import levels and with existing infrastructure," they wrote, noting 40% of European gas import capacity currently sits idle.

U.S. gas prices continue falling as production sets record high

(Wall Street Journal; Jan. 26) - U.S. natural gas production notched new highs in December, pushing down prices for the heating fuel despite the frigid start to 2024. The flood of gas, along with forecasts for unusually warm weather in the coming weeks, has knocked down prices by more than 30% since the start of heating season at the end of October. Gas futures for delivery next month ended Jan. 25 at $2.571 per million Btu, 13% less than a year ago. March futures 44% less than a year ago at $2.18.

The counter-seasonal price decline is a good sign for U.S. households and businesses, which grappled with budget-busting utility bills after Russia's 2022 invasion of Ukraine shocked energy markets. Besides more expensive heat and electricity, higher natural gas prices increased the cost of making steel, glass, cement, plastic, drywall, fertilizer and cardboard and helped drive inflation. Lately, fears of fuel shortages have given way to worries that the U.S. could run out of space to store a growing glut of gas.

Domestic gas supplies, which started heating season in surplus, remain 5.2% above average levels for this time of year. The unseasonably warm weather forecast into February is expected to both diminish demand and thaw out frozen wells, bringing production levels back to the records set last month. Daily gas production in the Lower 48 states averaged a record 105.5 billion cubic feet a day in December, according to S&P Global Commodity Insights.

Russia continues to expand pipeline gas deliveries to China

(Bloomberg; Jan. 25) - Russia expects its pipeline gas exports to recover by almost 20% this year, partially offsetting the loss of most of its European customers through higher shipments to China. Gas shipments via pipelines to foreign markets will reach 3.81 trillion cubic feet this year, up from 3.22 tcf in 2023, as the Power of Siberia link to China gradually reaches its nameplate capacity, Deputy Prime Minister Alexander Novak wrote in Energy Policy magazine on Jan. 25.

China is becoming the major foreign client for Russia's gas giant Gazprom after most pipeline gas shipments to Europe were halted following the Kremlin's attack on Ukraine in 2022. The export figure anticipated for this year is still well below the 6.53 tcf of gas that Gazprom shipped to overseas customers, excluding former Soviet republics, the year before the invasion. Supplies via the Power of Siberia have been increasing gradually since late 2019, reaching 800 billion cubic feet last year. The pipeline is set to reach an annual export capacity of 1.34 tcf a year in 2025.

Gazprom also plans to deliver more gas to China via a second line, known as the Far Eastern route, and expects those supplies to start by 2027, CEO Alexey Miller said at the end of last year. And talks continue over the planned Power of Siberia 2 project to China via Mongolia, which could result in another 1.765 tcf of gas exports. "The timing of the construction of the gas pipeline and its main technical and economic indicators will be finalized after signing binding agreements with Chinese partners," Novak said.

New Mexico legislative committee moves rewrite of oil and gas laws

(Santa Fe New Mexican; Jan. 25) - A bill that would make the most significant changes in decades to a nearly 90-year-old state fossil fuel law stirred a lengthy and heated discussion among New Mexico lawmakers about increasing regulation on an industry that generates roughly 40% of the state's tax revenue. The House Energy, Environment and Natural Resources Committee voted 6-5 on Jan. 25, mostly along party lines, to advance a bill that has drawn staunch opposition from the industry, which says it's a regulatory attack that will drive smaller operators from the state or out of business.

It would eliminate the cap on penalties imposed on rule breakers and increase the maximum bonding amounts that drillers pay upfront as insurance to $10 million from the current $250,000. It also would codify the state's waste rule requiring companies to capture 98% of their methane by 2026. Many conservationists also were unhappy about this version of the bill passing. An earlier version would have required oil wells to be set back at least 2,250 feet from homes, schools, businesses and institutions. It also called for wells to be located up to 660 feet from waterbodies. Those provisions were dropped.

"I think it's fair to say no one is happy," Chairman Rep. Matthew McQueen said at the start of the committee hearing. The bill will head to the House Judiciary Committee. If it passes there, it will go to the House floor, where a majority vote will be required to move it to the Senate. A key part of the bill is to increase financial bonding requirements for wells that could end up abandoned and eventually become "orphaned" — a term used to describe defunct wells a company can't afford to plug and clean up because it's gone bankrupt or out of business.

Energy traders see potential in biogas market

(Bloomberg; Jan. 26) - Energy traders who turned the natural gas market into a trillion-dollar industry are beefing up desks with staff specializing in the fossil fuel's green equivalent. Gunvor Group, Danske Commodities and STX Commodities are among firms investing or adding people in the growing biogas market. As demand is expected to jump in the coming decades, Goldman Sachs, BP and Cargill are spending billions of euros on biogas production facilities from Spain to Germany.

They are betting that this niche industry will become hugely profitable as consumption of fossil fuels eventually starts to decline amid the push toward net zero. In addition, biogas is made in Europe, limiting the impact on supply from geopolitics. "We expect biomethane to play an increasingly important role in the energy mix," said Jesper Johanson, CEO at Danish trader InCommodities. The fuel "represents both an attractive clean energy source and a diversifier for EU's gas supply," he said.

Made from crops, food and animal waste, biogas is produced similar to composting, when organisms are broken down in the absence of oxygen. It's called green because it generates energy from waste without adding greenhouse gases. The European Biogas Association expects the fuel to meet more than half of the region's gas demand in 2050. While showing huge promise, the market is small and fragmented. Growth is notable in places like Denmark, where biomethane's share in the total gas demand rose to nearly 40% in 2023 from 3% in 2016, according to an International Energy Agency analyst.

Houthi attack on tanker carrying Russian fuel may unsettle market

(Bloomberg; Jan. 28) - A missile attack Jan. 26 on a tanker taking Russian fuel through the Gulf of Aden may prove to be a defining moment for an oil market that had previously been somewhat immune to months of Houthi militants' attacks on merchant trade. Why the calm? Because much of the oil flowing through the Red Sea and Suez Canal came from Russia and — so the theory went — it might be safe. The Houthis themselves signaled Russian ships had nothing to fear, and Moscow is an ally of their sponsor Iran. Oil tankers generally had been largely spared.

But the Jan. 26 attack made one thing clear: Whatever assurances Yemen's Houthis offer, they don't extend to a ship's cargo if the vessel itself has even a tenuous link to the U.S., U.K. or Israel. The Houthis had said they were targeting Israeli assets because of the war in Gaza, and then extended their reach to U.S. and U.K. vessels after those countries launched airstrikes in Yemen. The international maritime database Equasis lists the manager of the Marlin Luanda — the tanker that got attacked — as a firm called Oceonix Services, in London. For the Houthis, that may have been enough of a link.

The attack means that a greater slice of the 3 million barrels a day of Russian crude oil and fuel that has been flowing through the Red Sea to reach customers in Asia could be at risk. And Russian volumes matter to the global market — despite sanctions imposed because of Moscow's own war in Ukraine. Shortly after the U.S. and U.K. bombed Yemen to try to quell the Houthi attacks, analysts at Clarksons Securities said the rising cost of insurance could start to make more ships take the detour.

Tankers with 10 million barrels of Russian oil sit idle due to sanctions

(Reuters; Jan. 26) - More than a dozen tankers loaded with 10 million barrels of Russia's Sokol grade crude oil have been stranded off the coast of South Korea for weeks, so far unsold due to U.S. sanctions and payment issues, according to two traders and shipping data. The cargoes represent more than a month's production of the Sakhalin-1 project, once a flagship venture of U.S. major ExxonMobil, which exited Russia after Moscow's invasion of Ukraine.

Sakhalin-1 was one of the first post-Soviet deals in Russia made under a production-sharing agreement. When ExxonMobil left in 2022, output fell to nearly zero and hasn't fully recovered since. Difficulties in selling Sokol grade pose one of the most significant challenges Moscow has faced since the West imposed sanctions and one of the most serious disruptions to Russian oil exports in two years.

Washington has said it wants sanctions to reduce revenues for President Vladimir Putin and his war machine in Ukraine but not to disrupt the flows of Russian energy to global markets. Last year, the United States imposed sanctions on several vessels and companies involved in transporting Sokol crude. As of Jan. 26, 14 vessels loaded with Sokol were stuck around South Korea's port of Yosu, according to LSEG, Kpler data and traders. The volume stored in tankers represent 45 days of production from Sakhalin-1, which averages output of 220,000 barrels per day.

Russian oil exec says no need for additional OPEC+ supply cuts

(Reuters; Jan. 27) - The head of Russian oil major Gazprom Neft said on Jan. 27 that he sees no need for additional oil supply cuts by OPEC+ oil producers, days before the group is due to meet on output policy. OPEC+ have agreed to voluntary output cuts totaling about 2.2 million barrels per day for the first quarter led by Saudi Arabia rolling over a voluntary reduction of 1 million barrels per day. OPEC+ producers are scheduled to hold a meeting of a key ministerial panel on Feb. 1 and group sources have said that it will likely decide its oil production levels for April and beyond in the coming weeks.

"OPEC+ has already decided on cuts, cuts actually start now, in January, on the one hand. On the other hand, we are approaching the spring season, a seasonal increase in oil demand. This will happen soon enough, in two months," Gazprom Neft CEO Alexander Dyukov told reporters. "In my opinion, at the moment there is no need (to adjust the OPEC+ deal)." He said there was a slight surplus on the global oil market.