Oil and Gas News Briefs
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Canadian government plans to phase out new oil-fired furnaces

(CBC News; Canada; July 16) - The Canadian government says it has a plan to start phasing out the use of oil-fired furnaces in new construction and get homeowners and businesses to switch to heat pumps over the next several years. The finalized Canada Green Buildings Strategy, which was released July 16, outlines Ottawa's priorities for decarbonizing buildings — the third-largest source of climate-altering carbon emissions in Canada. The strategy does not target natural gas and propane heating sources.

While the document doesn't explain in any detail how Ottawa means to phase out oil-fired furnaces, Energy Minister Jonathan Wilkinson said the government intends to use regulations and investments to encourage the switch to heat pumps. "We will be moving to ban the use of heating oil in new construction. That simply reflects the fact that there are lots of alternatives to heating oil," Wilkinson said. Over a million homes in Canada are heated with oil, most of them in Quebec, Ontario, Nova Scotia and British Columbia.

The Canada Green Buildings Strategy commits the government to introducing a "regulatory framework that will allow the phase-out of the installation of expensive and polluting oil heating systems in new construction, as early as 2028." Heat pumps — which run on electricity — are more efficient than traditional systems because they transfer warm or cold air instead of generating it. But they also come with considerable upfront costs. According to Efficiency Canada, the average installed cost of a heat pump is C$18,400, while the average price of an oil furnace with a tank is C$6,500.

Wyoming bans conservatists from bidding on oil and gas leases

(WyoFile; July 16) - Wyoming has narrowed its definitions for who can bid on state oil and gas leases, disqualifying parties that want to conserve the land rather than produce the resources. The change, adopted as an emergency rule in June, was included in legislation approved last month. A state House member brought the bill on behalf of the Petroleum Association of Wyoming, which had raised concerns over the state’s process after a conservation group, the Wyoming Outdoor Council, last July placed bids on an oil and gas lease parcel in Sublette County intending to spare it from development.

If a small Wyoming conservation group can bid to block energy development, a conservation- or anti-oil-and-gas-minded billionaire could do the same, the trade association argued. “So rather than wait for that to happen, we thought, ‘Well, let’s step

in now and let's put in place a bill that acts as a deterrent to doing that," Petroleum Association of Wyoming President Pete Obermueller told WyoFile.

Ultimately, the winning bidder in last year's auction was Kirkwood Oil and Gas — the same company that had nominated the parcel — at $19 per acre for the 640-acre tract. When the company later learned that it had been competing against a conservation group, the owners cried foul and claimed they were duped into paying an artificially inflated price. The Wyoming Outdoor Council defends its actions. Council leaders say the organization bid on the parcel but didn't misrepresent its identity. It expected that, if it was the winner, it would pay about $12,000, based on its $18 per acre bid.

More Canadian crude heading to Asian refineries

(Reuters; July 15) - Asia's crude oil imports from Canada's newly expanded Trans Mountain pipeline will rise in September as major refiners in Japan and South Korea and a refinery in Brunei have bought their first cargoes alongside China, multiple trade sources said. The purchases come after exports commenced from the expanded TMX pipeline in May, which will triple the flow of crude from landlocked Alberta to Canada's Pacific coast to 890,000 barrels per day.

Owned by the Canadian government, the pipeline gives Canadian producers more access to U.S. West Coast and Asian markets while providing Asian refiners an opportunity to diversify their imports. Chevron will split a Cold Lake crude cargo between its South Korean joint venture refiner GS Caltex and Japan's top refiner ENEOS, traders said. ENEOS bought 250,000 barrels while GS Caltex will take 300,000 barrels, they added.

South Korea's top refiner SK Energy bought a cargo from Unipec while Hengyi Petrochemical, a refinery in Brunei, purchased a Canadian oil cargo from PetroChina, traders said. The cargoes, at 550,000 barrels each for delivery in September, were sold at discounts of between $5 and $6 a barrel to the global benchmark Brent, they added. TMX crude, expected at about 350,000 to 400,000 barrels per day, will mostly compete with heavy grades from Latin America and the Middle East. Cold Lake crude is about $10 a barrel cheaper than Iraq's Basra Heavy for deliveries to China.

Exxon plans expansion of Guyana oil production

(Reuters; July 15) - ExxonMobil plans to drill up to 30 new wells as part of its seventh offshore oil project in Guyana, named Hammerhead, according to the development plan proposed by the company and disclosed by the government on July 15. The project, which is pending government approval, would start production in 2029, lifting the

country's capacity to more than 1.4 million barrels of oil per day. Exxon operates all production in Guyana, with Hess Corp. and China's CNOOC as partners.

Exxon anticipates a daily production capacity between 120,000 to 180,000 barrels of crude from Hammerhead. The production vessel will be capable of storing approximately 1.4 million to 2 million barrels of oil, the company said. The proposed floating production unit is expected to be a converted Very Large Crude Carrier, located nine miles Southwest of Liza Destiny, Exxon's first platform in the country.

U.S. oil industry managed successful turnaround

(The New York Times; July 16) - For all of the focus on an energy transition, the U.S. oil industry is booming, extracting more crude than ever from the shale rock that runs beneath the ground in West Texas. After years of losing money on horizontal drilling and hydraulic fracturing, the companies that have helped the U.S. become the leading global oil producer have turned a financial corner and are generating robust profits. The stocks of some oil and gas companies are at or near record levels.

The industry’s revival after bruising losses during the pandemic is due largely to market forces, though Russia’s war in Ukraine has helped. U.S. oil prices have averaged around $80 a barrel since early 2021, compared with roughly $53 in the four years before that. That the price and demand for oil have been so strong suggests that the shift to renewable energy and electric vehicles will take longer and be more bumpy than some climate activists and world leaders once hoped.

Oil companies’ success is not just the result of higher prices. Under pressure from Wall Street to improve financial returns, the companies that survived the 2020 oil-price crash generally ditched the debt-fueled growth strategy that had propelled the American shale boom. Many pared spending and cut costs by laying off workers and automating more operations. Since 2021, oil and gas wells in the Lower 48 states have generated more than $485 billion in free cash flow, according to estimates by consulting firm Rystad Energy. In the decade prior, the industry spent nearly $140 billion more than it took in.

The environmental consequences of the oil industry’s turnaround are mixed. Producing and burning fossil fuels releases greenhouse gases that are warming the planet. But higher oil prices also make cleaner forms of energy more attractive, said Samantha Gross, a director at the Brookings Institution, a nonpartisan research group. “We’re not going to get out of this business because supply was squeezed, because there’s plenty of it,” she said. “We’re going to get out of the business because demand went down.”

Court orders FERC to reassess LNG project emissions

(Reuters; July 16) - A court ordered the Federal Energy Regulatory Commission on July 16 to reassess the impact of greenhouse gas and other emissions from Commonwealth LNG's Louisiana liquefied natural gas project. The U.S. Court of Appeals for the District of Columbia did not vacate FERC's 2022 approval of the project as it ordered the regulator to reconsider the impact of emissions. "We think it 'reasonably likely' that on remand, the commission can redress the defects in its (greenhouse gas) emissions and cumulative-effects analysis and still authorize the project," the court said in its decision.

Five environmental groups including the Natural Resources Defense Council sued FERC over the approval, saying it did not take climate and air pollution risks seriously when it approved the project in November 2022. Commonwealth has not made a final investment decision on the multibillion-dollar project. If developed, the export terminal is expected to begin shipping 9.5 million tonnes a year of LNG from Cameron, Louisiana, in 2027. Private equity firm Kimmeridge, through its subsidiary Kimmeridge Texas Gas, acquired a 90% stake in Commonwealth LNG, Kimmeridge said in June.

In the 2022 approval, Democratic members of FERC had listed concerns about the impact of emissions linked to warming the planet and on communities frequently exposed to other types of pollution, saying the terminal would produce the equivalent of about 3.5 million tonnes of carbon emissions annually. But they approved the project, saying federal natural gas law requires FERC to approve facilities unless they are contrary to the public interest.

Europe’s LNG import terminals running 50% below capacity this year

(S&P Global; July 15) - European LNG regasification projects are set to increase the continent's import capacity by 121 million tonnes per year before the end of the decade, yet with waning European demand and utilization rates at operating terminals below 50%, questions arise to the potential overinvestment and underutilization of the market. At present, there are 42 gas import operations across Europe with a 2025 start date, including 11 under construction and 31 proposed projects.

Europe's focus on LNG imports started following Russia's invasion of Ukraine in 2022 and the energy crisis that ensued. Following decades of energy dependence on Russia, this was the spark that saw Europe turn to alternatives to ensure energy security for the region. Following the outbreak of the war, traders talked about the lack of LNG regasification capacity, leading to growth spurt in new import terminals. However, the current growth rate for LNG projects could exceed the demand dynamics in Europe.

The average rate of utilization for 2024 so far stands at 46%, with the number holding below 70% since April 2023, S&P Global Commodity Insights data showed. Principally, this is because Europe has experienced two mild winters, combined with more pipeline

gas supply from Norway and renewable generation curbing LNG demand. LNG imports into Europe are down 20% year-on-year across the first half to 54.89 million tonnes in 2024 from 68.52 million in 2023, Commodity Insights data showed.

China avoids new long-term LNG deals amid high oil-linked prices

(Energy Intelligence; July 16) - High oil-price-linked LNG contract prices are hindering Chinese buyers' appetite to clinch new long-term deals, market sources say. The anticipation of the next wave of global LNG supply in the latter part of the decade is making buyers reconsider buying potentially cheaper spot LNG cargoes in the near term instead. No long-term deals have been signed by Chinese buyers during the first six months of 2024 after a busy 2023.

"With more LNG transport vessels and more LNG suppliers, the global LNG market will become a buyer's market. We expect the market will be oversupplied in the future," an LNG trader in China says. "Unless term-deal prices are low enough, we prefer cheaper spot LNG." Oil-linked term prices are currently at a Brent crude price slope of over 12%, a second-tier importer says, equivalent to around $10.20 per million Btu for LNG, assuming a Brent price of $85 per barrel. Meanwhile, Chinese buyers have indicated they are interested in spot LNG cargoes if prices fall below $10.

"At present, the prices of long-term deals are too high, so we are definitely not willing to sign them," says an LNG trader with a second-tier LNG importer. "There is demand in China, but the price is not reasonable," an LNG trader at a state-run firm says. Chinese state-run majors have continued to indicate they would prefer to abstain from signing more U.S. LNG term deals, after the Chinese government discouraged them from doing so last year due to geopolitical tensions between the two countries.

LNG carriers start their summer Arctic shipping season

(gCaptain; July 16) - This year's Arctic summer shipping season is off to a busy start. The liquefied natural gas carrier Eduard Toll completed an early-season eastbound voyage along Russia's Northern Sea Route arriving in Xiuyu, China, around three weeks after departing with cargo from the Yamal LNG project. It passed through the Arctic section of its voyage in under a week.

The ice-capable vessel completed the majority of the still-icy route unassisted, except for sections of the East Siberian Sea where nuclear icebreaker Sibir escorted it through remnants of thicker first-year sea ice. Sibir continued escorting additional LNG carriers traveling back and forth between the New Siberian archipelago and the Bering Strait. Days after the Eduard Toll, Sibir assisted LNG carrier Christophe de Margerie followed by the next carrier, Fedor Litke. A fourth and fifth are currently moving through the Arctic.

Russia’s Northern Sea Route provides for significant distance savings to Asia, especially compared to the ongoing detour via the Cape of Good Hope due to instability in the Red Sea. Voyages from Northern Europe to East Asia via the southern tip of Africa take at least six weeks, compared to 18 days or so via the Arctic. A record-number of Arctic permits for LNG carriers, a total of 31 as of July 15, suggest a logistics chain to begin deliveries this summer. In addition to LNG, Russia is expected to send dozens of shipments of crude oil via the Arctic.

Output from Russia’s newest Arctic LNG project in decline

(Newsweek; July 17) – Russia’s newest liquefied natural gas terminal has slashed its production by more than three-quarters in one month, it has been reported, as sanctions following Vladimir Putin's invasion of Ukraine continue to wreak havoc on a key energy export. The dramatic cut in output at the Arctic LNG 2 project signals that Russia is having problems in both exporting its energy resource via pipelines controlled by state giant Gazprom and with its more flexible liquefied equivalent transported by ship.

The Arctic LNG 2 project, in which Russia's biggest LNG producer Novatek has a 60% stake, is located on the Gydan Peninsula and started production in December. But Reuters reported on July 16 that in May the project recorded its lowest monthly production for the past six months, handling about 1.95 billion cubic feet of natural gas — down from almost 7.6 bcf in April. The terminal started production from its first liquefaction unit, with construction of the next two delayed by sanctions.

The project had planned to start delivering LNG in the first quarter of 2024, but foreign shareholders froze their participation in the project after it was hit with sanctions over Putin's invasion. It has since faced problems securing specialized ice-class LNG carriers to transport the fuel, due to sanctions.

Europe wants to step up sanctions on ships carrying Russian oil

(Bloomberg; July 15) - The U.K. plans to launch a “call to action” this week with a group of European nations to target the so-called shadow fleet of oil tankers that Russia uses to skirt international sanctions, according to people familiar with the matter and documents seen by Bloomberg. An unspecified number of governments are set to endorse a plan on the sidelines of a European Political Community meeting hosted in Britain on July 18 by Prime Minister Keir Starmer, according to a draft statement.

They aim to share information about the Russian fleet “to coordinate our responses to the risks posed by its ships and facilitators, and to work with the private sector and other maritime stakeholders to address the threat,” it said. The countries are trying to make it even harder for Russia to profit from its oil resources. The response could see more

Russian dark-fleet vessels sanctioned, said one of the people, who spoke on condition of anonymity to discuss confidential matters.

Group of Seven sanctions have looked to turn Russia into a pariah in conventional oil-transportation markets by cutting off access to mainstream tankers and service providers unless the oil being moved is below a G-7 defined price cap. That's forced Moscow to rely on older tankers that operate outside of industry norms. "Russia's 'shadow fleet' poses a threat to our nations and others," according to the document. "Many ships in this 'shadow fleet' are uninsured and poorly maintained. Many engage in activities which violate basic safety and environmental standards and regulations."

Tankers with Russian crude go to great lengths to hide from detection

(Bloomberg; July 17) - Two near-identical oil tankers trying to beat Western sanctions. A secret transfer of Russian crude halfway between Iran and Oman. A supertanker giving a false location. Welcome to the modern trade in Russian petroleum as sanctions get tougher. Earlier this month, the 1,089-foot supertanker Oxis collected about 1 million barrels of Russia's flagship Urals crude from another vessel. The delivering ship was one of two owned by Russia's state tanker company Sovcomflot, according to TankerTrackers.com, which specializes in detecting secretive cargo movements.

Definitively identifying which one of the two is tricky, however, because the two share the same dimensions and are essentially indistinguishable from above. The maneuvers show how Russia can work around sanctions, and how challenging it will be to keep a check on the flow of the nation's oil if it makes increasing use of hidden cargo switches. But the fact that Russian oil shippers feel the need to go to these lengths also suggests that buyers aren't willing to openly defy U.S. sanctions by taking Russian oil delivered on sanctioned tankers. That will add to the cost of hauling barrels on those vessels.

The two loaded oil tankers, both of which have been under U.S. sanctions since February, vanished from digital satellite tracking systems weeks ago. The first, the Bratsk, loaded a cargo of about 1 million barrels of Urals crude at Russia's Black Sea port of Novorossiysk in May, according to shipping information seen by Bloomberg. The second, the Belgorod, did the same thing in early June. The Bratsk vanished from tracking on June 13; the Belgorod 11 days later.

Meanwhile, the Very Large Crude Carrier Oxis was emitting a false automated position signal, showing it as being anchored in the Strait of Hormuz, when it actually was about 100 miles to the southeast, in the middle of the Gulf of Oman, when the cargo switch was made, satellite imagery shows. The Belgorod reappeared on automated tracking systems on July 16, steaming along the southern coast of Oman toward the Red Sea after having apparently unloaded cargo. There's still no sign of the Bratsk.

Kuwait discovers large new oil and gas field

(Reuters; July 14) - Kuwait Petroleum Corp. said July 14 that it had made a “giant” oil discovery in the Al-Nokhatha field east of the Kuwaiti island of Failaka, with reserves estimated at 3.2 billion barrels. KPC’s CEO Sheikh Nawaf Saud Nasir Al-Sabah said in a video posted by the company on X that the new discovery’s reserves were equivalent to the country’s entire production over three years.

He said preliminary estimates of the hydrocarbon reserves are approximately 2.1 billion barrels of light oil and 5.1 trillion cubic feet of gas, which, taken together, correspond to 3.2 billion barrels of oil equivalent.

BP economist says demand for natural gas will keep growing to 2050

(Houston Chronicle; July 17) - Global demand for natural gas will continue to rise through 2050 under governments' climate policies, an economist for BP said on July 17. Spencer Dale, BP’s chief economist, said that while clean energy sources like wind and solar are growing rapidly, they were not growing fast enough to keep up with rising energy consumption in developing countries. As a result, greater supplies of natural gas from regions like Texas will be needed to feed their power grids and industrial sectors.

"It's relatively easy to decarbonize power markets in the developed world because the growth is so much slower," Dale said at an event at the Washington-based Center for Strategic and International Studies. "If you're in developing Asia where power demand is growing 5, 6, 7% a year, it's really hard to grow renewables quickly enough to meet the growth in power demand, never mind to replace fossil fuels."

The analysis comes as governments worldwide have pledged to reduce greenhouse gas emissions to net-zero by midcentury. But they have struggled to make the policy changes needed to reduce emissions to that degree amid political caution and, in many cases, outright opposition over the impact on energy prices. Even the oil sector, a big business in Texas facing pressure from the burgeoning electric vehicle industry, would only see a 25% decline in demand from current levels, according to BP's projections.

Freeport LNG in Texas restarts operations after hurricane damage

(Bloomberg; July 17) - Freeport LNG is restarting its Texas natural gas export facility on a phased basis after Hurricane Beryl damaged part of the plant. “We are completing initial repairs on the damage sustained to our fin fan air coolers in the hurricane,” spokeswoman Heather Browne wrote in an email to Bloomberg, referring to equipment that chills gas into liquid form. The company plans to restart its first production line this week, with the intent to start the remaining units shortly thereafter, Browne said.

Still, production is expected to be at reduced rates, she said, without saying how long the reduction would last. The plant is designed to produce 15 million tonnes of LNG annually. Hurricane Beryl slammed into Texas last week, causing widespread power losses. At least four LNG cargoes were cancelled during Freeport's outage. The restart has been closely watched as demand for the fuel is expected to ramp up in Europe and Asia, and the Texas facility is a significant draw on U.S. gas supplies. The facility, one of the largest in the country, can liquefy as much as 2% of U.S. daily gas production.

Global LNG-fueled maritime fleet continues to grow

(LNG Prime; July 16) - The number of LNG-powered vessels in operation and on order continues to grow. The global LNG-fueled fleet will rise to 1,058 vessels by 2028, according to DNV's Alternative Fuels Insight platform. In addition to 1,058 confirmed LNG-powered ships, the fleet powered by alternative fuels also includes 318 methanol-fueled vessels, 235 LPG-powered ships (liquefied petroleum gas), 39 hydrogen-fueled vessels, and 26 ammonia-fueled vessels, according to the platform.

There are now 559 LNG-powered ships in operation and 499 LNG-fueled vessels on order, DNV's platform shows. Of those, there are 103 LNG-powered containerships and 78 LNG-powered oil tankers in operation, and these vessels are followed by 64 oil/chemical tankers and 57 bulk carriers. As per vessels on order, LNG-powered containerships and car carriers account for a big part of the orders with 171 and 157 units, respectfully. Shipping firms also have ordered 48 oil and chemical tankers, 40 crude oil tankers and 22 cruise ships.