Oil and Gas News Briefs
Compiled by Larry Persily
March 11, 2024

U.S. lacks data on accidental gas pipeline leaks

(Reuters; March 8) - Last October an Idaho farmer using a backhoe punched a hole into a 22-inch pipeline buried under a field, sending more than 51 million cubic feet of natural gas hissing into the air. While the incident on Williams company's Northwest Pipeline was big, it was no anomaly along the 3 million miles of gas pipelines crisscrossing the U.S. Accidental pipeline leaks — caused by things like punctures, corrosion, severe weather and faulty equipment — happen routinely and are a climate menace that is not currently counted in the official U.S. tally of greenhouse gas emissions.

Pipeline mishaps unintentionally released nearly 9.7 billion cubic feet of gas into the atmosphere between 2019 and late 2023, according to a Reuters examination of incident report data maintained by the U.S. Pipeline and Hazardous Materials Safety Administration. That is the climate equivalent of running four average-sized coal-fired power plants for a year, according to an Environmental Defense Fund online calculator.

Those emissions are currently not included in the nation’s official greenhouse gas count because federal rules exempt large, unexpected leaks and mainly only capture emissions from regular operations, according to the U.S. Environmental Protection Agency. The Biden administration aims to change that as early as next year under a set of rules proposed by the EPA to crack down on methane emissions from the oil and gas sector, which would punish emitters with fees of $900 to $1,500 per metric ton when they exceed a certain threshold.

Japan looks long-term to replace Russian gas

(Reuters; March 11) - Resource-scarce Japan is shoring up long-term supplies of liquefied natural gas from close allies Australia and the United States as key contracts from providers including Russia are set to expire by the early 2030s. Japan's biggest power generator JERA last month agreed to buy a 15.1% stake in Woodside Energy's Scarborough project in Australia. It was the latest in a string of deals as the fallout from Russia's invasion of Ukraine threatens to disrupt access to gas from Japan’s northern neighbor, making it more imperative to find reliable long-term supply sources.

LNG accounts for about a third of Japan's power generation and it is the world's second-largest importer behind China. It remains a key part of Japan's energy mix, even though imports fell by 8% last year to the lowest since 2009 as the country has increased the use of renewable energy and restarted some nuclear reactors following a complete shutdown after the Fukushima disaster in 2011.

Since 2022, Japanese LNG buyers have struck equity deals in five projects in Australia and the U.S. They have signed 10- to 20-year deals from those countries for more than 5 million tonnes a year, or 8% of Japan's 2023 consumption, according to a Reuters calculation, eclipsing deals elsewhere in the world. Kyushu Electric, among the top five Japanese utilities, has said it is considering buying a stake in Energy Transfer's Lake Charles LNG project in Louisiana. Canada is preparing to start up its first major export facility, from which Mitsubishi, a shareholder, will receive 2 million tonnes of LNG a year.

Saudi Aramco in talks for investment in U.S. LNG projects

(Bloomberg; March 10) - Saudi Aramco is in talks with companies for liquefied natural gas projects in the U.S. as it looks to the fuel for global growth at a time when rivals in the region are also expanding in the sector. The world's biggest crude oil exporter is in "discussions with a number of entities in the U.S. and other regions," CEO Amin Nasser said on an earnings call with reporters. The company will focus on LNG internationally and look to use its gas output at home to produce blue hydrogen and power, he said.

Aramco's push coincides with Abu Dhabi National Oil Co. seeking to boost its global presence with major deals in chemicals and gas. It's a bet that cleaner-burning gas will be needed for a while.

Aramco previously looked at buying 25% of Sempra Energy's proposed Port Arthur facility in Texas. But it pulled back as the coronavirus pandemic weighed on energy demand and hammered its finances. A non-binding 20-year agreement for Aramco to sell LNG from Port Arthur expired in 2021. While it is planning bigger gas operations, oil remains the backbone of Aramco's business. It also is seeking deals in chemicals and refining in Asia, president of the downstream unit, Mohammed Al Qahtani, said in January. Nasser reiterated March 10 that the company is evaluating projects in China.

Saudi Arabia, UAE plan to get into lithium business

(Reuters; March 8) - Saudi Arabia and the United Arab Emirates' national oil companies plan to extract lithium from brine in their oil fields, in line with efforts to diversify their economies and profit from the shift to electric vehicles, sources told Reuters. Other oil companies, including ExxonMobil and Occidental, plan to take advantage of emerging technologies to filter lithium from brine, as the world moves away from fossil fuels.

Saudi Arabia, whose economy for decades has relied on oil, has spent billions on trying to turn itself into a hub for EVs as part of Saudi Crown Prince Mohammed bin Salman's attempts to find alternative sources of wealth. Three people familiar with the matter said Saudi Aramco and Abu Dhabi National Oil Co. were in the very early stages of work to extract lithium, regarded as a critical mineral by many major economies because of its use in battery manufacture, particularly for EVs.

They declined to give detail on the type of direct lithium extraction technology that would be used. The technology is in its infancy and its economics are far less certain than those of oil. But Saudi Arabia and the UAE can draw on expertise in handling oil brine and wastewater at oil production sites. An advantage of filtering lithium from salt water is that it avoids the need for costly and environmentally challenging open pit mines or large evaporation ponds, as employed in leading producers Australia and Chile.

UAE looking to decide on LNG project in first half of the year

(Bloomberg; March 7) - Abu Dhabi National Oil Co. is advancing plans for a new liquefied natural gas export project, making it the latest company looking to capture a share of the growing market later this decade. ADNOC is preparing to reach a final investment decision on its Ruwais LNG project in the first half of 2024, according to people with knowledge of the plan. The company had previously said it wanted to begin production in 2028. The United Arab Emirates (Abu Dhabi is the capital) has exported LNG since 1977, with 2022 exports at about 5.6 million tonnes.

The UAE and Qatar are betting tens of billions of dollars that cleaner-burning gas will be needed as a bridge fuel to transition to renewables, while others say the outlook isn’t so rosy. The International Energy Agency expects global gas demand to peak by 2030. While ADNOC has sold some supply from the Ruwais project under long-term deals, most remains uncontracted, according to BloombergNEF data. Lining up customers is usually a crucial requirement for banks to provide financing. Instead, ADNOC aims to use its own funds to back the plan, similar to how Qatar is paying for its LNG expansion.

So far ADNOC has signed sales pacts for its new project with China’s ENN Natural Gas and GAIL India. The Ruwais unit will more than double ADNOC’s LNG export capacity as part of a wider effort by the state-run company to expand its trading business.

Exxon seeks arbitration in dispute with Chevron over Guyana assets

(Wall Street Journal; March 6) - ExxonMobil has filed for arbitration to protect what it says is its right to pre-empt Chevron’s bid for a stake in a prolific oil project off Guyana, escalating a dispute that could torpedo Chevron’s $53 billion deal for Hess. Chevron last week warned investors that Exxon and China’s CNOOC say they have the right to counter Chevron’s offer for Hess’s stake in the Guyana project, which Exxon operates for partners Chevron and CNOCC and which is one of the largest oil finds in years.

Exxon senior vice president Neil Chapman said March 6 that Exxon had filed that day for arbitration in the International Chamber of Commerce in Paris. He said Exxon had taken tremendous exploration, financial and commercial risks developing the South American oil project, and that it had a responsibility to shareholders to ensure it realized the value that it had created in Guyana. “It would be incomprehensible for us to say, ‘Well, we’re not going to look at that value. We’re just going to let the transaction proceed,’” he said during a chat at Morgan Stanley’s Energy & Power Conference.

Much of the value in Chevron’s $53 billion all-stock acquisition of Hess proposed last year was tied to the smaller company’s 30% stake in the drilling consortium in Guyanese waters. The partnership has expanded oil production far faster than most offshore oil projects and expects to pump over a million barrels a day in coming years. Chevron spokesman Braden Reddall has said Chevron and Hess don’t believe that Exxon’s right-of-first refusal applies to the Hess deal. He said in a statement March 6 that Chevron remains fully committed to the transaction and is confident in its position.

Hess says Exxon arbitration could delay sale to Chevron

(Bloomberg; March 7) - Hess Corp. has signaled its $53 billion agreement to be bought by Chevron may be delayed after ExxonMobil filed for arbitration over the deal to preserve its rights to a massive oil discovery off Guyana. Hess told employees in an email it is confident its arguments would prevail in the arbitration case Exxon filed with the International Chamber of Commerce.

The disclosure marks the first time either Hess or Chevron have said Exxon’s push to safeguard its preemption rights in Guyana could delay their merger, initially expected to close by the second half of this year. It’s also the first time either has been so explicit about their disagreement over how Exxon is interpreting its joint agreement with Hess and Chinese oil giant CNOOC to produce oil off the coast of the South American nation.

“We disagree with ExxonMobil’s interpretation of the agreement and are confident that our position will prevail in arbitration,” Hess said in the email. Arbitration of this nature typically takes “five to six months,” Exxon’s senior vice president Neil Chapman said at a Morgan Stanley conference on March 6. The discovery offshore Guyana is the world’s fastest-growing major crude development and stands at the heart of Chevron’s push to buy Hess. If Exxon succeeds in blocking the takeover, Hess would be required to pay Chevron a $1.7 billion break-up fee.

Australia’s LNG exports declined last year; first drop since 2015

(Sydney Morning Herald; March 8) - An eight-year growth streak for Australian liquefied gas exports that turned the nation into one of the world’s biggest shippers of the fossil fuel has come to an end, as production fell last year for the first time since 2015. Australian cargoes of liquefied natural gas soared to a record-breaking 81.2 million tonnes in 2022, before declining to 80.7 million tonnes in 2023, new figures from energy consultancy EnergyQuest reveal.

It marks the first year-on-year drop in LNG output since 2015, when production began ramping up on the back of investments in huge LNG export ventures involving Australia-listed Woodside and Santos, and global operators such as Shell and Chevron. By 2020, Australia's LNG shipments had surpassed those from the U.S. and Qatar. However, existing oil and gas fields across Australia are drying up due to natural declines, and a limited pipeline of new fields being developed means production has likely peaked.

EnergyQuest CEO Rick Wilkinson said low levels of investment in further exploration meant there were insufficient new supply sources to fill the gap. No offshore exploration leases have been awarded since 2022, Wilkinson said. "There was no 2023 round at all, and it remains to be seen whether 2024 will see a release." While Australia's LNG boom has benefited gas companies and is delivering tens of billions of dollars in yearly export revenue, the industry's growth has become a cause of environmental concerns because it is a key source of greenhouse gas emissions, including carbon dioxide and methane.

U.S. review of new LNG export approvals could last 'several months'

(Bloomberg; March 7) - The Biden administration's pause on new liquefied natural gas export licenses could last months as the Department of Energy reviews the issue, according to a U.S. energy official. "We anticipate the analysis that's underway now taking several months because this is an issue of such significant importance," Brad Crabtree, assistant secretary for the department's Office of Fossil Energy and Carbon Management, said in an interview.

Responding "responsibly" to comments and analysis will "take a significant period of time," he said in Tokyo on March 8. The department stopped approving new licenses in January to study the potential effects of increased gas production and exports on climate change, the U.S. economy and national security. The review won't affect existing authorizations, and after a report is published and made available for comment it will be finalized and incorporated into the agency's public-interest determinations.

The move strikes at the heart of the debate over LNG's role in a decarbonizing world. While advocates contend it's crucial for getting developing nations to stop using coal and enabling Europe to power its economy without Russian gas, environmentalists warn that building the enormous infrastructure required to ship LNG ensures the fuel will be burned for generations. The U.S. shipped about 90 million tonnes of LNG last year, the most of any nation, and its export capacity is slated to nearly double by 2030.

[Developer wants permit extension for U.S. offshore LNG project]

(LNG Prime; March 8) - Delfin Midstream, the U.S. developer of a floating LNG export project in the Gulf of Mexico, is seeking a five-year extension for its export authorizations from the Department of Energy. The firm is also in talks with South Korea's Samsung Heavy to reserve a shipbuilding slot for the first liquefaction unit. Last October, Delfin won more time from the Federal Energy Regulatory Commission to put into service the project's onshore facilities in Louisiana. Delfin now has time until September 2027 to construct and make available for service the onshore facilities.

The company plans to install up to four self-propelled FLNG vessels that could produce up to 13.3 million tonnes of LNG per year. According to a March 1 filing with the Department of Energy, Delfin has requested extension of its existing authority, which requires start-up of exports by June 2024. The company wants the authority extended to 2029, to allow more time to put together the project's economics and construction.

The Biden administration in January imposed a temporary pause on new LNG export authorizations, but the order does not apply to existing permits. Delfin said in its filing that it has "diligently and continuously worked to advance its project as expeditious as it could and has spent well over $100 million in doing so." The firm said it has "ample commercial contracts" for the first liquefaction unit and is in "advanced" commercial negotiations for additional contracts to underpin financial for the second unit as well.

[German environmental group asks moratorium on new LNG imports]

(Offshore Energy; March 7) - Environmental Action Germany (Deutsche Umwelthilfe – DUH), a non-governmental environmental and consumer protection organization, has called for the adoption of a moratorium like the one in place in the U.S. to stop what it calls an unbridled expansion of liquefied natural gas imports in Germany.

As the German Minister for Economic Affairs and Climate Action prepared for a two-day government consultation visit to Washington on March 6-7, to discuss among other things energy and climate policy, the German NGO used the opportunity to call for a limit to LNG imports by following the example set by the Biden administration, which imposed a pause in January on approval of new LNG export authorizations pending a detailed review of the fuel's impact on the U.S. economy and climate change.

Meanwhile, the NGO claims that some of the existing import terminals in Germany received permits without environmental impact assessments and that this was made possible partially due to the LNG Acceleration Act. The Germany government says the purpose of the law is to fortify the security of energy supplies by maintaining gas deliveries from other countries through LNG terminals, which are a short-term solution to facilitate the import of gas in the transition period to cleaner energies.

Saudi Aramco expects growth in oil demand 2024-2025

(S&P Global; March 10) - Saudi Aramco's CEO Amin Nasser said on March 10 that he expects oil demand growth to average 1.5 million barrels per day in 2024 and be "robust" in 2025. "With regard to the oil demand, we expect the global oil market to remain healthy over the remainder of this year and we expect it to be fairly robust," he said told reporters during a call to discuss the company's 2023 full-year financial results.

Demand was expected to come in at 102.4 million barrels per day in 2023 and "we're looking at 104 million for 2024 with more growth expected in 2025," he said. Aramco's forecast for global oil demand growth is less bullish than OPEC, which said in its February oil market report that demand would grow 2.2 million barrels per day this year. OPEC anticipates global demand to reach 104.4 million barrels per day in 2024.

Aramco's view of demand is only slightly more optimistic than the International Energy Agency, which in February forecast oil demand growth of 1.2 million barrels per day in 2024, down from 2.3 million last year. "The expansive post-pandemic growth phase in global oil demand has largely run its course," the Paris-based agency said at the time.

Kuwaiti oil CEO says market appears balanced

(Bloomberg; March 7) - Global oil consumption is strong and the market looks relatively balanced this year as OPEC+ tries to stabilize prices, according to the Chief Executive Officer of Kuwait Petroleum Corp. The market is expected to tighten further as the year goes on, Sheikh Nawaf Al-Sabah, said in an interview. U.S. shale production has helped meet some of the recent growth in global oil demand, he added.

OPEC and its allies have extended production cutbacks to the middle of the year to prop up prices. So far in 2024, the measures have shown some signs of success, with crude trading above $80 a barrel as robust demand and Red Sea disruptions lift prices. “From my perspective, I think it remains a healthy market on the demand side,” Sheikh Nawaf said. “We all now have spare capacity, that’s also quite important for stability in the market, to know that there is additional capacity in case of a supply disruption.”

Kuwait still plans to boost production capacity to 4 million barrels per day by 2035 on the back of a still-strong demand outlook. “It’s part of our strategy, because we believe that the call on Kuwaiti crude will reach that number,” the CEO said. The Gulf state is looking to spend as much as $100 billion by 2050 to reduce the carbon intensity of its oil production. “We’re investing more and concentrating more on decarbonization efforts to ensure our hydrocarbons remain the lowest carbon intensive ones in the market.”

Chinese LNG import terminal grows seafood in discharge waters

(China Daily; March 8) – Minus 260 degrees Fahrenheit is cold enough to kill any sign of life on the planet. A group of engineers in Shenzhen, however, has found a way to turn extreme cold into warm cradles for breeding lobsters, groupers, abalones and other delicacies destined for the dining table. At the scenic Dapeng Bay in eastern Shenzhen, the Guangdong Dapeng liquefied natural gas import terminal is experimenting with aquaculture and cold energy.

The "secret sauce" that provides the engineers the confidence to farm seafoods is frigid water. The terminal discharges almost 16 million cubic feet of cold water (about 175 Olympic-size swimming pools) into the sea every day, said Niu Junfeng, senior manager of energy technology at the China National Offshore Oil Corp Guangdong Dapeng LNG Co. This huge amount of chilly water comes from the daily routine of regasifying LNG — using seawater to warm it back to its gaseous state.

As a result, the temperature of the seawater is lowered, Niu explains. The discharged water makes the seawater near the terminal stay around 60 degrees Fahrenheit, depending on seasons, which is preferable for the growth of certain high-value aquatic products, he says. In collaboration with a local aquaculture company, the terminal started aquafarming last year by placing immature fish, lobsters and abalones into cold water tanks to improve the quality of their meat. After 40 days, their growth was found to be stable showing they had fully adapted to the new environment, says Niu.