Oil and Gas News Briefs
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Nigerians pray new refinery will reduce cost of petrol

(BBC; July 21) - A prayer was held a few months ago in Kano, a very religious city in northern Nigeria. It was organized to pray for the success of a huge new Nigerian oil refinery that next month is due to start producing petrol for the first time. Praying for such an industrial facility might seem incongruous, but many Nigerians are hopeful that the Dangote Petroleum Refinery will lead to both a big increase in the availability of petrol in their country and a subsequent drop in prices.

The $19 billion refinery, based along the coast from Nigeria's commercial hub Lagos, in the south of the country, is the size of almost 4,000 football pitches. Construction began in 2016 and it started production of diesel and aviation fuel in January of this year. Petrol is now set to follow. The hope is that the facility will end Nigeria's dependence on imports of these fuels. While Nigeria is Africa's largest producer of crude oil, and the world's 15th biggest, none of its existing government-owned refineries are operational.

The privately owned refinery has been built by Africa's richest man, Aliko Dangote. Born in Kano, the 67-year-old has a net worth of $12.6 billion, according to Forbes magazine. He made his fortune in cement and sugar before taking on what many say is his biggest challenge yet. The prayer in Kano was organized by shop owner Lado Danladi and held at a nearby mosque. He was joined by other shopkeepers. "I run a small phone-charging shop, and every day I buy $5 petrol for my small generator as there's no stable electricity," says Danladi. "But since I heard about the … refinery, I have been praying for its success."

TC Energy nears deal to sell stake in gas lines to Indigenous group

(Bloomberg; July 23) - TC Energy is nearing a deal to sell a stake in a gas pipeline system to Indigenous communities in Western Canada, with help from the Alberta government. A provincial government agency has given "contingent approval" for a C$1 billion (US$726 million) loan guarantee to allow the Indigenous consortium to finance the deal, according to a letter from TC Energy. Dozens of Indigenous communities in Alberta, British Columbia and Saskatchewan — Canada's three westernmost provinces — are part of the group.

Calgary-based TC Energy plans to announce the transaction on July 30, the letter said, with closing set for late August. It cautioned that there are legal, financial and regulatory matters still to be finalized. TC Energy's NGTL System gathers and transports natural gas in Canada's western provinces for domestic and export markets. The network is 15,153 miles in length and runs between Alberta and British Columbia.

The transaction is another move in TC Energy’s campaign to sell assets and reduce debt after suffering enormous cost overruns on the Coastal GasLink pipeline project, which it built to supply Canada’s first major liquefied natural gas plant. The Shell-led LNG terminal is under construction in Kitimat, British Columbia. Last year, TC Energy exceeded its C$5 billion divestiture target through the sale of a 40% equity interest in the Columbia Gas Transmission and Columbia Gulf Transmission networks in the U.S. In June, TC Energy said it was working on plans to divest another C$3 billion of assets in the near future.

Canada’s sale of over-budget oil pipeline likely postponed to next year

(Bloomberg; July 26) - Prime Minister Justin Trudeau’s government is likely to stall the sale of the Trans Mountain oil pipeline until after Canada’s national election in 2025, according to officials familiar with internal discussions. The line, which transports crude from Alberta to the West Coast for export, was bought by the government in 2018 to rescue a project to nearly triple its capacity. Trudeau has said the government doesn’t intend to be a long-term owner. The Trans Mountain expansion was finally completed this year and oil is flowing.

It’s already boosting Canada’s crude exports as it ramps up to its full capacity of 890,000 barrels per day, sending crude to Asia and the U.S. West Coast. But preparing the line for a sale before the next election is proving complicated, and reasons to delay are piling up. Trudeau and Finance Minister Chrystia Freeland haven’t made any decision on the timing of an auction, cautioned the officials. The government has promised to grant equity to dozens of Indigenous groups in Western Canada, and that process is moving slowly.

There’s also a regulatory battle over how much Trans Mountain charges companies to ship crude on the 715-mile line. At about C$34 billion ($24.6 billion), the project cost several times more than initial estimates — costs that it wants to pass on to its customers over time. Major oil producers are pushing back. Hearings on pipeline tolls are scheduled to begin next May, according to a spokesperson for the Canada Energy Regulator. Until final tolls are decided, potential buyers won’t have certainty on the pipeline’s long-term revenue.

Bank analysts say Trump presidency could lead to lower oil prices

(Bloomberg; July 26) - An election victory for former president Donald Trump could send oil prices lower, according to some prominent Wall Street banks. While the Republican nominee’s pledges to bolster the nation’s crude production are unlikely to be fulfilled, his imposition of trade tariffs could be bearish for prices, Goldman Sachs and Citigroup said in separate reports. If the tariffs severely affect the global economy, it could slash oil prices by as much as $11 to $19 a barrel next year, Goldman analysts wrote.

Trump’s reelection would create “downside risks” to crude’s expected range of $75 to $90 a barrel, the Goldman analysts said. The bank’s economists examined a scenario in which Trump imposes an across-the-board tariff of 10% on all imports, provoking a retaliatory levies of the same amount from other countries. The candidate has said he may target China with new tariffs ranging from 60% to as much as 100%. “A Trump administration continues to pose mostly bearish risks,” analysts at Citigroup including Eric Lee wrote, pointing to “trade, oil and gas policy,” and his influence on the OPEC+ producer alliance.

Both banks added the caveat that Trump could also bolster oil prices if he renews the crackdown on Iranian exports deployed in his previous term. The former president had used a strategy of “maximum pressure” in an attempt — which ultimately failed — to renegotiate a nuclear pact with Tehran. Iranian output could fall by about 1 million barrels a day, or almost a third, during a second Trump term, Goldman projected. However, other OPEC+ producers would likely try to fill in the gap, limiting the boost to roughly $9 a barrel.

Military escort accompanies Russian LNG production modules

(gCaptain; July 26) - Russia isn’t taking any chances during the launch of its new flagship liquefied natural gas project. Following ongoing Ukrainian operations against Russia’s energy facilities, the country’s military and Federal Security Services (FSB) are keeping a close eye on the Arctic LNG 2 project. Russian gas exporter Novatek floated the second stage of its LNG facility out of a drydock near Murmansk on July 25, aided by a fleet of tugs and offshore vessels. At least two FSB patrol vessels and aerial assets will accompany the platform’s 1,300-nautical-mile voyage into the Arctic.

Pictures taken along the initial phase of the towing operation in the Kola Bay also depict Russian military surface vessels and submarines in proximity of the platform, upon which are installed LNG production modules. In contrast to the launch of the first production line in 2023, attended by President Vladimir Putin and widely publicized across Russian media, the transit of the second train to the project site has been kept much more under wraps.

“In the interests of ensuring the safety of the floating modular plant, timely detection and suppression of possible sabotage and terrorist threats, a procedure for interaction … has been developed and approved,” the FSB press service reported. The greatest risk to Arctic LNG 2 likely persists throughout the initial phase of the towing operation in the Kola Bay and along the Kola Peninsula. Ukrainian naval drone attacks have successfully disabled or destroyed a third of Russia’s Black Sea Fleet. It will take approximately three weeks to move the platform through open waters of the Barents and Kara seas.

Vancouver city council votes rollback to allow gas for new homes

(Vancouver Sun; July 24) – The city council in Vancouver, British Columbia, has narrowly voted in favor of allowing natural gas for heating and hot water for new construction, a plan the city’s sustainability manager warned “will move us back” on climate goals. On July 23, the council voted 6-5 in favor of a bylaw amendment that restores the option for new home construction to use gas for heating and hot water.

Councillor Pete Fry posted on X that Mayor Ken Sim joined the council meeting remotely to break the tie and “roll back climate work.” Fry also said that such a significant rollback of the city’s climate policies should not have been introduced on the fly. Two of Sim’s fellow councillors — Peter Meiszner and Lisa Dominato — voted against the amendment. They joined Green councillors Adriane Carr and Fry and OneCity Councillor Christine Boyle in opposing the plan to allow fossil fuels to be used in new construction.

Dominato, who is also chairwoman of Metro Vancouver’s climate action committee, said through her regional work she has gained a deeper insight into the climate crisis and argues the residential new construction sector is the easiest sector to electrify. “It really is the low hanging fruit,” she said. The amendment to allow continued use of gas was proposed by Councillor Brian Montague, who said the city needs a diverse range of energy sources in the event of outages and raised concerns about whether there’s enough electricity to meet the demand if new homes cannot use gas.

Australian investment is another foreign partner in U.S. LNG projects

(Bloomberg; July 26) - Australia’s Woodside Energy Group this month made a bold leap into U.S. liquefied natural gas with its agreement to acquire Tellurian, which has been trying to develop the Driftwood LNG export terminal in Louisiana. The takeover could make Woodside the second foreign entity to control a U.S. facility after QatarEnergy, which holds a majority stake in the Golden Pass (Texas) project which is expected to start operations next year. Japanese electricity generator JERA and French energy giant TotalEnergies hold minority stakes in other U.S. LNG export projects.

The trend toward foreign investments is likely to continue as Woodside looks for partners to help it bear the multibillion-dollar cost of building Driftwood. Saudi Aramco could be among those it courts as the petrostate looks to expand internationally. Abu Dhabi’s state oil company and Woodside’s existing Japanese LNG buyers also may be contenders, said Saul Kavonic, an analyst at MST Financial Services.

The primary attractions of U.S. LNG are the flexibility to ship to either Asia or Europe, and its cheapness compared with prices in those regions. Despite the market volatility, the arbitrage opportunities can make a huge investment in American export capacity worthwhile. A final investment decision on Driftwood is expected by early next year. If all four phases are built, it could be one of the largest such plants in the U.S.

Canada in natural gas surplus, sends more to U.S.

(S&P Global; July 26) - Net flows of natural gas from Canada to the U.S. have picked up in July despite a decline in Canadian production as high storage inventories continue to weigh heavily on cash and forward prices in Western Canada. Canadian exports averaged around 6.5 billion cubic feet per day July 1-25, up from 6 bcf a day in June and 5.7 bcf a day in July 2023, data from S&P Global Commodity Insights showed.

Stronger imports from Canada have somewhat dulled the effects of U.S. gas production cuts this summer, as drillers have held back amid weak prices — mostly under $2.50 per thousand cubic feet year to date. U.S. production has fallen 1.9 bcf per day year-over-year this summer. Gas flows from Canada have held up this month despite a decline in output because of hot weather. "Temperatures this July have been testing 2021's high water mark and field gathering facilities, which are primarily designed to withstand freezing winter temperatures, are struggling," Ian Archer, associate director at Commodity Insights, wrote.

An exceptionally mild winter left Canada with a huge storage surplus and that has weighed on prices and is freeing up extra gas to export to the U.S. The weaker production and robust exports to the U.S. may have helped to limit Canadian storage injections this month, but inventories are still "likely to reach very full levels by the end of October," Archer said. The Canadian market could tighten next year as LNG feed gas demand picks up. The large-volume Shell-led LNG Canada project is scheduled for start-up by mid-2025.

Venezuela agrees to gas production deal with BP and Trinidad

(Bloomberg; July 24) - Venezuela agreed on a 20-year natural gas production and exploration deal with BP and Trinidad, a hotly anticipated move to transform the South American nation into a major exporter of the fuel. The accord with BP and Trinidad's National Gas Co. will allow for production from the Cocuina gas field off the Venezuelan coast, the country's Oil Minister Pedro Tellechea said July 24 in a statement.

According to Venezuela's oil ministry, 25% of production will supply Trinidad's petrochemical sector while the rest will feed Trinidad's LNG export industry. The field will produce an estimated 400 million cubic feet per day. BP holds a 45% stake in the Atlantic LNG export operation in Trinidad.

International oil companies have been gradually moving back into Venezuela in recent years. Years of U.S. sanctions had severely curtailed foreign investment in the country, which has South America's biggest reserves of oil and gas. Earlier this year, Spain's Repsol obtained a license from the U.S. to keep operating in Venezuela, Chevron restarted drilling for oil in the country and Indian refiner Reliance Industries secured approval to resume importing oil from Venezuela.

Russia's natural gas production down only slightly from pre-war

(Upstream; July 25) - Russia's natural gas production has enjoyed a strong recovery this year, after two years of stagnation wrought by a drastic reduction in pipeline gas exports to Europe and an initial slowdown in domestic economic activity that followed international sanctions on Russia over its war in Ukraine. Russia's gas production jumped by more than 8% to about 12.2 trillion cubic feet in the first half of this year compared with the same period of 2023, Russian state statistics agency Rosstat said in a monthly report.

The production numbers for the first half of this year are down slightly from pre-war output of 27 tcf for all of 2021. The recovery comes as Russian gas exports ramp up through a pipeline to China and through a pipeline network to Uzbekistan. Stronger domestic gas demand from Russian power generators and fertilizer manufacturers is also contributing to the turnaround, said Dmitry Kasatkin, a partner at Moscow-based Kasatkin Consultancy. Western sanctions, which have cut deeply into Russia’s oil exports, go lighter on its gas.

In an unusual twist, Russia appears to be benefiting from the shutdown of some European fertilizer production capacity caused by the sharp spike in gas prices that followed Russia's invasion of Ukraine. Russian producers have boosted their exports of fertilizers to Europe to meet demand on the continent, increasing the output of ammonia, urea and other feedstocks — and thus consuming more gas.

Saudis import Kuwaiti oil for first time since 2022 for power generation

(Reuters; July 25) - Saudi Arabia imported fuel oil from Kuwait for the first time in more than two years in July to help meet peak summer power-generation demand while discounted oil supplies from Russia fell, according to trade sources and shipping data. Imports of Kuwaiti high-sulfur fuel oil exceeded about 37,000 barrels per day, data from shipping analytics firms Kpler and Vortexa showed, the kingdom's first fuel purchase from Kuwait since May 2022. Saudi demand is keeping more Kuwaiti supply in the Middle East amid an overall decline in Middle Eastern exports.

The trade flow is likely to continue in August as Aramco Trading also won a recent tender for very low sulfur fuel oil (VLSFO) from Kuwait’s Al Zour refinery, trade sources said. The cargo, scheduled to load on Aug. 11-12, traded at a discount of about $8 per barrel to Singapore VLSFO quotes on a free-on-board Kuwait basis, they added.

Russian supplies still account for the bulk of Saudi Arabia's fuel oil imports, reaching about 441,000 tons (more than 3 million barrels) in July and making up about 30% of total volumes. But they were down from nearly 750,000 tons in the same month last year. Saudi Arabia imported record volumes of discounted Russian fuel oil in June 2023 to meet summer demand, while exporting its own crude production at higher prices.

Alberta wildfires threaten 400,000 barrels per day of production

(S&P Global; July 26) - Continuing wildfires in Alberta have the potential to impact some 400,000 barrels per day of crude oil production, primarily in the province's northeast, with multiple producers being on high alert as 176 fires are burning in the province, industry participants said July 26. The western Canadian province is home to some 4 million barrels per day of heavy and light oil production and nearly 16.8 billion cubic feet per day of natural gas production.

Major producers have put staff on high alert and implemented emergency response measures, ATB Financial said in a report, noting that so far the actual impact on production appears minimal, but risks are elevated. However, the situation on the ground is evolving, it said. "The worst of the wildfire season is likely still ahead of us as temperatures continue to rise and a third of Alberta wildfires are burning out of control, threatening 400,000 barrels per day of production," Goldman Sachs said in a report July 25.

Suncor has been curtailing production at its 200,000-barrel-per-day Firebag field for more than two weeks and other producers started to evacuate non-essential workers from the most affected fields while keeping production stable so far, according to Goldman Sachs. At present, 54 fires are out of control, 49 are being held and 73 are under control, the Alberta government said in its latest update.

Michigan uses federal money to plug old oil and gas wells

(MLive.com; July 25) - The pungent odor of brine wafted across an old well site in eastern Charlevoix County, Michigan, as workers pumped hundreds of gallons of concrete deep underground. An oil field crew used heavy machinery to slide a metal plug 1,250 feet below ground and seal off an old brine disposal well. As they backfilled the hole with concrete, the freshly mixed material displaced the saltwater that rose to the surface.

Richard Brooks stood near the waterspout and watched for signs of concrete backing up in the line; that would mean the well was completely plugged. “Keeping the environment safe,” Brooks said. Michigan officials are using a flood of federal infrastructure dollars to plug old, methane-leaking oil and gas wells. It’s part of statewide climate efforts to reduce harmful greenhouse gases that contribute to global warming. Methane is a particularly potent greenhouse gas that traps more heat inside the atmosphere than carbon dioxide.

The well the crew plugged on July 16 was among the hundreds of orphaned oil and gas wells on Michigan’s to-do list. A brine disposal well is where waste saltwater is pumped into deep underground rock formations for permanent storage. Brine is a byproduct of the extraction of oil and gas. Orphans are abandoned or improperly plugged oil and gas wells without a solvent owner or operator to hold accountable. Michigan started its orphan well program about three decades ago and has so far sealed about 400 old, leaky wells. The effort dramatically ramped up after Michigan received $32 million in initial federal funding.

Abu Dhabi signs strategic agreements with Chinese energy firms

(The National; Abu Dhabi; July 25) - Abu Dhabi National Oil Co. has signed strategic agreements with two Chinese energy companies to collaborate on low-carbon energy solutions. A new pact with China National Offshore Oil Co. aims to explore opportunities in new energy plans, low-carbon solutions, liquefied natural gas ventures, oil and gas activities, and trading projects, the Abu Dhabi state-run energy company said on July 25.

Meanwhile, an agreement with China National Petroleum Corp. will focus on the energy value chain, including low-carbon solutions, LNG, oil and gas exploration, advanced technologies, refining, marketing and trading. The pacts were signed during a visit by Sultan Al Jaber, minister of Industry and Advanced Technology and managing director and group chief executive of ADNOC, to China this week. China is among the most significant markets for ADNOC, for its oil, refined products and petrochemicals, Al Jaber said.

He emphasized that the UAE would remain a partner for China in its role as a reliable energy supplier and highlighted the importance of strategic partnerships in various fields including oil and gas, renewable energy and shipping and storage. The agreements mark a significant step in the UAE’s continuing efforts to strengthen its energy ties with China, one of its largest trading partners. Earlier this week, ADNOC Logistics and Services announced that AW Shipping, its joint venture with Wanhua Chemical Group, awarded shipbuilding contracts worth $1.9 billion to China’s Jiangnan Shipyard.