Oil and Gas News Briefs
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Saudi Arabia buys more dirty oil to burn for power generation

(Bloomberg; July 12) - Saudi Arabia boosted its imports of the dirtiest type of oil to the highest in more than three years to help meet power demand during the scorching summer. Shipments of fuel oil rose in June to the most since at least the end of 2020, and are expected to remain elevated this month, according to data from market researchers Kpler and Vortexa. Purchases, which typically jump during the hottest months as air conditioners crank up, have risen as much as fourfold since March to about 350,000 barrels a day, according to Vortexa.

Saudi Arabia is the region's biggest buyer of fuel oil, a type of dirty product that's left over after refineries produce transport fuels like gasoline and diesel. The country also burns crude oil directly to produce electricity, which likely contributed to the kingdom's oil exports dropping to a 10-month low of about 5.6 million barrels a day in June, according to data compiled by Bloomberg. Fuel oil is mostly sold at a discount to crude since it's heavier and more polluting.

Saudi Arabia aims to stop burning liquid fuels for power this decade as it targets net-zero emissions by 2060. State oil producer Saudi Aramco last month signed $25 billion in contracts to pump natural gas from the Jafurah field for use including in power plants. The company plans to provide enough gas to replace all the liquid fuel in power plants by 2030, freeing up roughly 1 million barrels a day of crude used domestically in the summer months for export. In addition, Crown Prince Mohammed bin Salman has pledged to ramp up solar and wind generation.

BP lags its peers in profits and could be vulnerable to a takeover

(Bloomberg opinion; July 11) - Murray Auchincloss had a clear message to shareholders days after becoming chief executive officer of BP: "I'm focused on growing the value of BP." Nearly six months since his promotion, however, the promised improvement is nowhere to be seen. BP's market value this week fell to a two-year low of roughly £75 billion ($96 billion). Worse, the company is worth today about the same as it was 25 years ago, when oil changed hands at $10 a barrel, rather than today's price of more than $80 a barrel. BP is a shadow of the mighty oil behemoth it once was.

It would be unfair to blame Auchincloss — who celebrates six months on the job on July 17 — for all the problems. Some predate him, particularly the cost of cleaning up the 2010 U.S. Gulf of Mexico spill. What's not unfair is to highlight that Auchincloss' business-as-usual attitude, his insistence that “our destination is unchanged,” is unnerving many investors. BP’s shares have underperformed its rivals. Profit is weak and the debt load remains high. By now, there should be an all-hands-on-deck emergency at BP’s headquarters. If there is, shareholders haven't heard about it.

Will he continue letting oil production decline, or is he prepared to reverse course and greenlight multibillion-dollar investments in projects that would be controversial not only outside BP but perhaps even among its board of directors? The answers will determine the future of what had been a mighty British oil major that’s now about the size of a U.S. shale company. Activists are hovering, and with the stock in the doldrums it’s vulnerable to a takeover. BP still has great businesses its rivals find attractive, namely its U.S. Gulf of Mexico operation and global trading unit. But the company is on borrowed time.

Japan’s LNG buyers work to develop markets to sell surplus

(Reuters; July 12) - Japanese companies foreseeing a growing surplus in stocks of liquefied natural gas as their demand for the fuel wanes in coming years are scrambling to invest in regional markets to provide potential outlets to sell the gas. As more nuclear plants restart and renewable energy gains momentum, Japan’s LNG imports are at their lowest in over a decade, spurring companies to turn to Asia to unload supplies contracted during past market shocks, such as Russia's 2022 invasion of Ukraine.

Energy flexibility and security concerns ensure that Japan wants to stay a big player in LNG but it is looking for markets to sell its excess, in line with a government strategy to keep volumes robust by building gas demand in Asia. This year, Tokyo Gas announced a study for 1.5-gigawatt LNG-to-power project in Vietnam and bought a stake in an LNG regasification terminal in the Philippines, while trading houses Marubeni and Sojitz launched a 1.8-GW LNG-fired power plant in Indonesia.

Led by JERA, Tokyo Gas, Osaka Gas and Kansai Electric, Japan is a stakeholder, feedstock provider or participant in studies for more than 30 gas-related projects. "Developing its own trading capability and creating an Asia-wide gas market would help to increase energy security and hedge risks of LNG surplus," said Yoko Nobuoka, senior analyst for Japan power research at LSEG. The comeback of nuclear power and the roll-out of renewable energy have led resource-scarce Japan to cut LNG imports for its own needs, with shipments falling by 8% last year to the lowest since 2009.

Shell continues to build up its LNG portfolio

(Reuters; July 12) - Shell has replaced the liquefied natural gas volume it lost after exiting Russia in 2022 with a string of deals that underpin CEO Wael Sawan's bet on growing demand for the fuel as he reduces the focus on renewables. New projects in the United Arab Emirates and Trinidad and Tobago and the acquisition of a large trading portfolio put Shell halfway to its target to boost LNG volumes by up to 20 million tonnes per year from 2023 to 2030, according to analysts and Reuters calculations.

They also allow the British company to recover supplies lost when it pulled out of Russia after Moscow's invasion of Ukraine in 2022. The move led to a loss of 2.5 million tonnes per year of supply from the Sakhalin LNG project and a 5% drop in Shell's liquefaction volumes in 2023 compared with the previous year. LNG became Shell's flagship division following the $53 billion acquisition of BG Group in 2016. Its integrated gas division delivered nearly half of Shell's $28 billion adjusted earnings in 2023, helped by very strong results from its trading business. Shell is the world's biggest LNG trader.

Shell forecasts the LNG market will grow about 50% by 2040 from around 400 million tonnes per year in 2023 as Asian economies grow and as gas replaces coal in power generation. The British company aims to grow its LNG sales volumes by 20% to 30% by the end of the decade to up to 87 million tonnes from 67 million in 2023. On July 10, Shell announced it had taken a 10% stake in Abu Dhabi National Oil Co.'s Ruwais LNG project that will more than double the plant's output to 15 million tonnes a year by 2028.

FERC gives approval to start feeding gas into Louisiana LNG plant

(LNG Prime; July 11) – LNG exporter Venture Global LNG has received Federal Energy Regulatory Commission approval to introduce natural gas to the first gas turbine generator (GTG) at its Plaquemines LNG terminal in Louisiana as part of the plant's commissioning. FERC approved Venture Global's request to commission and introduce hazardous fluids to GTG-1, it said in a filling dated July 10. Venture Global said in April it expects to start LNG production at its Plaquemines plant in mid-2024.

The company expects the commissioning process to take about 24 months. Plaquemines LNG Phase 1 customers include PGNiG, now part of Orlen, Sinopec, CNOOC, Shell and EDF. Phase 2 customers include ExxonMobil, Chevron, EnBW, New Fortress Energy, China Gas, Petronas and Excelerate Energy. Venture Global took a final investment decision in May 2022 on Phase 1, which is designed for 13.3 million tonnes a year output capacity. The company obtained $13.2 billion in project financing.

In March last year, the company sanctioned Phase 2 and secured an additional $7.8 billion in project financing. The two phases combined will have the capacity to produce 20 million tonnes per year, using 36 modular units. Baker Hughes is building the units in Italy, just as it did for Venture Global's first Louisiana LNG export project at Calcasieu Pass. That project is embroiled in a dispute between the developer and its long-term customers. Venture Global claims the plant is still in the commissioning phase, though it has produced and sold more than 250 cargoes on the spot market since early 2022. Contract customers believe that gas should have been delivered to them.

Sanctions idle dozens of tankers that used to haul Russian oil

(Bloomberg; July 9) - From Russia's Baltic Sea to the Pacific shores of Vladivostok, dozens of tankers that previously moved Moscow's oil are now sitting empty and idle. The vessels have become inactive after being hit with U.S., U.K. and European sanctions that began ramping up last October. Some were targeted for breaching a Group of Seven price cap on Russian oil exports, others for belonging to the state tanker firm Sovcomflot. Others were designated for the environmental risk they pose.

The idle ships prove that the West has levers that can disrupt the transport of Russian oil. Almost all of the 53 ships that have been sanctioned since October have failed to collect any cargoes since. Those few that have loaded oil have sought to hide their activities, resorting to turning off automatic tracking systems and switching cargoes from one ship to another, hidden from view. However, the fact that freight rates are falling — including the portion directly attributable to sanctions — is evidence that sanctions are disrupting tankers but aren't really raising Russia's costs for individual cargoes.

The idle ships have congregated at several locations around the globe. Meanwhile, Chinese shipyards have been kept busy with sanctioned tankers. Five of the six tankers seen off the coast of China are either at, or have recently left, repair yards there. Four more are idling near the coast of South Korea. One has been in the area since being sanctioned in January. Just three of the 53 sanctioned tankers have definitely loaded cargoes since being added to the list.

Russia continues moving more crude oil, despite sanctions

(S&P Global; July 12) - More than 80% of Russian crude exports were transported by tankers operating outside of the G7's price cap in June, hitting another high since the Western trade restrictions were put into place, as Chinese tanker operators raised shipments to India. While G7 countries and the European Union have been sanctioning ships linked to Russian state interests and opaque "shadow" operators, which control the bulk of the non-price-capped fleet, China and India — the world's No. 2 and No. 3 oil consumers — are showing little appetite to fully comply with the price cap regime.

An analysis of data from S&P Global Commodities at Sea and Maritime Intelligence Risk Suite showed that 82.5% of Russian exports last month were lifted by tankers not flagged, owned or operated by companies based in the G7, the EU, Australia, Switzerland and Norway, and not covered by Western protection and indemnity insurers. The share has been climbing for four months in a row, with the June reading beating the previous record of 79.3% in May, and the highest since December 2022.

Overall, seaborne Russian crude exports rose to 3.7 million barrels per day in June from 3.5 million in May, supported by stronger demand from top buyer India and despite Moscow's pledges to adhere more strictly to its OPEC+ output target this month.

Tankers operated by Chinese companies lifted 18.9 million barrels last month, outnumbering tanker operators of any other nationality for the first time since the price cap came into force, and a jump from 13.1 million barrels in the longer month of May.

India has saved $10.5 billion with discounted Russian crude

(The Indian Express; July 11) - Oil has traditionally not been a major pillar of the India-Russia relationship, with the commodity languishing somewhere in the depths of the trade list between the two countries. But the outbreak of the war in Ukraine and what followed changed that completely, bringing oil to the very top of the trade relationship between Moscow and New Delhi. During his visit to Moscow earlier this week, Prime Minister Narendra Modi acknowledged that Russia's support helped India provide fuel to its vast population even as many countries faced an energy crisis.

According to The Indian Express's analysis of India's official trade data, Indian refiners likely saved at least $10.5 billion in foreign exchange between April 2022 and May 2024 by ramping up purchases of discounted Russian crude following the outbreak of the war in Ukraine. With Western buyers cutting oil imports from Russia in the wake of its 2022 invasion of Ukraine, Moscow began offering discounts on its crude. Indian refiners have been lapping up these discounted barrels, so much so that Russia, which used to be a marginal player in India's oil trade, is now New Delhi's biggest oil supplier.

South Korean-built LNG carrier headed to Russian terminal

(The Barents Observer; July 11) - The North Sky is on its maiden voyage and the destination is a Russian LNG terminal in the remote and icy Gulf of Ob. The ship was rolled out from the Samsung Heavy Industries yard in South Korea in April and appears to be part of the secretive fleet now under establishment by Russia and its partners. It is 961 feet long, listed at a deadweight of more than 88,000 tons. It is believed to have high ice-class and able to shuttle to Russia's far northern LNG export terminals.

The LNG carrier is likely proceeding to Utrenneye, the terminal in Ob Bay built for Novatek's Arctic LNG 2 export project. It set out from the Chinese port of Dapeng on May 26 and is due to reach its destination on July 21. The North Sky is part of a fleet of at least four tankers hired by Novatek and its affiliated companies. Three other carriers — the North Mountain, North Air and North Way — are all expected to make port calls in Utrenneye over the course of the summer.

The carriers were built by the same yard, and all sail under a Panama flag. Information from the Russian Northern Sea Route Administration shows the ships have permission to travel on the Arctic route between July 1 and Sept. 7. The permissions include sailing without icebreaker escort in ice-free and light-ice conditions. It's likely they are the same ships that were contracted by Japanese shipping firm NYK Lines and Sovcomflot, but were blocked from transfer by Western sanctions. According to news site Tradewinds, the four vessels have been moved to Dubai-based White Fox Ship Management.

Sanctions curtail work on Russian LNG project

(gCaptain; July 11) - U.S. sanctions continue to curtail Russia's flagship LNG project. Days after Chinese company Wison New Energies recalled two modules destined for the Arctic LNG 2 project over fear of sanctions, work on the project looks set to stop. Wison confirmed that the modules are returning to its Zhoushan shipyard. The two modules would have formed the core of the third production line of Arctic LNG 2. The Chinese heavy-lift vessel is expected to return with its cargo by the end of August.

Sources at the Belokamenka yard in Russia confirmed to gCaptain that construction on the massive gravity-based platform housing the production modules has ceased and several hundred workers are preparing to depart from the site. Meanwhile, work on Train 2 is largely complete and its concrete-and-steel platform is being readied to float out of the yard for the tow to the Gydan Peninsula around July 21. After the launch of the second platform, major construction at Belokamenka will likely grind to a halt.

It is understood that Novatek, Russia's largest LNG producer, intends to mothball its third platform until it can determine a path forward now that Chinese fabrication and delivery of at least some modules has ceased. Wison announced its exit from Russia-related work in mid-June. The Arctic LNG 2 project started production from its first platform in December, but Western sanctions have curtailed output by denying ice-class LNG carriers to deliver the gas to customers. Removing the third production unit from the development will reduce its annual capacity to 13.2 million tonnes from 19.8 million.

U.K. Supreme Court decision weighs on oil drilling and coal mine

(Reuters; July 11) – The British government has reversed a decision to grant permission for an oil drilling operation and dropped its defense of a legal challenge over a disputed new coal mine, environmental campaigners said on July 11, after a landmark ruling on fossil fuel projects. The moves come in response to a major judgment last month from Britain's highest court on the climate effects of fossil fuel projects, which activists said could profoundly impact new fossil fuel projects in Britain.

The Supreme Court ruled that planning authorities must consider the impact of burning, rather than just extracting, fossil fuels when deciding whether to approve projects. Law firm Leigh Day said ministers agreed on July 4 to quash a 2023 decision to permit oil drilling in Lincolnshire, in eastern England, the day of a national election in which the Conservatives were replaced in government by Labor. Judge Judith Farbey said the question of permission for the project would be remitted for a new decision in light of the Supreme Court's judgment.

Separately, environmental group Friends of the Earth said ministers had dropped the government's defense for a legal challenge over Britain's 2022 approval of its first new deep coal mine in decades. The group said a court hearing in their legal challenge might still go ahead next week unless West Cumbria Mining, which wants to develop the coal mine, also dropped its defense.

Marathon agrees to $241 million settlement for air pollution violations

(Reuters; July 11) - U.S. officials on July 11 announced a $241 million settlement with Marathon Oil over alleged air pollution violations at dozens of the company's oil and gas facilities on a North Dakota Indian reservation, saying it was part of an ongoing crackdown. The settlement includes a record penalty of $64.5 million and environmental equipment upgrades totaling $177 million. President Joe Biden's administration has ratcheted up enforcement in the oil and gas sector to fight climate change and to counter pollution, particularly in poor and minority communities.

The deal applies to years of alleged excessive volatile organic compound and methane emissions from wells, piping and storage tanks on the Fort Berthold Indian Reservation, home of the Mandan, Hidatsa and Arikara Nation, at the center of the huge Bakken oil formation. Under the deal, Marathon will pay the penalty, the largest ever for violations of the Clean Air Act from stationary sources, according to the Environmental Protection Agency and the Department of Justice, which jointly filed the settlement in federal court.

That penalty is more than double the total of the administration's 11 previous oil and gas Clean Air Act settlements, officials said. Still, it is dwarfed by Marathon's earnings, which were $1.55 billion last year. The compliance work covered by the agreement is intended to slash 2.25 million tons of carbon dioxide emissions over the next five years, about the equivalent of removing 487,000 cars off the road for a year. The government's complaint alleged that Marathon, which is being acquired by ConocoPhillips in a $22.5 billion deal that has yet to be finalized, failed to obtain required permits for its facilities.

Environmental group sues over aging offshore U.S. platforms

(Reuters; July 11) - An environmental group on July 11 sued the U.S. government over its approach to examining the harm caused by aging offshore oil and gas infrastructure, citing the risks delayed decommissioning poses to people and the environment. The Center for Biological Diversity filed the lawsuit against the U.S. Interior Department in federal district court in Washington, D.C., for "its ongoing failure to examine the harms from offshore oil and gas drilling infrastructure the oil industry has not decommissioned."

The Interior Department has not examined the harms of unplugged wells and idle platforms to the environment, the group said. When a company signs a lease for offshore oil or gas exploration or production, that agreement includes the process of decommissioning the well, according to the Bureau of Ocean Energy Management. But as of June 2023, over 2,700 wells and 500 platforms were overdue for decommissioning in the Gulf of Mexico, according to the U.S. Government Accountability Office.

Old oil and gas infrastructure must be dismantled and disposed of by plugging wells and removing platforms to prevent damage to the environment. The group said the current approach violates the National Environmental Policy Act because the government has not adequately assessed the harm caused by delayed decommissioning. The lawsuit seeks to force the Interior Department to conduct a new analysis that would better protect people, wildlife and the environment, the Center for Biological Diversity said.