

Oil and Gas News Briefs

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Saudi Aramco and Abu Dhabi both looking to expand into LNG trade

(Financial Times; London; July 5) - In the Middle East, state-owned oil companies have a reputation for focusing on domestic needs. But recently, two of them have begun to venture away from their homelands to invest. Saudi Aramco and Abu Dhabi's ADNOC, in particular, have sought out deals in international natural gas trading. There will be more to come. Both have recently signed marketing agreements with U.S. liquefied natural gas exporters such as Semptra and NextDecade.

Saudi Aramco and ADNOC see themselves as energy companies first, not so much hydrocarbon producers. In Saudi Arabia and Abu Dhabi, plenty of investment and promotion goes to sustainable energy production. After all, Abu Dhabi hosted COP28 last November. But both companies still see a future for oil — and especially gas to fill gaps left by renewable sources. Even in the most optimistic scenario for the growth of renewables, fossil fuels will supply 62% of primary energy in 2030, notes the IEA.

For Saudi Aramco, a shift into LNG makes some sense. Saudi has sought to shift from burning its own oil for power generation to using gas and, more recently, solar and wind. It always had gas associated with its oil fields. The problem was that more gas meant more crude — not good as OPEC is curtailing supply. But recent finds, such as Jafurah with 229 trillion cubic feet of proven gas, means Saudi gas output should increase 60% between 2022-2030, according to Citi's analysis. Some will go to domestic power and to make blue hydrogen from methane. But there will be gas left over to export.

Abu Dhabi sets aside stakes in LNG project for energy majors

(Reuters; July 5) - Abu Dhabi National Oil Co. (ADNOC) has earmarked a 40% stake in its Ruwais liquefied natural gas project to energy majors Shell, TotalEnergies, BP, and Japan's Mitsui, sources told Reuters. The four companies are expected to get a stake of 10% each in the project that will more than double UAE's output of LNG and is expected to start production by late 2028, sources said. The companies are expected to get the offtake at a lower price compared to the market, but with less flexibility.

Shell and BP declined to comment. ADNOC, TotalEnergies, Mitsui did not immediately respond to request for comment. The project, which received a final investment decision in June, is expected to be key for Shell and TotalEnergies' Mideast-Asia LNG trade. ADNOC has big ambitions in gas and LNG, which, along with renewable energy and petrochemicals, it sees as pillars for future growth. The UAE currently has 5.8 million

tonnes of LNG capacity, the smallest of the region's producers. The Ruwais plant, at 9.6 million tonnes, will boost its capacity to the second largest in the Mideast behind Qatar.

As demand for natural gas spiked following Russia's invasion of Ukraine, several Gulf countries have looked to capitalize. Qatar this year announced a further expansion of its North Field project that will cement it as one of the world's top LNG exporters. ADNOC has already signed supply deals with Germany's EnBW and Securing Energy for Europe, as well as China's Natural Gas. The ADNOC project is expected to be the region's first LNG export facility to run on clean power, an attraction to many buyers.

Abu Dhabi National Oil Co. reportedly looking at bid for Santos

(Reuters; July 4) - Abu Dhabi National Oil Co. is in the preliminary stages of exploring a possible bid for Australia-based Santos, two people with knowledge of the plans said. Santos, which supplies natural gas and LNG, had been in merger talks with Woodside to create a \$52 billion global LNG company, but the negotiations collapsed in February. Santos said at the time it would continue to review options to unlock value for its shareholders. The company's languishing share price has led to several failed takeover attempts in recent years and spurred calls for it to break up its businesses.

Bloomberg had reported that ADNOC and Saudi Arabia's Aramco have been separately studying potential bids for Santos, citing sources who declined to be named as the information was private. Aramco issued a statement: "With reference to recent media reports claiming that Aramco is considering an offer for Santos, the company can confirm that such claims are inaccurate," a spokesperson for Aramco said by email.

With global LNG demand expected to grow 50% by 2030, ADNOC — and Saudi Aramco — are tapping opportunities around the world, including signing a few deals with U.S. players. ADNOC has big ambitions in gas and LNG, which it sees, along with renewable energy and petrochemicals, as pillars for its future growth. It plans to grow its own LNG production capacity, now at 6 million tonnes a year, to 15 million by 2028.

Some investors have urged Santos to split its coveted LNG assets from oil operations in Alaska and its domestic gas business in Australia to cash in on higher valuations. "Santos has been shopping itself for a while," said Saul Kavonic, an energy analyst at Sydney-based MST Marquee. "But once they look under the surface at Santos, they see too many problems at the legacy onshore Australian assets and walk away."

Abu Dhabi strikes green financing deal with Japanese bank

(Offshore Technology; July 5) - Abu Dhabi National Oil Co. has entered into a \$3 billion green financing facility with the Japan Bank for International Cooperation. The

agreement is aimed at supporting decarbonization and energy transition projects within ADNOC or its subsidiaries. The facility is being offered as part of JBIC's Global Action for Reconciling Economic Growth and Environmental Preservation lending program.

It follows an initial heads of agreement signed in January this year and includes partial support from Japanese commercial banks. ADNOC aims to reduce its carbon intensity by 25% by 2030 and achieve net-zero emissions by 2045. In line with its net-zero goals, ADNOC has unveiled plans to invest \$23 billion to decarbonize its operations. The JBIC-backed investment will foster the development of future energies such as hydrogen and renewable technologies, while also focusing on carbon capture.

"Proceeds of this credit facility will enable ADNOC's strategy to support a just, orderly and equitable global energy transition," said the company's group CFO Khaled Al Zaabi. Last month, ADNOC confirmed the final investment decision for a new liquefied natural gas export terminal in Al Ruwais, Abu Dhabi, and awarded a \$5.5 billion engineering, procurement and construction contract for the project.

Japan's Chubu Electric and BP consider CO2 sequestration venture

(S&P Global; July 4) - Japan's Chubu Electric is in advanced discussions with BP on a carbon capture, utilization and storage (CCUS) project to capture up to 20 million tonnes per year of carbon dioxide in the Nagoya port area, with a potential fleet of some 20 liquefied CO2 carriers to haul the gas to Indonesia's Tangguh for underground sequestration. Hiroki Sato, senior managing executive officer, said Chubu Electric now expects to start up the project with BP in 2030, with an eye to "make a final investment decision around 2026 or 2027," after establishing a detailed project structure.

Chubu Electric has finished a feasibility study with BP for the project, which had initially targeted the capture of around 3 million tonnes per year of CO2, or roughly 10% of the Nagoya port's annual CO2 emissions, when it was first announced in February 2023. "In the process of the feasibility study, we have sought the range of 5 million to 20 million tonnes per year in the timeline toward 2050 while pursuing the scale economics to a certain extent," said Sato, adding that this level would help cut the overall project costs, offsetting an increased expense from a larger number of vessels in the fleet.

Building liquefied CO2 carriers would take two years each, depending on the availability of shipyards, he said. Even as a final decision has not been made, his remarks represent the first public indication that Chubu is considering low-temperature, low-pressure tanks, ahead of the world's first transport of CO2 on a small low-temperature, low-pressure tanker over 600 miles in Japan in trial voyages from October. In Tangguh, BP is developing what will be Indonesia's first CCUS project, with the aim of becoming a carbon capture and sequestration hub for domestic and international emitters.

Saskatchewan goes to court against carbon levy on natural gas

(The Canadian Press; July 5) - Saskatchewan is going to court to stop the Canada Revenue Agency from collecting millions of dollars in carbon levy money — but the federal government says it will stand firm because the law is the law. Saskatchewan Justice Minister Bronwyn Eyre announced July 4 the province has filed for an injunction to stop the federal revenue service from going after the province's bank account.

The application, filed in Federal Court in Vancouver, argues it's unconstitutional for the agency to take from the province's revenue fund, Eyre told reporters. She said Ottawa wants roughly \$28 million. "This is fundamentally an unfair targeting of Saskatchewan," Eyre said. "One set of Canadians was given relief, and another province (is to have) its bank account raided. Is that really where we want to be at in this country?"

Earlier this year, Premier Scott Moe's Saskatchewan government stopped paying the carbon levy on natural gas after Prime Minister Justin Trudeau exempted home-heating oil users from paying. Trudeau's move was largely seen as helping those in Atlantic Canada, where home-heating oil is commonly used and where polls suggest the federal Liberals need to prop up popular support. By not paying the levy, Saskatchewan is breaking federal emissions law. The province can face fines or the minister responsible for natural gas distribution can get jail time for not abiding by the rule.

Nigeria wants partners to boost oil production — or leave

(Reuters; July 2) - Nigerian state oil company NNPC is committed to reversing declining crude production and will replace partners that fail to fulfill their joint-venture commitments on output, group chief executive Mele Kyari said on July 2. Oil output in Africa's top exporter has fallen in recent years, hobbled by large-scale theft and sabotage, and by the exit of oil majors such as ExxonMobil and Shell from Nigeria's onshore fields to focus their efforts on offshore exploration.

Kyari said oil production had reached 2 million barrels per day in recent months, but he added that it had not been possible to maintain, citing limited access to capital and bureaucratic delays that he vowed to address. "We want to grow production. ... We have the reserves but we want to produce," Kyari told an energy conference in Abuja, saying "any partner that does not do what it is supposed to do" to help boost production would be removed from joint contracts.

NNPC holds joint ventures and production-sharing contracts with oil majors that pump about 70% of Nigerian oil. Kyari also announced plans to replace aging pipelines and establish a "rig-share club" with partners to ensure access to drilling equipment, a strategy commonly used by state oil companies globally. "We keep on talking about increasing production, yet we can't guarantee the availability of rigs in this country. We cannot continue that way," he said.

Bolivia wants to attract more oil and gas investment

(Reuters; July 4) - Bolivian state energy firm YPFB is looking to improve conditions for investment in the country's flagging oil and gas sector and seeking help from Russia to overcome recent fuel shortages, the head of the company told Reuters. The landlocked South American nation is reeling from a foiled military coup against the government last week, which stemmed in part from a rising economic crisis linked to years of declining oil and gas production that have hit hard-currency reserves.

In an interview in Bolivia just days after the failed June 26 coup attempt, YPFB President Armin Dorgathen conceded that political missteps in recent years had put off investors, harming output. Gas production has halved from a peak a decade ago, while oil output is at its lowest since the 1990s. "We are working to attract financing from various sides and also looking for partners," Dorgathen told Reuters. He cited issues with payments, legislation and regulation under the country's largely socialist leadership in recent years that made it tough for private firms. YPFB is trying to change it.

"The sector was discouraged," he said. "We are now working also with the partners we already have here in Bolivia — Repsol, TotalEnergies, Petrobras — so that additional investments can be made." The slide in domestic oil and gas output has been at the heart of Bolivia's recent economic and political woes. Once an important gas exporter to neighbors like Brazil, the production drop has hammered export revenue. Bolivia is also seeking help from Russia to ease fuel supplies. Russia's Lukoil delivered 366,000 barrels of diesel on June 19 for YPFB from the Baltic Sea port of Vysotsk.

Indian government asks power companies to fast-track coal additions

(Reuters; July 3) - India has asked power companies to order equipment worth \$33 billion this year to fast track capacity additions of coal-fired power in the years ahead, as the South Asian nation struggles to meet booming electricity demand, two government officials said. The unprecedented move by the government, which would result in record tendering in a year for the equipment by major state-run and private power firms, will help add 31 gigawatts of coal power in the next five to six years, the sources said.

Normally, the government leaves the tendering timing to the companies themselves. Expediting equipment orders for new coal-fired plants was discussed at a meeting held by Power Minister Manohar Lal soon after the formation of Prime Minister Narendra Modi's federal cabinet early last month, the sources said. The targets are ambitious, given the country has ordered equipment for about 2 to 3 GW capacity annually in prior years, barring last year's orders for 10 GW.

India is rushing to add fresh coal-fired plants as it is barely able to meet high power demand with the existing fleet in non-solar hours. Post pandemic, the country's power demand set new records on the back of the fastest rate of economic growth among

major economies and increased instances of heat waves. India saw its biggest power shortfall in 14 years in June and had to race to avoid nighttime outages by deferring planned plant maintenance and invoking an emergency clause to mandate companies run plants with imported coal.

Germany wants to expand gas-fueled power during energy transition

(Bloomberg; July 5) - Germany will begin lining up investors for a massive expansion of gas-fired power plants by early next year, marking a first step in its much-debated strategy for guaranteeing the nation's electricity supplies. By early 2025, five gigawatts of new plant capacity — which should later be converted to run on hydrogen — will be auctioned, the economy ministry said July 5 after weeks of protracted budget talks. The plan had been cut back and delayed several times, with the capacity covering only a small part of what's needed for the nation to phase out coal by the end of the decade.

The ministry said an additional five gigawatts will be tendered as part of a new capacity mechanism, expected to be ready by 2028. Awards will go to bidders requesting the lowest subsidies. The government also plans to revamp its green power subsidies — switching support to investment costs instead of guaranteeing a minimum price per kilowatt hour — and will test this on a small scale. Germany is rapidly expanding its renewable energy sources as it exited nuclear power last year. The government wants to subsidize the expansion of gas-fired plants for when wind and solar supplies ebb.

The plan also involves gradually converting the gas plants to run on cleaner hydrogen, but the high costs would require billions of euros in subsidies, which must be approved by the European Union. Germany's economy ministry said the European Commission has given the plan a first green light, but a final state aid decision is still pending.

U.S. oil output continues to grow; low prices hold back natural gas

(Reuters; July 2) - U.S. oil production continues to grow even as natural gas starts to turn down, with the diverging fortunes of the two sectors reflecting the much steeper slump in gas prices and drilling activity since the middle of 2022. Crude and condensates output from the Lower 48 states excluding federal waters in the Gulf of Mexico increased to 10.99 million barrels per day in April, according to the U.S. Energy Information Administration. Production was running at the third fastest rate on record, and only insignificantly slower than peaks set in November and December 2023.

After adjusting for inflation, front-month U.S. crude futures prices have retreated from a monthly average of \$124 per barrel in June 2022, but they were still as high as \$73 per barrel in December 2023 and have since recovered to \$79 in June. The decline in prices has caused the number of rigs drilling for oil to decline by 22% since the end of

2022. However, production growth is mostly being driven by improvements in efficiency as industry consolidation enables the rationalization of drilling sites and boring wells with longer horizontal sections to drain oil from larger areas.

In contrast to oil, the slump in natural gas prices, drilling and output has been much sharper, with real prices falling to multi-decade lows, forcing a brutal adjustment. Dry gas production slowed to 101.7 billion cubic feet per day in April from 102.7 bcf in April 2023, the slowest for 16 months. Inflation-adjusted futures prices plunged from an average of over \$9 per million Btu in August 2022 to a record low of \$1.76 in February 2024. The number of rigs drilling for gas has fallen almost 40% since September 2022, twice as far as oil, according to a survey by field services company Baker Hughes.

Saudi Arabia oil exports fall to 10-month low amid competition

(Bloomberg; July 5) - Saudi Arabia, the world's biggest crude oil exporter, saw overseas shipments slump to a 10-month low in June amid stiff competition in key markets, while its own needs soared for power generation amid summer heat. Exports of crude from the kingdom, estimated by Bloomberg using vessel tracking data and compared against figures compiled by other data providers, stood at about 168 million barrels last month — equivalent to about 5.6 million barrels a day. That was a mere 250,000 barrels a day above the lowest level seen since the start of the COVID-19 pandemic.

Focusing on two of the biggest customers — China and India — the numbers look even worse. At about 1.27 million barrels a day, the amount of Saudi crude sent to China last month was the smallest since mid-2020, during the depths of the pandemic-induced rout in oil demand. Flows to India have fared little better, falling to their lowest since mid-2021. Shipments to India, just a few days' journey from Saudi Arabia's export terminals on the Persian Gulf, have been on a steady downward trend since early 2022.

And in that observation lies a clue to one reason for the slump — competition from fellow OPEC+ member Russia. Faced with the loss of markets in Europe after its troops invaded Ukraine in 2022, Moscow was desperate to find new ones. Discounted Russian barrels found ready buyers in India. Crude trade between the countries has risen from almost zero in 2021 to 1.65 million barrels a day in the second quarter. In China, Saudi Arabia's biggest crude market, competition has come from Russia, Iran and Venezuela — countries that, like Russia, face sanctions preventing sales to Western buyers.

Russia's oil revenues in June 50% higher than a year ago

(Bloomberg; July 3) - Russia's government revenue from the oil industry was almost 50% higher in June compared with a year earlier as the nation's producers adapted to international sanctions and obtained higher prices for their crude exports. Oil-related

taxes jumped to 590.6 billion rubles (\$6.7 billion) last month compared with 402.8 billion rubles in June 2023, according to Bloomberg calculations based on Finance Ministry data. Total oil and gas revenue rose by 41% to 746.6 billion rubles, the ministry said.

The spike follows higher prices for Urals crude, Russia's key export blend, as well as weaker ruble. The Finance Ministry calculated June taxes based on a Urals price of \$67.37 a barrel, up from \$53.50 a year ago.

Russia's crude has been trading above a \$60 price cap imposed by the Group of Seven industrialized nations. The measure was intended to reduce the inflow of petrodollars and limit Kremlin's ability to finance its war against Ukraine, while still keep Russian oil on the global market. The G-7 threshold, which limits access to Western shipping and insurance, was combined with a European ban on the most imports of Russian crude and petroleum products. Moscow has adapted to these restrictions by using a massive shadow fleet of tankers and redirecting its oil to non-Western buyers, mainly in Asia.

Settlement talks underway between LNG project owners, contractor

(Engineering News-Record; July 3) - After recent weeks of new legal filings and accusations exchanged by San Antonio-based contractor Zachry Holdings, its joint-venture partners and two oil and gas giants in a battle over construction payments, layoffs, stalled work and project leadership at the \$10.5 billion Golden Pass liquefied natural gas export terminal project in Texas, settlement talks appear to be underway, according to court documents and company statements.

Proposals to resolve the standoff were submitted last month to a Houston federal court as part of bankruptcy proceedings Zachry began in May, citing "significant financial strain" from ongoing cost and schedule disputes on the project near Port Arthur in which QatarEnergy and ExxonMobil have 70% and 30% respective stakes. Zachry is the lead contractor, with joint-venture partners McDermott International and Chiyoda. Zachry claims the owners have not paid a fair amount, while the owners deny the allegations.

Work at the plant that is set to produce 18 million tonnes a year of LNG is estimated at more than 75% complete. Following an operations halt that led to thousands of layoffs, work slowdowns and blame attributed to both sides, attorneys for the contractor and owners in a June 27 hearing "were re-engaged in productive discussions to reach a global resolution," says a source close to the negotiations. They seek more time to settle the dispute before a bankruptcy court hearing on Aug. 12.

Canadian agency approves LNG loading jetty project

(LNG Prime; July 5) - Canadian utility and operator of the Tilbury LNG facility across the Fraser River from Vancouver, British Columbia, FortisBC, and its partner Seaspac Energy have won approval from the Canadian government for their planned loading jetty project. The Impact Assessment Agency of Canada said July 4 that it concurred with the provincial approval of the project. The partnership “will now proceed with securing the necessary remaining approvals and permits and will work toward making a final investment decision for the project,” FortisBC said.

The new jetty would provide berthing and loading facilities for LNG carriers and bunker vessels. Launched in 1971 with a single LNG storage tank, the Tilbury LNG facility over the years has received several upgrades of its storage and liquefaction capacity. In 2022, FortisBC signed an agreement with the Musqueam Indian Band that includes options for Musqueam to acquire equity ownership in the projects at Tilbury, subject to regulatory approvals and certain conditions.

A 2019 expansion added a larger storage tank and expanded the plant’s liquefaction capacity. Additional expansion, intended to serve growing demand for LNG as a marine fuel, added 650,000 tonnes a year of LNG production capacity, just shy of 100 million cubic feet of natural gas per day. In addition to the loading jetty, FortisBC is planning another expansion with an even larger storage tank and as much as tripling the plant’s production capacity to 2.6 million tonnes per year to provide fuel for marine customers, serve as a backup gas supplier for the Lower Mainland, and small-volume exports.

Egypt imports LNG to meet summer demand for electricity generation

(Reuters; July 2) - Egypt’s gas production is currently at 5.7 billion cubic feet per day, the state news agency MENA quoted the petroleum ministry spokesperson as saying on July 1 — but it is not enough to meet domestic demand. The spokesperson said 21 liquefied natural gas cargos are to arrive in Egypt during the summer. The first gas shipment arrived on July 1. Egypt awarded LNG import contracts last month in its biggest purchase of seaborne fuel to cover heavy summer demand through September.

Gas supplies that help Egypt generate electricity have been dwindling at a time when an expanding population and urban development have been pushing up electricity demand. When temperatures rise, air conditioning use drives up power consumption. Egypt had resumed LNG exports a few years ago, after new gas discoveries boosted production, but with rising domestic demand for the fuel coupled with insufficient production, the country is back to importing LNG to meet peak needs.

Commodities traders see profit opportunity in buying refineries

(Bloomberg; July 3) - Commodities traders flush with cash are buying oil refineries that energy majors are increasingly turning their back on. It's one of the areas where trading houses — which have long coveted the refining and distribution assets that help drive oil majors' mega trading earnings — are investing huge returns from the most profitable period in their histories. Owning refineries offers more options when making trades, greater exposure to physical and paper markets and better insight into supplies.

The sites are coming up for sale as Big Oil faces shareholder pressure to trim portfolios to focus on assets with the best returns, while also offloading or cleaning up major polluting businesses like refineries. There are numerous examples of late. Bloomberg last month reported that trading giant Vitol bid for assets of U.S. refiner Citgo Petroleum, following a two-year deal spree in which it invested in Italian refiner Saras and fuel stations in Turkey and South Africa.

Trader Glencore is part of a venture that agreed to buy Shell's Bukom refinery in Singapore, while a consortium including Trafigura is in exclusive talks to buy France's Fos-sur-Mer refinery. Gaining a foothold in the refining industry gives traders more options when deciding whether to send certain oil grades to their own refinery or elsewhere, such as in the open market — depending on what makes more money. "The traders see an opportunity to end up with a plant that can run a slew of different crude oils," said Kurt Chapman, a board member of trader Levmet.