Oil and Gas News Briefs
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Bankrupt Texas LNG project contractor lays off thousands

(Houston Chronicle; June 6) - Zachry Industrial, working to build a gas liquefaction plant for ExxonMobil and Qatar Petroleum, laid off thousands of workers in East Texas after filing for bankruptcy last month. Zachry notified the Texas Workforce Commission of its plan to lay off 4,430 workers, according to a list of such notices updated this week. The San Antonio-based company said in a statement that it was "forced to take decisive action to protect our business" after it absorbed "staggering costs" at Golden Pass LNG related to supply chain challenges that have spiraled since the start of the pandemic.

The company blamed the layoffs on the Golden Pass LNG partnership, which it said refused to pay for services. "Golden Pass LNG's refusal to engage productively or make good on their numerous empty promises of financial support forced us to lay off employees and seek protection and resolution through a Chapter 11 process," the company said in a statement. Exxon owns 30% of the project. Qatar owns 70%.

The terminal would be capable of producing and exporting 15 million tonnes per year of liquefied natural gas. Zachry said it had more than 6,000 workers at the work site in Sabine Pass before the layoffs. "A small group of our employees remain onsite to help ensure a safe and orderly transition," it said. Exxon said in a statement it is committed to finishing the project, which it said was more than 75% complete. The company did not provide an update of the previously anticipated mid-2025 start of production.

Golden Pass LNG completion in Texas delayed at least 6 months

(Reuters; June 6) - The start-up of Golden Pass LNG, the QatarEnergy and ExxonMobil $11 billion joint-venture liquefied natural gas project in Texas, has been delayed by at least six months due to construction turmoil, analysts said on June 6. The project at the Sabine Pass site of a former gas import terminal that was converted to liquefy gas for export is one of two U.S. terminals whose start-up had been expected to significantly expand supplies from the world's top exporter of the fuel in the next 12 months.

Golden Pass LNG's start-up, however, was thrown into doubt last month when lead contractor Zachry Holdings filed for bankruptcy and quit the project. The plant was 75% complete and an updated completion schedule will be disclosed, Exxon said last month. On June 5, a regulatory filing on a pipeline to deliver gas to the plant said the latest forecast for start-up may be revised due to the bankruptcy, without giving a new date.

The filing indicates that the first liquefaction unit “will be online by the end of June 2025, with Trains 2 and 3 three following in December 2025 and March 2026," analyst Zach Van Everen at energy investment bank Tudor, Pickering, Holt and Co. wrote in a note published on June 6. The first of three liquefaction units was originally expected to begin processing this year, but was pushed back earlier this year into the first half of 2025. Full production at over 15 million tonnes per year had initially been set for 2025.

U.S. LNG project owner sues contractors over production outages

(Reuters; June 7) – U.S. liquefied natural gas exporter Freeport LNG filed a lawsuit in April against three contractors, alleging that installation defects in electric motors at its $14 billion Texas export plant caused prolonged outages and costly repairs. The lawsuit, filed in state court, alleges that work done by contractors Chiyoda International, Zachry Industrial, and CB&I, a unit of McDermott, resulted in major damage to key equipment. Freeport's Quintana facility has experienced roughly a dozen incidents so far this year.

The plant can produce more than 15 million tonnes per year of LNG and consume roughly 2.1 billion cubic feet per day of gas. Freeport LNG declined to comment. Chiyoda and Zachry did not immediately respond to requests for comment and CB&I did not immediately provide a comment. Zachry Holdings filed for bankruptcy last month and stepped away from work on the Golden Pass LNG plant, owned by ExxonMobil and QatarEnergy, that is under construction in Texas.

The Freeport plant is the first world-scale electric-powered LNG plant in North America, with three trains running on General Electric 75-megawatt motors. Problems with the motors were identified following an incident in January, according to the lawsuit. A root-cause analysis of the incident found an electrical short resulting from loose assembly hardware. A further investigation found additional issues related to the motors, including a "significant partial discharge" due in part to excessively long cables.

China increasingly turning to LNG-fueled trucks and ships

(Bloomberg; June 8) - A slump in the price of natural gas and the prospect of a glut in the years ahead is spurring sales of trucks and ships powered by the fuel in China, hastening a long-term shift away from oil. One in three new heavy-duty trucks sold in China in April was powered by liquefied natural gas that’s more commonly used as a fuel for electricity generation. That’s up from just one in eight a year earlier.

It’s similar in maritime shipping, where LNG is one of the main substitutes for dirty fuel oil. Sales of LNG for vessels in the maritime hub of Singapore were 10 times higher in April than a year before. LNG has been considered an alternative to oil in long-distance transport for some time, but its appeal has been enhanced by a sustained period of low prices following its retreat from a record high in 2022.

Expectations that LNG prices will stay subdued through this decade thanks to a massive wave of investment in new supply in the U.S., Qatar and elsewhere is speeding adoption. Trucking is a “perfect fit” for LNG, said Ira Joseph, a senior research associate at the Center on Global Energy Policy at Columbia University. “It’s a pure substitution play” as it’s competing with more expensive diesel, unlike in the power sector where coal and even renewables are cheaper, he said.

The Chinese figures on the adoption LNG trucks — from domestic information provider cvworld.com — look like the beginning of a long-term trend. Sales have logged year-on-year increases for every month since the start of 2022, according to BloombergNEF, and the vehicles made up about 7% of China’s heavy-duty fleet at the end of last year.

The Philippines builds up gas-fueled power generation

(Associated Press; June 6) - Sea turtles still scramble from the waters of Batangas Bay in the Philippines, paddling up the sand to bury their eggs. Coral reefs that some marine biologists call the Amazon of the ocean lie just offshore, home to giant clams, nurturing small fish, which in turn are prey for manta rays. But above the surface the land is changed. The fishing village of Santa Clara is now surrounded by four power-generating stations, all burning natural gas.

The construction isn’t over. Four more power plants that burn gas are planned for the coastline. What was a string of fishing villages is now an industrial zone. The Philippines is going all in for electricity made via climate-damaging combustion, with almost two dozen power stations planned and the ambition to become a gas hub for the entire Asia Pacific region. It's one of the world’s largest gas power build-outs and will contribute to climate change at a time when renewable electricity has never been cheaper.

“It’s mindboggling that the Philippines, a climate-vulnerable country, would still pursue dirty fuels which exacerbate climate disasters,” said Gerry Arances, executive director of the Philippine nonprofit Center for Energy, Ecology and Development. But the Philippines’ Department of Energy Fossil Fuels Director Rino Abad defended the plans. “We just have to make our best choice, which is natural gas,” he said in a Zoom interview, describing it as the least expensive energy source, flexible and very clean.

LNG saved Europe in 2022, but it has competition for supplies

(Bloomberg opinion column; June 6) - In its moment of most need in 2022, the liquefied natural gas market saved Europe. Now, that same LNG market is the continent’s new vulnerability. Because LNG is transportable, Europe can source the commodity from most anywhere, including major suppliers the U.S., Qatar, Australia and Nigeria. The drawback is that everyone else in the world can do the same, increasing competition.

Rivalry to buy LNG is visible in today's market, with European benchmark prices recently climbing to a near six-month high. Granted, other factors have also contributed to higher prices. But in the background, the battle for LNG is playing a role. Before Russia invaded Ukraine in 2022, Europe used to depend on Russian pipeline gas for more than 40% of its imports. LNG accounted for about 20%. But after Moscow largely cut the flow, the continent's import reliance flipped. By last year, LNG accounted for about 42% of Europe's gas imports, while Russian pipeline gas fell to just 8%.

In 2022 and 2023, Europe had the global LNG market for itself. High costs priced out other importers — Pakistan and Bangladesh, among several others — while China was absent as its manufacturing sector was recovering slowly from pandemic lockdowns. At the same time, soaring prices encouraged LNG companies to keep the supply elevated.

Fast forward to 2024, and Europe is starting to see stronger competition. China is back, with record imports nearly every month. India is also buying, and so are other smaller importers. The result is that Europe is importing less LNG than it did in 2022 and 2023. But the competition for LNG could turn more problematic this coming winter if the region faces a colder-than-usual season and other importers simultaneously have weather trouble. It's a stark reminder that Europe hasn't yet emerged from its energy crisis.

Saudi energy minister says OPEC+ will adjust if market weakens

(Reuters; June 6) - OPEC+ can pause or reverse any oil production increases if the market weakens, the Saudi energy minister said on June 6, adding that he disagreed with the bearish view that Goldman Sachs has of OPEC+'s deal on June 2. Goldman Sachs declined to comment. Some OPEC+ members, including Russia, agreed on June 2 to phase out voluntary production cuts of 2.2 million barrels per day over a year beginning in October. OPEC+ also agreed to maintain other cuts amounting to 3.66 million barrels per day until end-2025.

Oil has declined this week, with benchmark Brent crude touching a four-month low below $77 a barrel on June 4, although on June 6 prices had recovered to around $79. Many analysts said the OPE+ deal was bearish for oil prices as it called for boosting supply starting later this year. Goldman Sachs was one of the first to issue a short, two-page report on June 2, headlined "Bearish phase-out of extra voluntary cuts."

Speaking at Russia's Economic Forum in St Petersburg, which he attended along with a number of other top ministers and officials from OPEC+, Saudi Energy Minister Prince Abdulaziz bin Salman said Goldman Sachs used incorrect figures in its conclusions. He did not specify which figures were incorrect. Prince Abdulaziz said OPEC+ can pause or reverse production increases if it decides the market is not strong enough.

Weak prices have flattened growth in U.S. oil and gas production

(Reuters; June 6) - U.S. oil and gas output is finally showing signs of flattening out as drilling rigs and well-completion crews have been idled in response to the retreat in prices since mid-2022. Crude and condensates production was running at almost 13.2 million barrels per day in March, according to data from the U.S. Energy Information Administration. That's no net growth since October, indicating the production surge after the end of the coronavirus pandemic and Russia's invasion of Ukraine had ended.

The number of rigs drilling for oil fell to an average of just 497 in May from a cyclical peak of 623 in December 2022. If futures prices remain around current levels, U.S. production is likely to remain basically flat for the rest of 2024 through at least mid-2025. Lower prices and limited growth in U.S. output would create space for Saudi Arabia and its OPEC+ allies to reverse some of their own production cuts later this year and into 2025. The decline in natural gas prices since the middle of 2022 has been even more severe than oil and has brought growth in U.S. gas production to a halt.

U.S. increases purchases to refill Strategic Petroleum Reserve

(Reuters; June 7) - President Joe Biden's administration has increased purchases of crude oil to replenish the Strategic Petroleum Reserve following its historic sale from the stockpile in 2022. The Department of Energy on June 7 issued two solicitations to buy a combined 6 million barrels of crude for delivery to its Bayou Choctaw site in Louisiana from September through December. If those offers and previously announced ones are fulfilled, the department's purchasing rate would increase to about 4.5 million barrels per month for September, October and November from about 3 million barrels now.

The SPR is stored at four sites on the coasts of Texas and Louisiana, and two of those have been undergoing maintenance, slowing purchases. The Biden administration in 2022 announced a record sale of 180 million barrels from the SPR after Russia's invasion of Ukraine. The move was an effort to control gasoline prices that spiked to more than $5 a gallon. But it also reduced the SPR to its lowest level in 40 years.

The department said it will look for more ways to replenish the reserve, depending on the market. The Department of Energy wants to buy oil for the reserve at about $79 a barrel. West Texas Intermediate crude futures were well below that at about $75 on June 7, falling for a third straight week on concerns about demand. "At a time of relative crude weakness, the department is adding 50,000 barrels per day to SPR demand," said Kevin Book, an analyst at ClearView Energy Partners.

Canada’s oil sands producers object to emissions cap

(Reuters; June 6) - Canada's biggest oil sands producers support a paying a tax on carbon but see a proposed federal oil-and-gas emissions cap as unnecessary legislation, the companies' CEOs told lawmakers on June 6. Executives from Suncor Energy, Imperial Oil, Cenovus, Enbridge and Shell appeared via video link before a House of Commons committee to answer questions on their efforts to cut emissions.

Prime Minister Justin Trudeau's government is planning to introduce a cap on oil and gas emissions but faces stiff opposition from producers, who argue the legislation is unnecessary because Canada already has regulatory incentives in place, including a price on carbon produced by industry. "I do support a price on carbon across the economy because I believe that will drive the innovation, the economic incentives on all of our part to continue to improve our business," said Suncor CEO Rich Kruger.

"I fundamentally worry that a cap on emissions, the way it's constructed, will be a cap on production," he added. The oil and gas sector is Canada's highest-polluting industry, accounting for more than a quarter of all emissions, and in 2022 made record profits as oil prices soared during Russia's invasion of Ukraine. Climate campaigners say companies should invest more of their profits in decarbonization. Kruger's opposition to a cap was echoed by Imperial CEO Brad Corson and Cenovus CEO Jon McKenzie.

New Zealand plans to lift ban on new offshore oil and gas exploration

(Bloomberg; June 9) - New Zealand’s government is pressing ahead with plans to lift a ban on offshore petroleum exploration, citing energy security challenges from “rapidly” declining natural gas reserves. Gas is “critical” for the economy during periods of peak electricity demand and when generation dips from more intermittent sources such as wind, solar and hydropower, Resources Minister Shane Jones said on June 9.

Prime Minister Christopher Luxon’s administration had pledged to resume offshore oil and gas prospecting following last October’s election. Officials are also trying to speed up the construction of renewable plants. The end of the moratorium will be proposed in Crown Minerals Act amendments to be introduced in parliament in the second half of 2024, according to the statement.

Green Party co-leader Chlöe Swarbrick criticized the move, saying lifting the ban is a “severe” backward step amid a “climate crisis.” New Zealand stopped offshore oil and gas exploration permits in 2018 but continued to allow onshore projects.

Chevron plans to turn decommissioned platforms into artificial reefs

(Australian Broadcasting Corp.; June 6) - A plan by Chevron to create artificial reefs out of decommissioned oil platforms off Western Australia's Pilbara coast has drawn the ire of unions and green groups. The company owns nine platforms in the waters around Thevenard Island, off the coast of Onslow, but has not extracted oil from the area since 2014. Chevron must decommission the infrastructure, but has received state government approval to convert the rigs into artificial reef environments.

While all eight platforms will be repurposed, five will remain in place, with three to be temporarily removed before being reinstalled at the site. The ninth platform will be fully removed and recycled on the mainland. Chevron, the government and fishing body RecFishWest say the plan is ecologically safe, arguing it will benefit the local marine ecosystem and provide fishing and tourism opportunities. However, a national environment group said Chevron is shirking its responsibilities, and the plan sets a poor precedent as decommissioning ramps up across Australia.

The federal government has predicted an industry around decommissioning oil and gas infrastructure in Australian waters could be worth up to $60 billion over the next 30 to 50 years. A number of similar "rigs-to-reef" projects already exist in Western Australia waters. "Companies are looking for ways they can minimize the cost," said Wilderness Society fossil fuel campaigner Fern Cadman.

TC Energy spins off oil pipelines, keeps gas pipelines business

(Calgary Herald; June 5) - Get ready for the debut of South Bow. Shareholders in TC Energy on June 4 approved the company's plan to spin off its oil pipelines into a new publicly listed company. For Bevin Wirzba, who will become CEO of South Bow — soon to be the next Calgary-based midstream business — it's a chance to build a new company as global energy demand and Canadian oil production continue to expand.

"It's a once-in-a-lifetime opportunity for not only the team but for the board to have effectively a C$15 billion start-up," the 52-year-old Edmonton native said at TC Energy's office on June 4. At TC Energy's annual meeting, investors supported the company's strategy to spin off its liquids pipeline business to unlock incremental growth, saying it would give both firms the ability to pursue their own objectives and opportunities.

Calgary-based TC will continue as a gas infrastructure and power-energy business. South Bow, with a new head office in Calgary and about 600 employees, will operate about 2,500 miles of crude oil pipelines in North America. Its assets include the existing Marketlink and Keystone pipelines in the U.S., which move western Canadian oil south, and oil lines within Alberta. The company's chair is industry veteran Hal Kvisle, previously CEO of TransCanada (before its name was changed to TC Energy).

Repair job on Norwegian gas line to U.K. worries market

(Bloomberg; June 6) - Urgent repairs to a pipe on a gas platform in Norway are underway (completed June 7) but the event served as a grim reminder that small outages can send European prices soaring. Helicopters carrying equipment and engineers arrived at the Sleipner platform 160 miles off the coast of Norway to repair a small crack discovered June 2 in a pipeline that's the width of golf ball. The field's riser platform is a key connection point in Europe's gas network.

Prices jumped to the highest this year as Europe risked losing 20% of its Norwegian gas imports and traders began to grumble about the scant information available on the extent of the problem and how long it would last. That an issue with such a small pipeline could cause such a big impact underscores the influence Norway now has on Europe's energy security. The country is viewed as a steady trading partner with a long and consistent history of delivering energy to Europe.

"Given the enlarged European reliance on Norway, any disruption is likely to have an outsized impact on prices," said Adnan Dhanani, an analyst at RBC Europe. The Sleipner R platform at the center of this week's outage, operated by Equinor, stands at the point where the 389-mile Langeled North pipe meets the 324-mile Langeled South. Together, these link the Nyhamna gas processing facility in central Norway with a terminal near Hull in the U.K., the entry point for a third of Britain's total supply.

High-integrity label comes to voluntary carbon market

(S&P Global; June 6) - After a long delay, the first batch of carbon credits with a high-integrity label finally emerged on the voluntary carbon market, with market participants hoping this will bring much-needed credibility and clarity. A total of 27 million carbon credits were tagged with the Core Carbon Principles marker after the approval of seven carbon crediting methodologies, the Integrity Council for the Voluntary Carbon Market (ICVCM) said June 6. These credits emanate from projects that fall under two broad categories: Ozone Depleting Substances and Landfill Gas Capture and Utilization.

This is a significant milestone for a market that has been plagued by quality concerns, especially in the past two years, where the growing scrutiny has led to a sharp slump in the value on the voluntary carbon market. These credits may only represent a small section of the market, but it is a much-needed start, Pedro Martins Barata, co-chair of the ICVCM expert panel told S&P Global Commodity Insights.

Barata said the next announcements in the coming months will "focus on a broader set of methodologies" and the impact from these could be more significant, as they represent a large share of the market. As many as 27 project categories of carbon credits, representing over 50% of the market, remain under active assessment, with announcements on these expected by September, according to the ICVCM. These include credits from project categories such as Renewable Energy, Improved Forest Management, and Afforestation, Reforestation and Revegetation.

Germany working out details to develop hydrogen-ready power plants

(S&P Global; June 7) - Details on how to support the construction of 10 gigawatts of new hydrogen-ready gas-fired power plants in Germany required by 2030 remain unclear and contentious, with the planned first tender unlikely this year, according to political decision makers and developers speaking at an energy conference in Berlin on June 6. Energy Minister Robert Habeck said a political framework on the "power plant strategy" within the governing coalition was still possible before the summer break.

This would allow a "power plant support law" to proceed toward parliamentary approval before the end of the year, the minister said. Regulator BNetzA sees a first tender to build hydrogen-ready plants as unlikely to happen this year. "I think it (the political process) will go fast, but that doesn't mean that we will have a tender this year," said BNetzA vice president Barbie Kornelia Haller during a panel debate with grid operators and turbine developers.

"We want stable long-term framework conditions. Once we have this in a parliamentary process, we (BNetzA) will start the tender call details. That needs to be prepared properly. We will work very hard so that this will come early next year," Haller said. BNetzA's job is to organize the four planned tenders for government support to build 10 GW of new dispatchable capacity as well as develop a new capacity market starting in 2028, as agreed to in February by the government.