Oil and Gas News Briefs
Compiled by Larry Persily
July 22, 2024

Australian energy company buys developer of Louisiana LNG project

(Bloomberg; July 21) - Woodside Energy has agreed to buy troubled U.S. liquefied natural gas export project developer Tellurian for about $900 million, plus assuming about $300 million in debt, in a bet on global demand growth for the fuel. Australia's biggest oil and gas producer will pay cash to take full control of Tellurian, including the proposed Driftwood LNG project in Louisiana, it said. Woodside said it will bring partners into the project and aims to sell about 50% of the venture.

Woodside has been one of the most vocal energy companies in arguing that more gas will be needed to complement the expansion of intermittent renewable energy sources. It has been on the hunt for potential U.S. LNG investments to help expand its supply portfolio. Driftwood is just one of handful of proposed projects that haven't been affected by President Joe Biden's pause on approvals of new LNG export projects in January.

Woodside is targeting a final investment decision for the first phase of Driftwood in the first quarter of 2025. If all four phases are completed, the facility would be able to export 27.6 million tonnes a year — almost triple Woodside's current capacity and nearly 6% of global supply capacity at the end of last year. Tellurian has been struggling to bring the facility to fruition since its 2016 founding by industry pioneer Charif Souki, who left in December amid his own personal bankruptcy proceedings.

"It is leveraging Woodside's LNG expertise to access financially distressed yet otherwise advantaged LNG assets at a good price," said Saul Kavonic, an analyst at MST Marquee, adding Woodside can bring Driftwood forward better than Tellurian.

U.S.-based fund invested in owner of tankers that carry Russian LNG

(Bloomberg; July 19) - Russia needs to ramp up its liquefied natural gas exports to replenish Kremlin coffers and fund its war in Ukraine — and Western pension funds may inadvertently be lending a hand. Data compiled by investigative consultancy Data Desk and the Anti-Corruption Data Collective show that public retirement funds, including those managed by the states of Washington, New York and California, have indirectly invested in the specialized ice-class carriers serving Yamal LNG — Russia's largest gas export terminal and a vital piece of efforts to replace its lucrative trade with Europe.

The Novatek-led Yamal operation in the Arctic isn't sanctioned and there is no suggestion that the funds violated any rules. Still, at a time of heightened scrutiny for financial institutions, including from their own investors, the previously unreported link between U.S. investors and one of Moscow's key sources of income is a reminder of the continued opacity of the global financial system. It also exposes the difficulties of cutting off President Vladimir Putin's key sources of revenue.

The link between U.S. workers and retirees and Russia is through a New York-based alternative investment manager, Stonepeak, and its $14 billion Infrastructure Fund IV. The fund has invested in Seapeak, a major owner of gas carriers and formerly the LNG arm of U.S. shipping firm Teekay Tankers. Stonepeak's purchase of Seapeak in January 2022 — shortly before the invasion — included ownership stakes in dozens of tankers, among them six of the 16 ice-class ships that have exported fuel from Yamal this year.

Of 160 shipments so far in 2024 from Yamal, more than a third were on Seapeak-owned tankers, according to ship-tracking data compiled by Bloomberg. "Without these vessels, Novatek, and by extension Russia, would be unable to export LNG from the country's largest project," said Malte Humpert, founder of the Arctic Institute, a Washington-based think tank. "These icebreaking LNG carriers were specifically designed to carry Russian LNG from the Arctic to Europe and Asia."Seapeak's venture transports the LNG under long-term charter agreements that date back a decade

China the big factor in global LNG demand growth

(ING; July 18) - LNG demand is expected to grow at a healthy pace, by as much as 35% by the end of the decade, according to calculations by the ING Group, a Dutch multinational banking and financial services corporation. "Asia is set to dominate that growth," with European demand growth pulling back, the bank said in a July 18 report. China and India will see the largest absolute growth in LNG demand through until 2030, the bank report said, and China should hold onto its position as the largest importer.

Historically, Japan was the largest LNG importer. However, Japan's LNG imports are in decline. Imports hit a high of 4.3 trillion cubic feet of gas in 2014 and have fallen every year since, to under 3.2 tcf in 2023. A key driver has been the return of nuclear capacity following the Fukushima disaster in 2011. Japan's nuclear power output has grown 166% since 2017. Over the same period, wind and solar power has grown 78%.

China is a key swing factor in the global LNG market. China can make all the difference between the market being tight or manageable. What makes it challenging to gauge how strong Chinese demand will grow is, first, how much China will rely on gas as a transitory fuel in its power mix. Its growth in the electricity mix has been very modest in the past decade, growing from around 2% to 3.1%. This suggests that demand growth will likely continue to be driven by industry and the residential and commercial sectors.

Meanwhile, pipeline gas flows are playing an increasingly big role for China. Pipeline imports have grown at a compound annual rate of 8.8% over the past 10 years. China imports pipeline gas from Central Asia, Russia and Myanmar. There is a clear push from Russia to sign pipeline deals with China, given the loss of its key market, Europe.

Pipeline and supply challenges pose risk to growing U.S. LNG exports

(Argus Media; July 18) – While large producers are banking that the rapid build-out of LNG export capacity will connect the U.S. to higher-priced global markets and provide an outlet for a glut of U.S. gas, there will be challenges. U.S. producers looking to become the primary suppliers to increasingly dependent overseas markets may still need to overcome tight pipeline capacity, volatility in oil markets and even growing competition for feed gas from the U.S. power-generation sector.

The U.S. already leads the world in LNG exports and is on pace to double that capacity later this decade. U.S. baseload LNG export capacity is forecast to climb to 21.1 billion cubic feet of gas per day by the end of 2027, about one-fifth of today's production, according to the U.S. Energy Information Administration. By 2030, Shell expects U.S. LNG will meet about 30% of global LNG demand.

But to satisfy a world that much more reliant on U.S. shipments of gas, producers have to significantly grow output and build the pipelines needed to connect subterranean shale basins to the U.S. Gulf Coast, where almost all the liquefaction capacity will be located. East Daley Analytics director Jack Weixel said regulatory challenges to permitting those pipelines threaten the ability to rapidly boost U.S. LNG exports, regardless of who is elected president in November.

In Appalachia, developers have almost entirely lost faith in their ability to secure permits to build new interstate pipelines, so incremental LNG demand will probably not be met by Appalachian gas. The Permian is the most prolific U.S. oil field, which makes it an unreliable associated-gas producer because lower oil prices would slash gas output.

Sempra signs up Bechtel for expansion at Port Arthur LNG in Texas

(Reuters; July 18) – Sempra's infrastructure unit said on July 18 it had signed a fixed-price agreement with Bechtel Energy to build the second phase of the Port Arthur liquefied natural gas export plant in Texas. Under the terms of agreement, Bechtel will handle detailed engineering, procurement, construction, commissioning, start-up, performance testing and operator training for the project. The agreement also allows for pre-final investment decision work to enhance project cost and schedule certainty.

In September 2023, the Port Arthur LNG Phase 2 project received authorization from the Federal Energy Regulatory Commission and is expected to include two liquefaction trains capable of producing approximately 13 million tonnes per year of LNG. This would increase the facility's total liquefaction capacity from around 13 million to up to 26 million tonnes per year, making it one of the largest in the U.S. Phase 1 of Port Arthur LNG, estimated to cost $13 billion, is expected to start production in 2027 or 2028.

Last month, Sempra signed a non-binding agreement with Saudi Aramco to supply liquefied natural gas from Phase 2 of the Port Arthur project. The companies also said Saudi Aramco was considering a 25% equity stake in the development.

Gas storage build-out continues on U.S. Gulf Coast

(S&P Global; July 18) - Black Bayou Gas Storage has pitched a salt dome storage facility with 34.7 billion cubic feet of working gas capacity near the Texas-Louisiana border, along with two 27-mile pipelines linking the facility to multiple interstate gas lines. The company filed an abbreviated application July 17 with the Federal Energy Regulatory Commission seeking approval by June 1, 2025, with the goal of starting service on the first two caverns by the fourth quarter 2028 and the final two late 2030.

The application comes as the past two years have witnessed renewed interest in U.S. gas storage reminiscent of a major build-out in the late 2000s. The new boom has been partly driven by growing price volatility and increased demand intermittency that has drawn buyers such as LNG exporters, power generators, utilities and pipeline operators seeking short-term storage optionality. According to data from S&P Global Commodity Insights, some 96 bcf of salt dome storage capacity is planned to be added by 2031 along the U.S. Gulf Coast, including the Black Bayou project.

The $400 million Black Bayou Gas Storage Project is planned in Cameron Parish and Calcasieu Parish, Louisiana, about 18 miles from the Gulf of Mexico coastline and less than 25 miles from industrial demand in Lake Charles, Louisiana, and Port Arthur, Texas, the application said. The project comprises four salt storage caverns, a 44,000-horsepower compressor station and pipeline connections to multiple interstate pipelines.

Cargoes canceled from hurricane-damaged LNG terminal in Texas

(Bloomberg; July 18) - The Freeport liquefied natural gas export terminal in Texas has canceled at least 10 cargoes for loading through August after Hurricane Beryl forced the facility to shut, according to traders. That number is expected to keep rising as long as the facility is not at full capacity, said the traders. Gas delivered by pipeline into Freeport was at less than a third of normal on July 18, indicating most of the terminal is still offline, according to preliminary data from BloombergNEF.

Some of the plant’s contracted buyers are rushing to replace canceled cargoes of the power-plant fuel, people familiar with the matter said. The companies hardest hit by the outage at Freeport, which began July 6, include Japanese companies JERA and Osaka Gas, oil majors BP and TotalEnergies, and South Korea's SK E&S Co., the people said. Customers of the firms are also seeking replacement supplies, according to the people.

A Freeport LNG spokesperson declined to comment. The plant continues its phased restart, with one of its three production units expected to resume operations this week. The company has not reported a timeline for resuming operations at the other two production units. Freeport's capacity is 15 million tonnes of LNG a year.

LNG carriers wait for Texas plant to reopen

(Reuters; July 18) - The number of liquefied natural gas tankers waiting to load at Freeport LNG in Texas has increased since the second-largest U.S. exporter of the fuel halted processing ahead of Hurricane Beryl's landfall last week, according to shipping data on July 18. Beryl made landfall on July 8 near Matagorda, on the Texas coast, lashing the state with 80-mph winds that caused infrastructure damages and left more than 2 million customers without electricity for days.

Ports and energy companies in many coastal cities, including Freeport, suffered wind damage and slow restoration of power. Freeport LNG, which shut its three liquefaction trains on July 7 and reported wind damage, has had a slow operational restart. The operator said on July 15 that it plans to restart one processing train this week and the remaining two trains shortly after, but production will be reduced while repairs continue.

U.S. natural gas futures had dropped about 7% on July 15 to a 10-week low after it became clear to the market that Freeport LNG would likely continue to operate at less than full capacity for several days. Vessel loading has not resumed. Six empty LNG tankers were anchored near the port, with some waiting more than 10 days. Long waits for vessels that have back-to-back delivery contracts tend to lead to cargo cancellations. At full operation, Freeport can load about 20 LNG carriers per month.

Egypt imports LNG as domestic gas production lowest since 2018

(Bloomberg; July 19) - Egypt's natural gas production has dropped to the lowest in more than six years just as scorching summer neat boosts demand for the power-generation fuel. The North African nation's gas output in May was near the weakest since February 2018, according to figures from the Joint Organizations Data Initiative. The decline is a sign that Egypt will struggle to replicate the gas export boom it saw two years ago and is likely to become more reliant on imports of liquefied natural gas.

Once a supplier for Europe, Egypt is no longer able to produce enough gas to keep its own electricity systems fueled during the summer. The most populous Arab nation is now buying large amounts of LNG to cope with air-conditioning needs as it grapples with blackouts and periods of idled industrial output. President Abdel-Fattah El-Sisi's government on has promised to end scheduled power cuts that can last for up to three hours a day. The country's daily power demand has exceeded 37 gigawatts, up 12% from last year, leaving a deficit of 4 gigawatts, Prime Minister Mostafa Madbouly said.

The government says it will accelerate renewable projects to help bridge the gap and reduce energy imports. While gas supplies most of Egypt's grid needs, the government wants to get 58% of its electricity from renewables by 2040, up from 20% now. Yet the country needs funding to update and extend its grid to renewable project sites. The nation recently received five of 21 LNG cargoes it sought for the summer and allocated $1.18 billion for extra energy imports. It has said more may be required.

New gas field to feed Australian LNG plant by third-quarter 2025

(LNG Prime; July 18) - The Barossa natural gas project, which will supply feed gas to the Santos-operated Darwin LNG plant in Australia, is 77% complete and remains on target for first production in the third quarter of 2025, according to the Australia-based oil and gas producer. Back in 2021, Santos took a final investment decision for the US$4.6 billion project. Gas will be extracted from the Barossa field in commonwealth waters about 175 miles offshore north-northwest from Darwin, and transported via a pipeline to the existing Darwin LNG production facility.

In November last year, the last LNG cargo produced from the Bayu-Undan gas field sailed from the Santos-operated Darwin LNG plant. The Darwin LNG plant launched operations in 2006 and the facility is now being readied for the next 20 years, in preparation for the start of Barossa gas production in 2025. To prepare for Barossa gas, Santos is working on the Darwin LNG life-extension project. The liquefaction plant can produce 3.7 million tonnes per year. The Barossa field contains over 4.5 trillion cubic feet of recoverable gas resources and nearly 50 million barrels of condensate.

OPEC+ unlikely to change production plans at Aug. 1 meeting

(Reuters; July 18) - A mini-OPEC+ ministerial meeting next month is unlikely to recommend changing the group's output policy, which includes a plan to start unwinding one layer of oil output cuts starting in October, three sources told Reuters. The Organization of the Petroleum Exporting Countries and allies led by Russia, or OPEC+ as the group is known, will hold an online joint ministerial monitoring committee meeting on Aug. 1 to review the market.

One of the three OPEC+ sources, all of whom declined to be identified by name, said the meeting would serve as a "pulse check" for the health of the market. Oil has risen in

2024 and was trading around $85 a barrel on July 18, finding support from Middle East conflict and falling inventories. Concern about higher-for-longer interest rates and demand has limited gains this year.

OPEC+ is currently cutting output by a total of 5.86 million barrels per day, or about 5.7% of global demand, in a series of steps agreed since late 2022. At its last meeting in June, OPEC+ agreed to extend cuts of 3.66 million barrels per day by a year until the end of 2025 and to prolong the most recent layer of cuts — a cut of 2.2 million barrels per day by eight members — by only three months until the end of September 2024. OPEC+ will gradually phase out those cuts over the next year to September 2025.

U.S. officials investigating oil company communications with OPEC

(Bloomberg; July 19) - The Federal Trade Commission is investigating whether executives at major oil companies including Hess, Occidental Petroleum and Diamondback Energy improperly communicated with OPEC officials. FTC investigators are looking for evidence of executives attempting to collude with OPEC officials on oil-market dynamics, according to people familiar with the matter who asked not be named discussing non-public information. Such communications, particularly on pricing and output, could be illegal under U.S. antitrust laws.

The FTC has opened several in-depth merger reviews amid a burst of dealmaking among oil and gas companies, particularly among those located in the Permian Basin, North America's most prolific oil field. As part of one of those reviews, which are focused on whether a deal would hurt competition, antitrust officials discovered communications with OPEC officials. "These allegations of improper communications are baseless and without merit," Hess said in an emailed statement.

Antitrust regulators frequently view executive communications as part of deal reviews. In recent oil mergers, the agency has been permitted to search executives' texts and emails for specific keywords such as "OPEC" or "shale," one of the people said. The agency is looking for evidence to be able to refer a shale cartel case to the Justice Department, the person said. The FTC enforces antitrust and consumer protection laws and must refer any potential criminal activity it discovers to the Justice Department.

Drilling rig count in North America continues downward slide

(Wall Street Journal; July 20) - Gone are the days of "Drill, baby, drill." That doesn't sound like great news for the companies providing the picks and shovels in American oil fields, but it isn't wrecking their bottom lines, either. The oil and gas rig count in North America, which never quite returned to prepandemic levels, has been steadily declining since hitting a peak in late 2022, according to data from Baker Hughes.

Halliburton on July 19 said its rig count declined 12% in the second quarter compared with a year earlier and that its revenue in the region fell 8%, the fourth consecutive quarter of decline. Similarly, competitor SLB said its revenue in North America dropped 6%. With Brent crude above $80 a barrel, prices are high enough for U.S. producers to pump more, but many are in the process of building through mergers and acquisitions. This has led to less activity as companies find ways to operate with fewer rigs.

Business is healthier abroad. Halliburton said its international revenue rose 8% year over year, marking the 12th consecutive quarter of growth in that business. SLB, which has higher exposure to international markets, said revenue abroad surged 18%, led by an impressive 24% growth in the Middle East. Capacity-expansion projects are “in full swing” in countries including Saudi Arabia, the United Arab Emirates, Kuwait and Iraq, SLB CEO Olivier Le Peuch said on a July 20 earnings call.

Fewer energy companies have energy-transition plans

(The Hill; Washington, DC; July 18) - Many energy companies are pulling back on their ambition to move away from fossil fuels, a report has found. More than three-quarters of pipeline and refining companies still boast an energy-transition strategy — a plan to move away from the planet-warming fuels, according to Reuters’s Energy Transition Insights Report 2024. But the number of firms with such plans has fallen sharply since 2023, when more than 90% of survey respondents listed energy-transition targets.

Reuters researchers found that this pivot — which brings those sectors of oil and gas into line with the worldwide energy sector’s stance on the energy transition — coincided with a broad “slide in ambition” from global firms. Between 2023 and 2024, the number of respondents who expected their firms to meet their transition goals by 2030 fell from 75% to 61%. Over the same period, the number that expected their firm’s transition to take until 2050 nearly doubled, from 17% in 2023 to 31% in 2024.

The numbers come alongside a wider near-term retreat in spending on clean energy, Reuters found — as inflation drives all kinds of firms to spend more on making existing investments more efficient, rather than making new ones. But over the longer term, the survey suggests that green investment is still growing. This year, nearly a third of respondents predicted that their firms would increase renewables spending by 40% in the next three years — a fourfold increase over last year.

Europe wants more pressure to stop fleet carrying Russian oil

(Bloomberg; July 18) – U.K. Prime Minister Keir Starmer announced a crackdown on Russia’s shadow fleet of oil tankers used to skirt international sanctions, saying 44

European nations had endorsed the plan at a meeting of the European Political Community hosted in Britain. The joint “call to action” aims to disrupt the fleet of around 600 vessels which Western countries say are used by Moscow to transport 1.7 million barrels of oil per day, according to a statement released July 18 by Downing Street.

The U.K. government also announced sanctions on 11 tankers that it said were being used to carry Russian oil. “Alongside our European partners, we have sent a clear message to those enabling Putin’s attempts to evade sanctions: We will not allow Russia’s shadow fleet, and the dirty money it generates, to flow freely through European waters and put our security at risk,” Starmer said in remarks released by his office after the premier had hosted some 46 European leaders at the summit.

The fleet of oil tankers is used to fund Russia’s war machine in Ukraine, and also poses an environmental threat to Europe’s waterways, the U.K. statement said. Some of the ships also act as Russian listening stations and transport weapons to Russia, it added. Eight of the 11 tankers sanctioned by Britain are owned by Russia’s state-run oil tanker business, Sovcomflot, while three others bear the hallmarks of shadow-fleet vessels, according to an updated sanctions list. The designations mean that more than 60 oil tankers are now under sanction by U.S., U.K. or European Union authorities.

Trinidad court grants Conoco OK to go after Venezuelan assets

(Reuters; July 18) - Trinidad and Tobago's High Court reaffirmed on July 18 a decision recognizing U.S. oil producer ConocoPhillips' arbitration claim against Venezuela. The decision could freeze Venezuela’s payments to its Caribbean neighbor for joint natural gas projects. In late May, the court's original decision opened the door for ConocoPhillips to enforce in Trinidad a $1.33 billion claim against Venezuela for past expropriations by seizing any compensation from joint energy projects.

Venezuela and its state-owned company PDVSA did not respond to the court by a deadline to present their arguments, Judge Frank Seepersad said in his decision. "The order gives to the claimant a green light to be able to enforce the judgment in Trinidad if they can establish there are assets held by the defendants or there is money which is owed to the defendant by entities in Trinidad and Tobago," the judge said in May when he made his original decision. Venezuela and Trinidad are looking to develop major offshore gas fields shared by the countries and on the Venezuelan side of the border.

PDVSA paid Conoco about $700 million through a settlement agreement, but ceased further payments in late 2019. Conoco has since attempted similar moves in Caribbean countries seeking to enforce arbitration rulings against Venezuela and PDVSA. In a U.S. federal court, the oil producer is among companies at the top of a list of creditors pursuing proceeds from an auction of shares in one of PDVSA's subsidiaries, PDV Holding, whose only asset is Houston-based refiner Citgo.