Oil and Gas News Briefs
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IEA forecasts 'massive oil production buffer,' lower prices by 2030

(Wall Street Journal; June 12) - Global oil markets are headed toward a major glut this decade, a global energy watchdog forecast, citing surging supplies and slowing demand growth for crude thanks to lower-emissions energy sources. The International Energy Agency, whose members include the world's biggest oil consumers, predicted in its closely watched medium-term oil market report that so-called spare capacity — the amount of pumping capacity left unused because of adequate supply — could surge in coming years to levels only seen during the COVID-19 pandemic.

Oil-demand growth is set to peak by 2029 and start to contract the next year, reaching 105.4 million barrels a day in 2030 as the rollout of clean-energy technologies speeds up, according to the Paris-based organization. Meanwhile, oil-production capacity is set to increase to nearly 113.8 million barrels a day, driven by producers in the U.S. and the Americas. "This would result in levels of spare capacity never seen before other than at the height of the COVID-19 lockdowns in 2020," the IEA said on June 12.

"Such a massive oil production buffer could usher in a lower oil price environment, posing tough challenges for producers in the U.S. shale patch and OPEC+," the IEA said. Despite the slowdown, global demand in 2030 is still forecast to rise by 3.2 million barrels a day from 2023. The increase will be driven by strong demand from economies in Asia, India and China. But rising electric car sales, fuel-efficiency improvements and the use of renewables for electricity generation will increasingly offset gains.

China's oil imports down for first five months of the year

(Reuters columnist; June 10) - China's imports of major commodities were either weak in May, such as the decline in crude oil, or showing signs of strength though deceptive and largely driven by factors other than rising consumption. Arrivals of crude dipped into negative territory for the first five months of the year, with calculations based on official customs data released on June 7 showing imports of 11 million barrels per day in the January to May period, down 1.2% from 11.13 million in the same period last year.

The decline in year-on-year imports has been put down to weak refining margins crimping throughput, and the 7.7% drop in fuel exports in the first five months of 2024 has also contributed to lower demand for crude. China's imports of crude are down 130,000 barrels per day in the first five months of the year, an outcome that is starkly at odds with the expectations of the Organization of the Petroleum Exporting Countries.

The exporter group forecast in its May monthly outlook that China's crude demand will rise 710,000 barrels per day for 2024, the biggest contributor to world demand growth.

To be fair to OPEC, the group expects a stronger second half for China's oil demand, but even so, growth in imports is running so far behind the OPEC forecast that the second half will have to be exceptionally strong. The major commodity where demand is higher is coal, with China's imports of all grades coming in at 43.81 million tons in May, down from April's 45.25 million but higher than the 39.58 million from May 2023. For the first five months of the year, China's coal imports were up 12.6% from in 2023.

Senegal’s $5 billion project starts up; plans 100,000 barrels per day

(S&P Global; June 11) - Senegal has become an oil and gas producer for the first time after Woodside Energy announced first oil at its Sangomar project offshore the African country on June 11. Phase 1 of Sangomar, which alongside BP's Greater Tortue Ahmeyim offshore gas project could overhaul the Senegalese economy, will produce 100,000 barrels per day of crude, according to the Australian oil and gas company.

Oil will load from the Leopold Sedar Senghor floating production unit, named after Senegal's first president and sitting some 60 miles offshore Dakar, the capital. The unit has a storage capacity of 1.3 million barrels. Woodside expects to export Sangomar's crude, rather than sell it locally. In total, the up to $5.2 billion project will encompass 23 wells, including 11 production wells, 10 water injectors and two gas injectors in Phase 1, although a 12th production well will be drilled in the current campaign, Woodside said.

The company, which also has assets in Namibia and the Republic of Congo, holds an 82% stake in the project, alongside state-owned Petrosen with 18%. The Sangomar project is an example of a rapid journey from final investment decision to first oil, Woodside's head of exploration and development Andy Drummond told S&P Global Commodity Insights, taking just five years in spite of the pandemic. Drummond said Woodside will analyze the results of Phase 1 before deciding on a second phase.

Old tankers moving Russian, Iranian oil pose safety risks

(Wall Street Journal; June 11) - An armada of old tankers has sprung up to move sanctioned Russian and Iranian oil, possibly putting sailors in peril and threatening environmental catastrophes. At the center of this trade is a new player in global shipping: Gabon, a nation better known for its dense rainforest and a recent coup than maritime acumen. The Gabonese ship registry has ballooned to hold over 100 tankers, according to ship brokers and owners, and an official at an established rival registry.

Lloyd's List Intelligence estimates more than 70 of those vessels have obscure ownership and form part of a shadow fleet of tankers dedicated to sanctioned oil trades. Other tankers sport banners from Comoros — a tiny island nation on the other side of Africa off the coast of Mozambique — or Cameroon. In opting for these obscure "flag states," the shadow fleet is sidestepping a system that has long helped keep the oceans safe by ensuring ships are insured and seaworthy, and that sailors are well treated.

"It's a major problem for all of us. Many of these ships are beyond the inspection and oversight regime that the world has constructed since the big tanker disasters of the 1980s and '90s," said William MacLachlan, partner at shipping-focused law firm HFW. Last year, the Gabon-flagged Pablo burst into flames off the coast of Malaysia, killing three crew members, according to Malaysian officials. The empty tanker was 26 years old, according to a public maritime database. Malaysian authorities are still trying to figure out who owned Pablo, the officials said.

Water flowing to the surface from abandoned oil wells in West Texas

(The Texas Tribune; June 11) - In recent years, Schuyler Wight has noticed a growing number of abandoned oil wells coming back to life, gurgling fluids on the surface of his West Texas ranch. Last week he found the biggest one yet. Gassy water was gushing from the ground and down a quarter mile of roadway before it drained into a pasture on a remote corner of his land. "It's by far flowing more than any other," Wight said. "It's getting worse, there's no question about that."

It's the latest in a string of mysterious water features in the arid Permian Basin, the nation's top producing oil field, that regulators have been unable to explain. Last year, an eruption of salty water swamped several acres on Wight's cousin's ranch, triggering a multimillion-dollar cleanup. In 2022, a geyser shot up from a well in Crane County, then another on the Antina Cattle Ranch. Nearby, a large pond of gassy groundwater has become a permanent feature called Boehmer Lake.

The state regulatory commission has yet to offer an explanation for what is driving so much water to the surface. After the massive cleanup effort in January, an agency news release said it was "continuing to investigate." Wight, a fourth-generation rancher, has watched this problem grow for years. He said the commission has plugged about 10 old wells leaking onto the surface of his property. But each time, another one starts flowing.

There's nothing unusual about a leaky old well. Many in West Texas were drilled during World War II, and years underground can do major damage to steel and concrete casing. Many of those wells were also flooded with water to squeeze out the last drops of oil. The mystery now is what is pushing large volumes of that water up to the surface.

New York law would charge oil and gas companies for climate change

(Wall Street Journal; June 11) - New York legislators passed a bill last week that would charge fossil fuel companies a total of $3 billion a year for 25 years to pay for costs associated with climate change. The Climate Change Superfund Act is now headed to Gov. Kathy Hochul's desk for her signature. If enacted, New York will become the second U.S. state with a law requiring fossil fuel companies to bear some of the financial burden of climate change. Vermont led the charge last month. Similar bills have been introduced in California, Massachusetts and Maryland.

New York Sen. Liz Krueger, a sponsor of the bill, said $3 billion wouldn't cover the full annual cost of adaptation and mitigation in New York. "We're probably spending a lot more than that a year already, and the numbers keep growing when you look at flooding damage, storm damage, rising water tables, fires, pollution, health — all these things being caused by climate change." Saudi Aramco, which tops, could owe New York $644 million a year, according to a memo written by Krueger and her co-sponsor last year.

ExxonMobil, Shell, Pemex, BP and Chevron could each owe upward of $150 million annually, according to the memo. A spokesperson for Krueger emphasized that the numbers in the memo are approximate, and state regulators would perform additional analysis to determine which companies are covered and how much they owe. Scott Lauermann, a spokesman for the American Petroleum Institute, a trade association representing oil and gas companies, said he hopes the governor will veto the legislation. If enacted, the New York law is likely to face legal challenges, as is Vermont's law.

New Mexico judge allows constitutional claims against pollution

(The Associated Press; June 10) - A New Mexico judge cleared the way June 10 for a landmark lawsuit to proceed that alleges the state has failed to meet its constitutional obligations for protecting against oil and gas pollution. Environmental groups and Native Americans who live near wells in the No. 2 oil-producing state in the U.S. initially filed the case in 2023. They are seeking compliance with a "pollution control clause" in the New Mexico Constitution.

Judge Matthew Wilson denied a motion by the state to dismiss the case, saying there needs to be more scrutiny of New Mexico's responsibilities under the constitution and that granting the state's request would short-circuit that examination. Attorneys for the plaintiffs celebrated the ruling, saying it will allow residents who have been living with the consequences of more oil and gas development to have their day in court.

"The case can go forward on the undisputed facts about the extent of the pollution and the extent of the state's failure to control that pollution," said Gail Evans, an attorney with the Center for Biological Diversity. The state has in recent years adopted rule changes aimed at limiting oil and gas industry emissions, but environmental groups have raised concerns that enforcement isn't keeping pace despite fines being levied against energy companies and settlements aimed at addressing air pollution.

California uses consumer protection laws to sue oil companies

(Financial Times; London; June 10) - California will attempt to use consumer protection laws to seize some of the world's biggest oil companies' profits as part of a lawsuit accusing them of deceiving the public for decades over their role in climate change. State Attorney General Rob Bonta invoked a new state law on June 10 that allows claimants to target company profits that can be identified from the violation of consumer protection and advertising laws.

In an updated filing, the state lists recent examples of alleged "false advertising and misleading environmental marketing by some of the defendants" and seeks company profits to be deposited into a victims restitution fund. The effort is part of a lawsuit launched by California against ExxonMobil, Chevron, Shell, BP and ConocoPhillips last September, and accuses fossil fuel companies of spreading misinformation, sowing doubt about climate science and claiming that some of their products are "clean".

The move comes as U.S. states and cities increasingly turn to the courts to attack oil and gas companies using consumer protection, racketeering, product liability and other laws to obtain damages and cover climate-related costs. Globally, the number of climate-related court cases has doubled in the five years between 2017 and summer 2023, according to research by the United Nations and Columbia University. The majority of the cases have been filed in the U.S.

Oil, gas, petrochemical industries build desalination plants in Texas

(Al Jazeera; June 8) - "It's a beautiful bay, and it was even more beautiful in the beginning," says 72-year-old Encarnacion "Chon" Serna, a retired chemical engineer, as he describes Corpus Christi Bay, which lies just a few feet from his door in Texas. It's the home in which Serna and his wife raised four children and where 10 grandchildren often visit to play in the waters that can be heard hitting the shore from their house.

But as the oil, gas and petrochemical industries threaten to take what's left of the Gulf Coast along with Serna's backyard — petrochemical facilities are being built not far from his home — and as large-scale desalination projects, which will serve these industries, gain approval to discharge wastewater back into the bay, he wonders how much longer it will survive. "I'm not going to take this house or this bay to the coffin. It's a legacy. It must be here in a healthy form so that future generations can enjoy what I enjoyed."

Just minutes from Serna’s home lie the shores of the La Quinta Channel, home to the Port of Corpus Christi that is owned and operated by the counties of Nueces, San Patricio and Corpus Christi and is the largest gateway for U.S.-produced energy exports. There, the port authorities and the City of Corpus Christi are each planning to build and operate a new desalination plant if granted permits by the state.

The desalination plants are just two of five proposed for Coastal Bend. If approved, the five will all draw water from the bay to feed the massive oil, gas and petrochemicals industrial hub in Corpus Christi. Not only will local residents not benefit from the desalinated water produced by this project — most of the water will go to industry — they fear that the result will be the loss of their homes in an area that includes one of the city’s last predominantly Black communities as the industrial area slowly expands.

Alberta regulator orders company to clean up, then turn over wells

(The Canadian Press; June 10) - A Calgary company has been ordered to abandon close to 1,000 wells, pipelines and other facilities over concerns about care and maintenance of the sites. But questions remain about whether Tallahassee Exploration will be able to pay for the multimillion-dollar reclamation plan the provincial regulator has ordered the company to submit. Company phone numbers were not in service June 10.

In an order issued June 10, the Alberta Energy Regulator told the company it has 60 days to complete the first stage of cleanup for 693 wells, 146 pipelines and 75 facilities. "Abandonment work, including surface abandonment and removal of cement pads, debris and produced liquids associated with the wells, must be completed in accordance with (regulatory) requirements," the order says. The company has 30 days to submit a detailed plan for how it will complete the remediation.

"Tallahassee has not demonstrated it is capable of providing reasonable care and measures to protect public safety and the environment and is unable to meet its regulatory and end-of-life obligations," says the order. The regulator first issued an order in September for the company to clean up its sites. Lawyer and regulatory watchdog Drew Yewchuck said about 300 of Tallahassee's wells are inactive and are likely to wind up abandoned. The rest could be sold to producers interested in low-producing assets.

Texas deep-water oil export terminal draws criticism

(Houston Chronicle; June 8) - Thirty miles off the Texas coast, Enterprise Products is getting ready to move ahead on a deep-water oil export terminal that, once complete, would allow two supertankers measuring 1,000 feet in length to load up with crude simultaneously. It would serve ships too large to navigate land-based ports like those in Houston and Corpus Christi. But Enterprise’s multibillion-dollar Sea Port Oil Terminal

(SPOT) project, which the Biden administration cleared to move ahead to construction in April, has a design feature out of line with current maritime standards.

Tankers will moor far closer to the terminal than other facilities of its kind, increasing the risk of a cataclysmic accident, according to maritime and engineering experts who spoke to the Houston Chronicle. On a typical day, the two-thirds of a mile between SPOT and its tanker mooring would not be a problem. But if a sudden squall were to come across the gulf, like one that capsized the 234-foot long Seacorp Power vessel in 2022, and knock a tanker off its mooring, there potentially wouldn't be sufficient time for the ship to avoid crashing into the SPOT terminal.

A more than 300,000-ton ship striking the terminal, raised above the water on a set of steel pilings stretching from the sea floor, would likely result in a massive oil spill and potentially kill those manning the terminal, said Lincoln Stroh, a former deputy director with the U.S. Coast Guard who serves as chairman of the National Offshore Safety Advisory Committee, which advises the Department of Homeland Security. "The worst case is the vessel is weather-vaning close to the platform and then a squall comes through and blows the vessel against the platform and knocks it over," he said.

Canada told to streamline reviews to meet energy-transition goals

(Calgary Herald; June 10) - The Canadian government must find ways to streamline the environmental review process if it has any hope of meeting the ambitious timeline for its energy-transition goals, according to a report by a governmental advisory panel. The Canadian Electricity Advisory Council on June 10 offered up a series of policy changes to make it easier to expand the electricity sector, and highlighted a central tension of the plan to address climate change: Many environmental laws and regulations aimed at promoting biodiversity and conservation are now threatening the pace of construction.

The council's 110-page report said a "tangle of current approval processes" at all levels of government are threatening the build-out of clean-electricity projects and that the federal government can undertake "systemic reform" to lead by example. "The council recognizes the need for an updated approach that accounts for biodiversity and conservation objectives without jeopardizing or unduly delaying critical projects to reach Canada's net-zero goals on time," the report said.

The council was convened by the Natural Resources minister in May 2023 to advise the government on how to enable more electrification. Today, electricity supplies around 17% of the country's energy, but that needs to increase to between 40% and 70% to meet Canada's goal of net-zero carbon emissions by 2050. Put another way, the report said electricity generation capacity "must grow three times as fast as it has in recent decades." That would require decarbonizing the current electrical grid as well as constructing new power plants, transmission lines and other associated infrastructure.

[UAE decides to go ahead with new LNG export project]

(Bloomberg; June 12) - The United Arab Emirates's biggest energy company approved a major liquefied natural gas export terminal as it seeks to tap into a growing global market for the fuel. Abu Dhabi National Oil Co. made the final investment decision to build the LNG plant in the industrial city of Ruwais, according to a statement. The project will add 9.6 million tonnes of annual LNG export capacity, more than doubling ADNOC's production capability.

The company on June 12 awarded a $5.5 billion engineering and construction contract for the facility. The go-ahead decision is the latest sign of its ambition to expand in the global market. ADNOC has signed sales deals with Asian and European buyers for supply from the project starting 2028, though it has yet to find buyers for all of the gas.

The UAE is looking to take advantage of gas's role as a bridge fuel in the energy transition, but there are concerns among environmentalists that huge methane leaks across the LNG supply chain can make the fuel worse for the environment. Saudi Arabia is also bolstering its gas business, with government-owned Aramco boosting production at home, buying into LNG projects in Australia and seeking U.S. assets. All three gulf states are expanding their trading arms to maximize profits from selling gas.

[EU members have imported more cargoes of Russian LNG this year]

(High North News; June 12) - Discussions in Brussels and across European capitals continue about how to phase out Russian supplies of liquefied natural gas. Meanwhile deliveries reached a new high during the first four months of 2024, according to a new report by Norway's Center for High North Logistics. Between Jan. 1 and April 30, European Union member states — primarily France, Belgium and Spain — took delivery of 89 shipments of gas from Novatek's Yamal LNG project in the Russian Arctic. This compares to 82 shipments during the same period in 2023.

In addition, the Netherlands received nine shiploads of gas condensate from the same project. Condensates are hydrocarbon liquids produced from natural gas fields. Occupying a niche between traditional crude oil and natural gas, their import into the EU remains unsanctioned. Condensates account for around 10% of Yamal's overall production. Each delivery of LNG is valued in the realm of US$40 million. The value of shipments during the first four months of 2024 could total approximately US$4 billion.

Some deliveries are subsequently re-exported to third countries, including China. The EU has thus far been unable to make definitive progress toward curbing the influx of LNG from Russia. The European Commission is expected to outline its policy approach this week ahead of the European Council meeting later this month. Individual members, including Germany and Sweden, have expressed support for a ban of LNG imports.

[FERC steps into dispute between LNG plant owner and customers]

(Reuters; June 10) - U.S. regulators on June 10 ordered liquefied natural gas developer Venture Global LNG to provide its customers with documents about the mechanical problems and start-up of a Louisiana liquefaction plant. Venture Global's Calcasieu Pass plant has been at the center of a long-running dispute involving energy companies including BP, Shell and others over access to LNG during the plant's commissioning.

The Federal Energy Regulatory Commission said in its order that it would appoint an administrative judge to arrange details of the distribution of the disputed commissioning documents. FERC wants Venture Global and customers to negotiate terms of the order. The Virginia-based firm's Calcasieu Pass plant has been producing and shipping LNG for more than two years, but has not provided any to contract customers, saying the plant is not yet fully operational. The company has made billions selling the gas on the high-priced spot market, while turning away claims to the gas from the contract holders.

BP and Shell in January asked FERC to force Venture Global LNG to release documents to determine why commercial operations were stalled, calling the delay "unprecedented and inexplicable." BP, Shell, Edison, Repsol, Galp Energia and others that signed long-term contracts to obtain LNG have said the lengthy commissioning has deprived them of billions of dollars in sales. Venture Global had objected to the energy company requests, saying it would not provide the documents unless ordered to do so.

[Nigeria plans to boost LNG output with floating production unit]

(Reuters; June 11) - Nigeria's state firm Nigeria National Petroleum Corp. has signed an agreement with Golar LNG to deploy a floating liquefied natural gas production vessel off the coast of its oil-rich Niger Delta, NNPC said on June 11. Nigeria, Africa's top oil producer, holds the continent's largest gas reserves of more than 200 trillion cubic feet and is seeking investments to boost output. NNPC spokesperson Olufemi Soneye said the project development agreement will utilize about 500 million cubic feet of gas per day, producing LNG, propane and condensate.

"The agreement aims to monetize vast proven gas reserves from shallow water resources offshore Nigeria," Soneye said in a statement. Soneye said NNPC and Golar LNG have agreed to reach a final investment decision on the project before the end of the year, with production expected to start in 2027. The deal is the second floating LNG accord the NNPC has signed with partners in the past year and follows two other LNG agreements with investors to increase its domestic supplies and exports.

Nigeria, which still flares excess gas produced due to inadequate processing infrastructure, launched a national gas expansion program in 2020 to end flaring by increasing local use of gas.

The Philippines looks toward nuclear power to replace LNG

(Bloomberg; June 11) - The Philippines' biggest private electric distribution utility, Manila Electric Co. is looking at nuclear power to replace liquefied natural gas in the long term as a carbon-free energy source. "After liquefied natural gas, we're not sure what technology will be there to supply carbon-free baseload power," said Lawrence Fernandez, head of utility economics. "Nuclear is one, so that's why we are starting."

The Philippines hopes to have renewables provide 35% of the country's energy by 2030 and 50% in 2040. However, coal still dominates the electricity mix with a share of nearly 44% as of 2023, according to government data. Displacing carbon with nuclear energy in the archipelago will face regulatory challenges. The Philippines doesn't have a legal framework for nuclear feedstock imports, nor for the licensing of nuclear engineers.

Nevertheless, the utility has sought to train its engineers by sending them to countries where the sector is mature, including Canada, the U.S. and France, Fernandez said. "Hopefully we'll be able to build in time a pool of engineers that can serve in a future nuclear energy sector," he added. The power distributor's plans underscore the renewed global interest in nuclear energy, with countries including Japan, South Korea, Germany and India considering its adoption despite safety concerns.

CNOOC reports large gas find in deep water of South China Sea

(LNG Journal; June 7) - China National Offshore Oil Corp., the Chinese energy major, has claimed a "major exploration breakthrough" with a natural gas play in ultra-deep waters of the South China Sea. The Lingshui 36-1 gas field is located in the western South China Sea with an average water depth of almost 5,000 feet. CNOOC said the field has been tested to produce over 350 million cubic feet per day of open-flow gas.

"The exploration in ultra-deep water ultra-shallow gas plays in the South China Sea is faced with world-class engineering and technical challenges," the company explained. CNOOC Chief Executive and President Zhou Xinhuai said the successful testing of Lingshui 36-1 was a breakthrough for the exploration in such plays.

CNOOC said in May that production had started at its largest gas field in the central Bohai Sea offshore China. CNOOC said start-up was at the Bozhong 19-6 field, which it said is in its first phase of development, targeting 3.5 trillion cubic feet of gas. The main production facilities include a wellhead platform with 10 development wells planned to be commissioned and reach full production by 2026.

Sanctioned Russian oil tanker offloads cargo to another ship

(Bloomberg; June 10) - The first Russian tanker attempting to deliver crude while under U.S. sanctions made a secret cargo transfer onto another ship, a sign of the lengths to which Moscow is going to undermine the effectiveness of U.S. restrictions on its fleet. The Primorye was sanctioned by the U.S. Treasury Office of Foreign Assets Control in October, after which it didn't load again for six months. But in late April, the tanker went to Russia's Black Sea port of Novorossiysk and collected a cargo of Urals crude before embarking on a 7,500-mile voyage to a location about 70 miles east of Singapore.

Russia has shipped about 3.4 million barrels a day of crude so far this year, valued at about $37 billion at the point of export, and working around Western sanctions has been part of that. Oil proceeds to the state budget increased almost 50% in May from a year ago, as its crude prices rose and the nation adapted to the measures. Nevertheless, the Primorye's contorted logistics show there are impediments to the trade. The ship, with about 1 million barrels of oil, is owned by Russian state oil tanker company Sovcomflot.

Not long after it arrived east of Singapore, the 900-foot tanker vanished from the automatic identification system, or AIS, where commercial vessels broadcast their locations and destinations for safety reasons. AIS can be turned off by a ship's crew. After it disappeared, satellite imagery shows the ship switched its cargo onto another vessel on June 3. The secretive transfer would in theory help whoever is buying the oil to distance themselves from dealing with a sanctioned ship and any risk of U.S. actions.