

# Oil and Gas News Briefs

## Compiled by Larry Persily

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#### **Gas demand growth in China 'on a downward trajectory'**

(Bloomberg; June 19) - Cracks are appearing in the bullish picture for liquefied natural gas demand in China. Global majors have invested billions of dollars in new seaborne gas supply, wagering that consumption in the world's biggest importer will continue to expand rapidly. That long-held view hinges on China using ever more of the cleaner-burning fuel as a bridge between dirty coal and the renewable energy that will deliver net zero by 2060. But the realities on the ground are changing.

China looks like it's ahead of schedule on emissions, which may have peaked more than half a decade ahead of its 2030 target. It's also subsidizing overcapacity in coal power as a backstop to intermittent wind and solar, a strategy that essentially skips using gas as a transitional fuel. And Beijing is developing other sources of gas as well. It's raising domestic production and relying more on pipeline supplies, particularly from its strategic partner Russia, which are much cheaper than seaborne LNG shipments.

"Gas demand growth is on a downward trajectory due to the lack of economic competitiveness and a strong government push," said BloombergNEF analyst Daniela Li. If it gets off the ground, Russia's proposed new pipeline, the Power of Siberia 2, would help reduce China's additional LNG requirements through 2030 by nearly 20%, according to BNEF. Even though China has invested a lot in terminals to receive LNG, relying on the uncertainties of the international market for supply is probably a less attractive option for a government that has energy security as one of its top priorities.

#### **India's demand for coal-fueled power up 7.3% this year to record high**

(Reuters; June 19) - India's demand for coal-based power has risen by 7.3% this fiscal year to an all-time high, the government said in a statement on June 19. Peak demand for power in India's hot, arid northern plains hit a record earlier this week. The India Meteorological Department has predicted above-normal temperatures for June in the northwest and central parts of the country, making it one of the longest heatwave spells.

India's cumulative coal production stood at 207.48 million tonnes as of June 16, a growth of 9.27% from the same period last year, the government said in a release. More than 75% of India's power generation was from coal in 2023, while gas-fired plants have accounted for only about 2% in recent years, largely because of the high cost of gas relative to coal. "The Ministry of Coal is fully committed to ramp up coal production and

transportation, ensuring power plants have ample reserves to meet the surge in electricity demand," the release said.

## **Oil companies around the world flared the most gas in five years**

(Reuters; June 20) - Oil companies around the world last year burned off the most natural gas in five years while also increasing the intensity of the highly polluting practice, a World Bank report found on June 20. With only six years left to meet a World Bank goal of stopping routine flaring, the companies burned off an estimated 5.22 trillion cubic feet of gas in 2023, up 7% from 2022, even as crude oil production rose only 1% over the same time.

Drilling for oil often yields natural gas as well, and some companies opt to flare, or burn, this gas instead of capturing and storing it, usually arguing that building the infrastructure needed is not commercially viable. The growth in flaring more than reversed reductions made in 2021 and 2022, the report from the World Bank's Global Gas Flaring Tracker said, adding that "global efforts to reduce gas flaring have not been sustainable and urgent action is needed."

"Substantial reductions in gas flaring and flaring intensity are achievable through effective partnerships and the creation of solutions to monetize associated gas," the report said. Nine countries account for 75% of flaring: Russia, Iran, Iraq, the U.S., Venezuela, Algeria, Libya, Nigeria and Mexico, in order of volumes of gas burned off. Algeria and Venezuela had reduced flaring, but those gains were eroded by Iran, Russia, the U.S. and Libya, among others. The World Bank, working with the Colorado School of Mines in the U.S., calculated the flaring figures based on data from satellites.

## **U.S. oil industry has problem with disposal of produced water**

(Energy Wire; June 20) - The U.S. oil industry has a double-edged problem: It's running out of fresh water in one of its most productive U.S. regions while being overwhelmed by chemical-laced liquids. In some areas of the Permian Basin, nearly five barrels of briny water come out of the ground for every one barrel of crude. Until recently, operators in the prolific region in Texas and New Mexico relied almost exclusively on reinjecting that liquid back into the ground or pumping it into open-air waste pits.

But after earthquakes were linked to reinjections — and officials warned of dwindling freshwater and groundwater supplies in drought-stricken areas — states, oil companies and critics have been looking at ways to reuse this produced water. But that is raising concerns of the long-term reuse of produced water and its impact on groundwater.

Colorado legislators ordered the creation of a research committee to study the issue and potential uses for produced water. New Mexico in May unveiled draft rules that prohibit discharging that liquid into waterways or using it for agriculture, but they pave the way for pilot projects that could see the water reused for industrial purposes. Texas' oil and gas agency is in the process of rewriting rules for how produced water can be used, which could include agriculture and even discharging it into dry riverbeds.

To Rusty Smith, director of the Texas Produced Water Research Consortium, the situation presents an "opportunity to kill two birds with one stone." He explained, "The state of Texas, who has a massive looming water shortage on our horizon, is trying to find all the potential solutions to this water problem that they have."

### **EPA will review Texas oversight of wastewater, CO2 injection wells**

(Reuters; June 21) - The Environmental Protection Agency will review Texas' oversight of wells used for injecting oil drilling wastewater and carbon dioxide into the ground after "substantial concerns" from environmental groups that the operations are behind a spate of well blowouts, sinkholes and seismic activity. The EPA announced the review in a May 23 letter to the environmental groups that was seen by Reuters on June 21.

Nine Texas-based environmental and watchdog groups led by Commission Shift and Clean Water Action requested the review in March. Texas has authority to permit so-called "Class II" injection wells, which are used to dispose of drilling wastewater, as well as for injecting carbon dioxide underground to enhance oil recovery in active fields. Parts of Texas, especially the Permian Basin in the west of the state, have been beset by frequent incidents of blowouts of unplugged wells and seismic activity linked to the injection of wastewater into the subsurface, the petitioners said.

The groups had urged the federal regulator to evaluate whether the Texas Railroad Commission, the state agency that regulates oil production, exploration and transportation, is meeting federal standards under the Safe Drinking Water Act to safeguard public health and the environment. There are about 180,000 Class II injection wells across the U.S., with the largest concentration in Texas, according to the EPA.

### **U.S. oil refiners concerned over carbon intensity legislation**

(E&E Daily; June 21) - Some of the nation's largest oil companies have been raising concerns with congressional Republicans over bipartisan legislation that would study the carbon intensity of nearly two dozen industrial products, including crude oil. The bill, a modest effort on climate action that would simply require a study, has been maligned by some on the right as a precursor to a carbon tariff and a potential backdoor to a domestic carbon tax.

A version of the bill has passed the Senate Environment and Public Works Committee. Now, in the leadup to the anticipated introduction of a companion measure in the House, industry is weighing in with criticism. Five people close to the negotiations around the bill — the Providing Reliable, Objective, Verifiable Emissions Intensity and Transparency (PROVE IT) Act — said House Republicans have been contacted in recent weeks by representatives from Valero, Marathon Petroleum and Koch Industries.

Two people involved in discussions said Valero and Marathon, which operate refineries, are nervous that the foreign oil and petroleum processed through their refineries could receive high carbon-intensity scores in the study. A refining sector executive confirmed the industry has raised concerns on the Hill about “unintended consequences” of tariffs for import and export industries. “We want to make sure those issues are understood and they are at least in the mix as the legislation moves forward,” the executive said.

### **[U.K. high court says downstream emissions should be considered](#)**

(BBC News; June 20) - The U.K. Supreme Court has ruled a local council should have considered the full climate impact of burning oil produced from new wells — a landmark decision which could put future U.K. oil and gas projects in question. Under planning law, the assumption has always been that only the impacts from constructing the wells and not the use of the oil should be considered. The case was brought against the Surrey County Council by Sarah Finch on behalf of climate change campaigners.

The Supreme Court judges did not rule that Surrey County Council should reject the proposal for new oil wells but that it should have considered the downstream emissions. While this precedent for taking emissions from products like oil into account does not stop new drilling, it is something companies will have to consider when looking at new projects. The judgment relates to the Horse Hill oil well in Surrey. The site was given planning permission to expand its operations in 2019, a decision that was challenged.

In a 3-to-2 majority, the Supreme Court judges agreed that the council should have considered emissions from downstream consumption of the oil. Lord Leggatt said it was “inevitable” that oil from the site will be burned, and the resulting greenhouse emissions were “straightforwardly results of the project” which should be considered.

The six wells at Horse Hill are expected to produce about 25 million barrels of oil over the next 20 years. The company said it will now work with Surrey County Council to amend its planning application, and that future production will fall below the levels at which an environmental assessment is required.

## **Report says 'low-carbon' U.K. power plants not all that low**

(BBC; June 22) - The lifetime greenhouse gas emissions of two planned "low-carbon" U.K. power stations could be two to three times larger than estimated, a new report has said. Carbon Tracker, a think tank, analyzed the potential environmental impact of Net Zero Teesside Power (NZT Power), which was recently approved by the government, and H2Teesside, for which BP is currently seeking approval. "We need to be accurate in estimating them (emissions) and it's not what's happening," the group said.

The developers of NZT Power — BP and Equinor — declined to comment. BP and Equinor claim at least 90% of the gas power station's emissions would be captured and funneled beneath the North Sea. The gas-fueled power station could generate up to 860 megawatts of low-carbon electricity, enough to power more than one million homes, they said. But Lorenzo Sani, an analyst at nonprofit Carbon Tracker, which is funded by Bloomberg Philanthropies, the European Climate Foundation and others, said it was very likely the U.K. would need to import liquified natural gas to fuel the plant.

Levels of gas that can be extracted from the North Sea are dropping, affecting local supplies. Importing LNG would result in indirect carbon emissions which the developers were either "ignoring completely or underestimating," Sani said. He suggested running on imported LNG would increase NZT Power's emissions by 1.7 to 2.6 times. BP's proposed H2Teesside blue-hydrogen plant would convert natural gas into hydrogen and aims to capture and store much of the carbon emissions. Sani said H2Teesside faces the same issue as NZT Power in that it was likely to depend on imported LNG.

## **Fight between Texas LNG developer and contractor is over money**

(Houston Chronicle; June 21) – A massive gas liquefaction plant under construction in Texas hummed with the activities of over 6,000 workers last month before a dispute between the Golden Pass LNG partners and lead contractor Zachry Industrial prompted thousands of layoffs. The site is now "eerily vacant," according to an emergency motion filed June 18 by Golden Pass as part of Zachry's bankruptcy proceedings. Golden Pass has asked the court to force Zachry out of its engineering and construction contract, under which Zachry agreed in 2019 to build the plant for a fixed \$9.25 billion.

The Golden Pass LNG project, owned by ExxonMobil and Qatar Petroleum, said June 18 that it aims to return workers to the site and move forward with construction. To do so, it said it needs the court to move Zachry aside so that the functions of a lead engineering, procurement and construction firm can be performed by someone else. "Zachry refuses to work and refuses to get out of the way so everyone else can," attorneys for Golden Pass wrote in the court filing.

San Antonio-based Zachry has said it was forced to file for bankruptcy protection and lay off thousands of workers after it absorbed "staggering costs" on the job. The Golden

Pass partners countered that they had given Zachry additional funds to complete the project on several occasions despite the fixed-price contract. According to the June 18 filing, Golden Pass paid Zachry an additional \$1.2 billion, another \$200 million tied to construction milestones and advanced more than \$270 million for work not yet performed. Golden Pass said it also paid vendors more than \$93 million.

## **FERC set to decide on long-delayed LNG project in Louisiana**

(Bloomberg; June 21) - Federal regulators are set to decide the fate of a long-stalled natural gas export project that has been at the center of a political firestorm over climate change and energy policy. Venture Global LNG's massive export project CP2 in Louisiana is set for a vote by the Federal Energy Regulatory Commission at its June 27 meeting, according to the posted agenda.

The project, which has been the subject of protests from climate activists, has been pending more than 10 months before the regulatory agency, making it one of the longest to sit before the commission. The fierce objections to it were followed by the Biden administration's January decision to pause approval of new LNG exports — a move that could further delay the facility even if FERC approves it. The decision would then move to the Department of Energy, which governs LNG exports.

CP2's nameplate production capacity would be 20 million tonnes per year. It would be Venture Global's second LNG export terminal in Cameron Parish. The fight over building CP2 and other terminals will have lasting implication for the future of gas in the global energy mix. Advocates say exporting more U.S. gas is crucial for getting developing nations to stop using coal and enabling Europe to power its economy without relying on Russia. Environmentalists, meanwhile, warn that building the enormous infrastructure required to ship LNG ensures the fossil fuel will be burned for generations to come.

## **Brazil restoring lost oil production**

(Bloomberg; June 22) - Brazil's rebound from a stunning collapse in oil production promises to complicate OPEC efforts to micromanage global supplies and prices. Daily crude output in the South American powerhouse kicked off the year at 3.73 million barrels, then plummeted nearly 25% as roustabouts crawled all over mammoth offshore platforms to perform repairs and replace worn-out gear. Now more than one-third of the deficit has been restored, offering far-reaching implications for Latin America's largest economy and worldwide energy markets.

All that additional oil will hinder the Organization of Petroleum Exporting Countries' efforts to boost prices by cutting production. Brazil's prodigious offshore oil reserves, like

U.S. shale, are an ever-present bugaboo for OPEC and its hegemony over global crude balances. The recent surprise decision by the cartel and its allies to relax some controls on oil exports could come back to bite if the Brazilian rebound is too robust. Petroleo Brasileiro is accelerating the start date for a 100,000 barrel-a-day production vessel to the fourth quarter of 2024, the state-controlled explorer said on June 19.

Brazilian fields may actually overshoot their pre-collapse volumes by roughly 200,000 barrels a day this year as maintenance work finishes up and two new offshore developments commence operations, according to Wood Mackenzie. Energy consultancy Welligence, meanwhile, is more cautious, forecasting daily output of 3.4 million to 3.5 million for the rest of this year. Brazilian production growth won't resume 2023's breakneck pace until the second half of 2025, with the arrival of four new offshore installations, said Andre Fagundes, who covers Brazil for the consultancy.

### **Russia sending more oil tankers through Arctic waters to China**

(gCaptain; June 20) - Russia looks set to continue using the Arctic Ocean as a shortcut to deliver crude oil to Asia. Even before the beginning of summer navigation season in July, transit shipments of crude have returned to the Russian Arctic. Shuttle tanker Shturman Skuratov, originating in Murmansk, entered the Northern Sea Route on June 18 headed to the Far East. The tanker can carry around 200,000 barrels of oil.

During last summer's shipping season, oil tankers carried 1.5 million tonnes of crude across the Arctic Ocean to a number of ports in China, including Ningbo, Tianjin and Huizhou. Russian officials aim to more than double those volumes to 3 million to 4 million tonnes for 2024 (around 20 million to 30 million barrels of oil). The voyage by the Shturman Skuratov comes about six weeks earlier than last year's initial oil cargo at the end of July, confirming Russia's ambitions to move more oil along the route this season.

Oil is routinely carried in ice-capable shuttle tankers from points of production in the Gulf of Ob and the Pechora Sea to transshipment points near Murmansk. But direct transits west to east were exceedingly rare before 2023. After European Union sanctions rendered the European market off-limits to Russian crude, the country began redirecting a small share of its Arctic production to Asia. Much to the dismay of environmentalists, last summer saw the first-ever use of conventional tankers in the Arctic. Throughout the summer, non-ice-class tankers completed multiple voyages carrying product to China.

### **Chinese company stops work on Russian projects, including LNG**

(Reuters; June 21) - Chinese engineering firm Wison New Energies has decided to discontinue all of its ongoing Russian projects and will immediately and indefinitely stop taking any new Russian business, the company said in a LinkedIn post. The move will

hit the Arctic LNG 2 project by Russia's Novatek, which had said last year it planned to build a gas turbine power station for the liquefied natural gas plant with equipment from Wison and Harbin Guanghan Gas Turbine. The gas project is under Western sanctions.

"We appreciate the good relations we have built with our Russian partners in the past and value the work we have done together," Wison said in its post. "However, in view of the strategic future of the company, we have to make this difficult decision." Novatek is Russia's largest LNG producer, and its Arctic LNG 2 plant on the Gydan Peninsular had been due to become Russia's largest such plant with eventual output of 19.8 million tonnes per year of LNG and 1.6 million tons per year of stable gas condensate.

Commercial deliveries were intended to begin in the first quarter of this year, after production began at Arctic LNG 2's first train in December. But plans were complicated last year when it was included in Western sanctions over Russia's conflict in Ukraine, prompting foreign shareholders to freeze participation and Novatek to issue a force majeure. Novatek then suspended production due to the sanctions and a shortage of specialized ice-class LNG tankers.

### **First LNG tanker since January sailing through Red Sea**

(Reuters; June 21) - The first liquefied natural gas tanker since January is sailing through the Red Sea, just days after Yemen-based Houthi militants sank their second vessel in attacks that started last November. The vessel, the Asya Energy, passed Yemen, traveling through the Bab al-Mandab Strait on June 18, shiptracking data from LSEG and Kpler showed, the same week that the second ship believed to have been hit by the militants sank.

"Asya Energy is the first LNG tanker to sail through the strait since January, when LNG voyages through the Red Sea were suspended amid repeated rocket attacks," said LSEG analyst Olumide Ajayi. Data showed the ship was carrying cargo, he added. Most LNG tankers have avoided the route after the Houthis' repeated drone and missile strikes in the Red Sea region. The ships are taking the long way around southern Africa.

The Suez Canal links the Red Sea to the Mediterranean, creating the shortest shipping route between Europe and Asia, and is connected to the Gulf of Aden by the Bab al-Mandab Strait between Yemen and Djibouti. The Palau-flagged Asya Energy is heading for Gibraltar, Kpler data shows. It previously called at the Sohar port in Oman, LSEG data showed. It was not immediately clear who had chartered the ship.