Oil and Gas News Briefs
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Judge blocks pause on new U.S. LNG export approvals

(Washington Post; July 1) - A federal court on July 1 blocked the Biden administration's pause on approving new facilities that export liquefied natural gas, dealing another legal blow to the president's ambitious climate agenda. U.S. District Judge James D. Cain Jr. ruled in favor of Louisiana and 15 other Republican-led states that had challenged the move. The judge, who was appointed by President Donald Trump, wrote that the pause "is completely without reason or logic and is perhaps the epiphany of ideocracy (sic)."

The ruling represents the latest example of how the judiciary is increasingly constraining President Biden's climate goals at the behest of conservative and corporate challenges. Last week, the Supreme Court's conservative supermajority issued a pair of decisions that sharply curtailed federal agency powers to address climate change, air pollution and other pressing environmental problems.

The White House announced in January it would temporarily stop approving new LNG projects while the Department of Energy studies their effects on climate change, the economy and national security. The pause had no effect on LNG projects that are already shipping gas, approved for exports or under construction. Republican attorneys general from 16 states argued that the White House had illegally skirted the regulatory process. U.S. LNG exports have doubled over the past four years. The projects already approved and under construction are expected to again double U.S. LNG export capacity in the next four years. Almost all of the terminals are along the Gulf Coast.

OPEC production up in June for second month in a row

(Reuters; July 2) - OPEC oil output rose in June for a second consecutive month, a Reuters survey found on July 2, as higher supply from Nigeria and Iran offset the impact of voluntary supply cuts by other members and the wider OPEC+ alliance. The Organization of the Petroleum Exporting Countries pumped 26.7 million barrels per day last month, up 70,000 from May, according to the survey based on shipping data and information from industry sources.

The increase comes despite OPEC+, which includes OPEC and oil-producing allies such as Russia, deciding last month to extend most of its output cuts until the end of 2025 to bolster market prices in the face of tepid demand growth, high interest rates and rising U.S. production. Nigeria raised output by 50,000 barrels per day and there were smaller increases from Iran and Algeria as oil field maintenance was completed.

Production fell last month in Iraq by 50,000 barrels per day, though the country is still exceeding its OPEC+ target. OPEC pumped about 280,000 barrels per day more than the implied target for the nine members covered by supply cut agreements, with Iraq still accounting for the bulk of the excess, the survey found. Among those not required to cut output, Iranian output reached 3.2 million barrels per day. That matched a rate posted in November 2023, which was the highest since 2018, according to Reuters surveys.

Chinese radio station will broadcast Russian Arctic sea ice reports

(Marine Link; July 1) - A Chinese radio station on July 1 started broadcasts on Arctic sea-ice conditions off Russia's coast for vessels sailing the Northern Sea Route as China seeks to further utilize the world's northernmost routes as alternatives to the Suez Canal. Arctic sea routes are increasingly being used as an alternative global trade route connecting the Pacific and Atlantic oceans to major economies as global warming shrinks ice packs and also allows for longer ice-free periods for vessels.

China and Russia have been working together to develop Arctic shipping routes as Russia seeks to deliver more oil and gas to China amid Western sanctions while China seeks an alternative shipping route to reduce its dependence on the narrow Strait of Malacca, near Singapore. The Tianjin Coastal Station, run by the northern Chinese port city of Tianjin, has begun broadcasting sea-ice analyses and forecasts and weather information for the Bering Strait, Dmitry Laptev Strait, Velikitsky Strait and Kara Strait along the Russian coast, Tianjin Daily reported on Monday.

From July 1 to Oct. 31, the radio station will run Arctic bulletins twice a day, the state-run newspaper said. The Northern Sea Route runs from Murmansk near Russia's border with Norway to the Bering Strait near Alaska, spanning 8,078 miles. China currently imports some of its liquefied natural gas from Russia via the Arctic, mainly through a Yamal project operated by Russian energy company Novatek, in which China National Petroleum Corp. and China's state-run Silk Road Fund each has a stake.

Exxon has big plans to become major lithium producer

(Bloomberg; June 26) - ExxonMobil said lithium demand will grow despite a years-long slump in prices, a scenario that would help its traditional oil business co-exist with a foray into producing the battery material that's key for electric vehicles. “We know the world urgently needs significantly more lithium than it's producing today,” Patrick Howarth, Exxon's lithium global business manager, said in an interview on the sidelines of an industry conference in Las Vegas.

Exxon's plans to become one of the world's biggest suppliers of lithium, its first major foray outside of fossil fuels in decades, have come under increasing scrutiny after prices of the material plunged by more than 80% in 2023 due to a supply glut and slowing demand growth. The key battery material weakened further this month after a temporary rebound, with inventories again piling up.

Exxon is focusing on bringing forward its most competitive lithium projects in the fastest way possible, Howarth said. The oil giant still plans to have its first project online in 2027, he added, under a strategy announced in November that will see it ramp up output to the equivalent of 1 million EVs annually by 2030. Exxon signed a preliminary agreement on June 25 to supply South Korean battery-maker SK On with lithium from a deposit it's developing in Arkansas, deepening its connections to the EV industry.

Italy's Eni looking to raise billions from selling upstream assets

(Bloomberg; July 1) - Italian energy group Eni is looking to raise more than €4 billion ($4.3 billion) from disposals in its global upstream business, people familiar with the matter said. The sales would be part of a broader strategy of disposing of €8 billion in assets over the next three years. Units that could be candidates for the asset sale plan include some operations in Indonesia and Cyprus, said the people, asking not to be named discussing private deliberations. The company is selling its Alaska assets too.

The dual approach drawn up by CEO Claudio Descalzi would see Eni divest assets including smaller projects that could be attractive to local buyers, while also weighing sales of stakes in some major projects, according to sources. Eni has signaled it wants to gradually cash out of oil and gas-related activities to finance its energy transition plan. Descalzi is pursuing a so-called satellite model — splitting off divisions and partnering with investors, with the goal of eventually listing them. That would include businesses like renewables specialist Plenitude and biorefining and mobility arm Enilive.

The company could potentially raise from €850 million to €1 billion through the sale of its Alaska assets to Texas-based Hilcorp, while a similar amount could be raised by selling a 30% stake in Ivory Coast operations, the people said. Taken together, upstream — the portion of business including identifying, extracting and producing — is targeted to account for more than a half of Eni's future asset disposals, the oil major said in its most recent business plan.

Argentina offers oil and gas tax breaks, regulatory stability

(S&P Global; June 28) - Argentina's government got approval June 28 for sweeping reforms, allowing it to privatize Enarsa, the state gas importer, and roll out incentives for large projects, which likely will include the construction of a liquefied natural gas export terminal. The lower house approved the incentives as part of a battery of reforms proposed by President Javier Milei to help pull the country out of a financial crisis that began in 2018 and worsened last year, pushing inflation to nearly 300% this year.

With the reforms already approved by the Senate, they will now be signed into law by the president and implemented. No timeline has been set for selling Enarsa and other state companies, a list that does not include the state's 51% stake in YPF, the country's biggest oil and gas producer. The reforms are designed to deregulate the economy, including by providing better conditions for large-scale investments through the Incentive Framework for Large Investments, or RIGI for its Spanish acronym.

The energy industry has been lobbying for incentives to build oil and gas pipelines, as well as export terminals, to take advantage of rising output from the Vaca Muerta shale play. RIGI will provide 30 years of legal and regulatory stability for projects of more than US$200 million in the country, of which 40% must be invested in the first two years. For projects over $1 billion, tax breaks are included as well, plus an exemption from paying export taxes after two to three years, depending on the size of the project. Imports of parts and other goods related to the project will also be exempt from taxes.

Oil boom attracts expatriates back to Guyana

(Bloomberg; June 29) - Like 80% of Guyana's college graduates, Richard Singh had left the tiny South American nation for better job prospects abroad. Then, in a surprising turn of events, he realized he could make more money back home. "It's happening, and it's pretty seismic," his old high school friend Jason Singh, no relation, told him as ExxonMobil began producing its first barrels of oil in 2019. Richard, who was working in venture capital in New York City, moved back in 2022.

The pair set up a Mediterranean fast-casual restaurant chain, opening their first location in June 2022. They now have six, mostly in new shopping malls that are springing up around Georgetown, Guyana's capital city. The average ticket price is about $14 in a country where nearly half the population survived on less than $5.50 per day as recently as 2019. "This wouldn't have been possible 10 years ago," Singh said in an interview in Georgetown. "The spending power is different."

Returning expatriates like Singh are emerging as one of the early beneficiaries of Guyana's oil boom. Their entrepreneurial ventures will play a key role in determining whether the world's newest petrostate can grow into a diversified economy. It will take years, if not decades, to know the answer. But what's clear now is that money is flowing. And expatriates, armed with capital, skills and local knowledge, are well placed to take advantage. From 2016 to 2023, Guyana saw net migration loss of 122,000 people — a significant figure for a country with a population of 780,000, about the same as North Dakota. It's on track to pump more oil per person than Saudi Arabia or Kuwait by 2027.

Tokyo Gas looks to Australia for supply of e-methane

(S&P Global; July 1) - Tokyo Gas is working with Santos to achieve up to 300,000 tonnes-per-year of e-methane output in central eastern Australia in the early 2030s, with an eye to export it from either the Gladstone or Darwin LNG terminals, a Tokyo Gas officer told S&P Global Commodity Insights July 1. "We are currently examining about when we will enter pre-FEED (front-end engineering design) after having finished our feasibility study," said Kentaro Kimoto, CEO of the utility’s Green Transformation Co.

"We are in the midst of talks with relevant parties. Either way, we hope to be able to start up the project in the early 2030s," Kimoto said, adding that Tokyo Gas would not be the single offtaker of all 300,000 tonnes of annual e-methane production. "Most likely, we would offtake it jointly with other Japanese gas companies," Kimoto said on the sidelines of a media briefing at the Tokyo Gas pilot e-methane plant in Yokohama.

E-methane is synthetic natural gas produced from carbon dioxide and green hydrogen, which is made using renewable energy to separate the hydrogen molecules from water. Tokyo Gas' updated outlook on e-methane production in Australia comes after it said last fall it had agreed with Santos to explore producing 60,000 tonnes per year of e-methane in the Cooper Basin in central eastern Australia by 2030 for export to Japan. Tokyo Gas aims to introduce 1% blending of e-methane into its gas supply in 2030, with a 10-fold increase in e-methane use by 2040 as part of its decarbonization efforts.

Company plans massive underground gas storage in U.K.

(The Maritime Executive; June 30) - A British energy company plans to dig a massive salt cavern under a former naval base in order to provide a buffer for utilities and other consumers to store gases, and it expects to win fast-track approval and government support for the project. If constructed, the storage facility under Portland Port would be twice as large as all other salt cavern complexes in the U.K. combined, with plans to double its storage capacity in a second phase of development.

Salt caverns are ideal for storing hydrogen because they are airtight and relatively easy to excavate. The presence of salt means that the formation is solidly enclosed and has no water infiltration, because water would have dissolved out the highly soluble salt layer. By the same token, the developer can create caverns in the salt layer by drilling a well, injecting water, and dissolving out more salt until the desired size and shape of the cavity is reached. In this case, the caverns would be about 300 feet wide.

The location at Portland Port is ideal, according to UKOG subsidiary UKEn. It is close to industrial sites, near the Hinkley Point nuclear plant, and well-situated to take advantage of a new source of offshore wind power off Portland Bill. It is also nearer to London than any other geological storage facility. UKEn says that it would have enough space to provide about one-fifth of the U.K.'s 2035 hydrogen storage needs, plus enough space to serve as a hydrogen battery for smoothing ups and downs in renewable power.

Chinese state-owned energy company expands LNG imports storage

(LNG Prime; July 2) - A unit of China National Offshore Oil Co. (CNOOC) has completed lifting the roofs on two liquefied natural gas storage tanks as part of an expansion project at its Ningbo LNG import facility in the Chinese province of Zhejiang. Lifting the roofs using air pressure was completed on June 27. Each roof is more than 300 feet in diameter and weighs about 1,200 tons.

Each of the two new storage tanks can hold the cargo of about one and a half standard-size LNG carriers. The state-owned energy giant is building six tanks of the same size as part of the third expansion phase of the Ningbo LNG facility. When the expansion is complete in 2025, the terminal will be able to accommodate the import of 12 million tonnes per year of LNG. In addition, CNOOC just completed six new storage tanks at its Binhai LNG import terminal in Jiangsu, and it is also building five tanks at the Zhuhai LNG import terminal in Guangdong.

Abu Dhabi company places $2.5 billion order for LNG carriers

(The National; Abu Dhabi; July 1) - ADNOC Logistics and Services has awarded South Korean shipyards Samsung Heavy Industries and Hanwha Ocean up to $2.5 billion in shipbuilding contracts to construct liquefied natural gas carriers as part of the company's fleet expansion plans. The maritime logistics unit of Abu Dhabi hydrocarbons major ADNOC has awarded shipbuilding contracts for the construction of four vessels each with Samsung Heavy and Hanwha, with the option for an additional carrier, ADNOC L&S said in a statement to the Abu Dhabi Securities Exchange.

The ships are expected to be delivered beginning in 2028 and will be chartered to ADNOC subsidiaries for 20 years to support growing export volumes of LNG. The new carriers will take the company's fleet from the current 14 to at least 22. ADNOC L&S currently delivers energy products to more than 100 customers in about 50 countries through its three business units — integrated logistics, shipping and marine services.

Arctic Council says low-sulfur fuels could be harder to clean up

(Reuters; July 1) - The Arctic could face more severe environmental impacts from oil spills if shippers switch to very-low sulfur fuel oil (VLSFO) following new, restrictive fuel regulations in the region, the Arctic Council said in a statement on July 1. Ships sailing through Arctic waters can no longer use or carry heavy bunker fuel oil as of July 1, following a new regulation from United Nations shipping agency the International Maritime Organization (IMO) that aims to reduce pollution.

The widely used alternative to heavy fuel oil (HFO) is VLSFO. European shippers broadly opted for VLSFO in 2020 when the same regulation took effect there. But if exposed to cold water in a spill, VLSFO forms clumps, whereas HFO remains liquid. Current oil-spill-cleanup equipment is not designed to collect oil clumps, Arctic Council working groups — the Emergency Prevention, Preparedness and Response (EPPR) and the Protection of the Arctic Marine Environment (PAME) — have found.

Shipping traffic in Arctic waters rose by more than a third from 2013 to 2023, and the distance traveled by vessels more than doubled, raising the risk of a spill. “The IMO had the best intentions when they introduced the heavy fuel oil ban, and it will no doubt make a positive environmental impact in many ways,” expert and project lead for PAME and EPPR, Jon Arve Royset said in the Arctic Council’s July 1 statement. “However, in the event of an oil spill, the new fuels being used as a result of this ban could have a far worse environmental impact than the old fuels they are banning.”

Total plans to exit South African discovery after spending $400 million

(Bloomberg; July 2) - TotalEnergies plans to exit its discoveries of gas-condensate off the tip of South Africa to prioritize exploration in other areas closer to Namibia, according to people familiar with the matter. The French giant braved one of the fastest ocean currents in the world to drill off South Africa’s coast, spending at least $400 million to find an estimated 1 billion barrels equivalent of light liquid hydrocarbon at the Brulpadda field in 2019. It had further success at the Luiperd well the following year, but neither discovery has progressed to development.

TotalEnergies plans to relinquish the license for Block 11B/12B because it doubts whether the complex deep-water finds can be made commercially viable, given South Africa’s small gas market, said one of the people, who asked not to be named as the information isn’t public. The company will concentrate instead on exploring the Orange Basin, located farther north on the Atlantic coast of South Africa near promising oil discoveries in Namibian waters, the people said.

In March, the French oil major agreed to buy a stake in the 3B/4B offshore block in the South African part of the Orange Basin, where it already owns other exploration rights together with various partners. It’s currently working on the development of a first oil project in Namibian waters. An exit from the gas discoveries would be a blow to South Africa, which lacks domestic sources of oil and gas. Potential production from the fields had been earmarked in plans to help the country move away from a dependence on coal and provide feedstock for a gas-to-liquids plant that depends on other fields.