Oil and Gas News Briefs
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Expanded Canadian pipeline starts staged process of taking in oil

(Reuters; March 20) - Canada's Trans Mountain has begun filling its pipeline expansion with oil in a staged process, a senior executive said on March 20, as construction of the long-delayed project nears an end. The pipeline expansion faces technical challenges in the next two weeks as it finishes the last segment in British Columbia, Chief Financial Officer Mark Maki said. “Once those are done, I think it should be relatively smooth sailing,” he said on the sidelines of the CERAWeek energy conference in Houston.

The Canadian government-owned C$34 billion (US$25 billion) 715-mile pipeline expansion will nearly triple the flow of crude from Alberta to the Pacific Coast to 890,000 barrels per day, but has been plagued by years of delays, construction problems and cost overruns. The line is scheduled to enter service in the second quarter. One of the technical challenges involves stringing pipeline through hard rock in the final segment, Maki said. Trans Mountain received approval from the Canada Energy Regulator to use smaller-diameter pipe on that segment. The line will run full in 2025-26, Maki said.

The government has said it plans to sell the pipeline, though Maki said a sale this year is unlikely. "You've got a few uncertainties. I suspect that you know, any buyer would want to have it cleared before you would really look at a sale process.” Along with completing construction, Trans Mountain is in dispute with shippers over tolls it wants to charge to help cover the massive construction cost overruns, a situation that regulators are likely to resolve in early 2025, Maki said.

China one of first buyers of oil through Canadian pipeline

(Bloomberg; March 4) - China’s Sinochem Group has purchased one of the first crude cargoes shipped through a newly expanded pipeline in Canada, which is designed to move oil from landlocked Alberta to the Pacific Coast for export. Sinochem bought a 550,000-barrel cargo from oil sands producer Suncor Energy, which will load from the Trans Mountain pipeline in May or June, said traders who asked not to be identified.

The Trans Mountain Expansion is the country’s biggest new pipeline in over a decade and will nearly triple the capacity of the system, allowing Canadian companies to sell more crude to Asia and the U.S. West Coast. The oil purchased by Sinochem is of similar quality to Iraqi Basrah crude and will likely be refined in coker units, traders said.

The pipeline was initially slated to start in 2017 but faced repeated delays, cost overruns, construction mishaps and regulatory hurdles. Canadian Prime Minister Justin Trudeau's government bought Trans Mountain in 2018 from Kinder Morgan to save the project from cancellation. The government plans to sell the line after it is operational.

India's biggest refiner will stop using Russian oil tankers

(Reuters; March 20) - India's Reliance Industries, operator of the world's biggest refining complex, will not buy Russian oil loaded on tankers operated by Sovcomflot after recent U.S. sanctions, according to sources familiar with the matter. The development adds to problems for Russia as its oil firms may face difficulties finding ships to take export cargoes after recent Ukrainian drone attacks on the state's refineries reduced capacity to process oil at home. In addition, Russian companies are struggling to collect payments for oil exports due to banking restrictions.

The U.S. has imposed wide-ranging sanctions on Russia since its invasion of Ukraine two years ago. In February, the U.S. imposed sanctions on Sovcomflot and 14 tankers involved in Russian oil transportation. Reliance, a large buyer of Russian Urals crude, has requested that supplies not be shipped by Sovcomflot-operated tankers, according to the sources, who declined to be named due to the sensitivity of the matter.

Meanwhile, more Indian refiners plan to shun the use of Sovcomflot vessels, which may weigh on India's import of Russian oil and leave Russia with fewer outlets to place its crude, three sources in India's government and refining sector said. Indian refiners, seeking to avoid any backlash from Washington, are being "extra cautious" due to tighter scrutiny of Russian oil deals by banks and U.S. authorities. The refiners want to prevent the involvement of entities directly or indirectly sanctioned, the sources said.

Western sanctions put pressure on Russian oil tanker company

(Bloomberg; March 18) - Russia's state oil tanker company Sovcomflot said that U.S. sanctions are putting pressure on its operations, the latest sign that the measures are complicating the delivery of the nation's petroleum. Last month, the U.S. Treasury's Office of Foreign Assets Control designated Sovcomflot and identified 14 crude oil tankers in which the state-controlled firm has an interest. That came on top of wider measures already imposed on non-Sovcomflot ships and Russia-friendly companies since October for violations of a Group of Seven cap on the price of Russian oil.

"New sanctions are creating additional operational difficulties for doing business," Sovcomflot said in a statement. "The company is working to overcome current challenges and continues to operate the fleet as usual." The measures imposed late last year began a period of sanctions tightening aimed at squeezing the Kremlin's access to petrodollars to fund its war in Ukraine. Prior to that, Moscow had started to find workarounds by amassing a vast so-called shadow fleet of tankers to deliver its oil.

Most of the individually sanctioned tankers since October all but halted trading or faced notable disruption after the measures were imposed. Traders in Asia, by far the largest recipients of Russian crude, said the measures are making it harder and more expensive to find suitable ships for the trade. As such, the sellers of Russian grades have been asking for too much for Urals and ESPO grades — especially given a limited pool of buyers willing to deal with Moscow, traders said.

India steps up imports of U.S. crude as sanctions crimp Russian oil

(Bloomberg; March 19) - Indian oil refiners are on track to take the most American crude in almost a year after tighter enforcement of U.S. sanctions crimped India's trade with Russia and forced processors to look elsewhere for supply. State-owned Bharat Petroleum and Indian Oil Corp., along with top private refiner Reliance Industries, have purchased about 7 million barrels of April-loading U.S. crude so far this month, said traders. That would be the largest monthly volume since last May, according to Kpler.

Russian crude flows to India surged after the invasion of Ukraine and the OPEC+ producer is still the biggest supplier to the South Asian nation, but tighter U.S. sanctions have stranded cargoes and discounts on Russian oil offered to India have narrowed. India has also ramped up purchases recently from Saudi Arabia.

Most of the U.S. crude purchased by India this month has been West Texas Intermediate Midland. WTI Midland can produce more gasoline and diesel — fuels that are expected to see higher consumption in coming months due to the movement of people for local elections, rising power generation and crop harvesting, said Indian refinery officials who couldn't be named because of company policy.

Saudi CEO calls to abandon 'fantasy of phasing out oil and gas'

(Reuters; March 18) - Global oil demand will not peak for some time, so policy makers need to ensure sufficient investment in oil and gas to meet consumption and abandon the fantasy of phasing out fossil fuels, Saudi Aramco CEO Amin Nasser said on March 18. The head of the world's largest energy company urged a reset of global energy transition plans in his remarks to oil and gas executives at the CERAWeek in Houston.

Oil demand will reach a new record of 104 million barrels per day in 2024, Nasser said. Despite growing investment, alternative energy has yet to displace hydrocarbons at scale, Nasser said. "All this strengthens the view that peak oil and gas is unlikely for some time to come, let alone 2030," he said. "We should abandon the fantasy of phasing out oil and gas, and instead invest in them adequately, reflecting realistic demand assumptions, as long as essential," he said, in remarks that drew applause.

Rising demand from developing economies could feed oil demand growth through 2045, Nasser said. This forecast for long-term demand growth was in line with forecasts from the Organization of the Petroleum Exporting Countries and in contrast to the 2030 forecast for peak demand from the West's energy watchdog, the International Energy Agency. Saudi Arabia is OPEC's de-facto leader, and the U.S. is the biggest contributor to the IEA. OPEC and the IEA are far apart on both short-term and long-term demand forecasts, in part because of their contrasting views on the energy transition.

U.S. LNG terminal operator buys its own fleet of carriers

(Bloomberg; March 17) - Venture Global LNG, the U.S. liquefied natural gas exporter embroiled in a dispute with several of its long-term customers, is acquiring nine LNG carriers and expanding its sales operations to market its own cargoes. Venture Global will become the first American LNG producer to purchase a fleet rather than charter or lease vessels, with the first two ships expected to be delivered this year, founder and Chief Executive Officer Mike Sabel said in an interview.

The move opens the door for the company to sell cargoes directly into the spot market, without using trading houses or intermediaries, allowing it to boost profits and giving it a competitive edge. Shell and many of Venture Global’s contract customers accuse it of selling highly profitable spot cargoes from its Louisiana facility since late 2022, while dodging obligations to contracted buyers. Venture Global maintains it is in compliance with its contracts, which limit deliveries during the plant’s commissioning phase.

Sabel declined to comment on the cost of the LNG carriers, which in recent months have fetched prices of as much as $281 million each. The company is buying the ships from a South Korean shipbuilder. Its second LNG export plant — Plaquemines, in Louisiana — could enter production by this summer, Sabel said. Its Calcasieu Pass terminal started production in 2022. Meanwhile, the contracted buyers for the gas from Calcasieu Pass have filed arbitration claims against Venture Global for lost profits.

Unsuccessful U.S. LNG developer looks at possible sale of company

(Reuters; March 18) – Cash-strapped Tellurian said on March 18 it was looking at all options, including a potential sale, and that CEO Octavio Simoes had stepped down from his role amid the liquefied natural gas developer's latest efforts to keep its Driftwood export project alive. The company earlier this year hired a financial adviser to explore the sale of its Haynesville gas production business in East Texas and Louisiana as part of efforts to raise capital for the Driftwood project in Louisiana, which has been hampered by a shortage of funding.

The financial adviser, Lazard, will now also focus on alternative debt and equity financing, the sale of equity interests in Driftwood or Tellurian, a potential sale of the company, and assisting in securing commercial partners, Tellurian said. Simoes' departure is the latest top-level reshuffle at Tellurian after it ousted chairman and co-founder Charif Souki late last year. Tellurian was founded in 2016 to develop an LNG export project. Although it received federal regulatory approval for the project, it has had to request extensions because of its inability to put together customers and financing.

LNG executives say low prices will spur more demand

(Reuters; March 18) - Liquefied natural gas prices have fallen about a third over the past nine months, propping up demand, which should tighten the LNG market in the near-term, executives said on March 18 at the CERAWeek energy conference. LNG prices have tumbled as supplies have swelled. LNG for April delivery into northeast Asia was at $8.60 per million Btu last week, its lowest since April 2021.

Executives from companies including Chevron and trading firm Trafigura estimated that the decline in prices will likely spur greater demand, while Shell CEO Wael Sawan said demand is already increasing as a result of reduced prices. "It's a pretty trite thing to say, but low prices fix low prices," said Richard Holtum, global head of gas, power and renewables for Trafigura. "Gas prices are so low here, it's a competitive advantage."

Surging U.S. gas supplies and low prices have led companies to propose several new LNG export plants. Worldwide, the second half of the decade will lead to a 40% increase in global LNG output, said Trafigura's Holtum. Torbjörn Törnqvist, chairman of global commodities trader Gunvor, estimated LNG supply will jump by a third in the next five years. He said gas prices are likely to remain low given the abundance of supply.

Texas LNG plant owner plans to boost capacity 10%

(S&P Global; March 20) - Freeport LNG has launched a project to boost output at its Texas plant, in tandem with major maintenance following an unplanned outage at one of its three liquefaction trains early this year — work that is expected to reduce production until May before raising overall production by 10% soon after, CEO Michael Smith said in a March 19 interview. The debottlenecking effort — estimated to cost "well less than $100 million" — will boost capacity of the three-train, 15 million-tonne-per-year facility by 1.5 million tonnes, Smith said in the interview at CERAWeek by S&P Global in Houston.

The additional production will bring Freeport's total uncontracted capacity to about 3 million tonnes per year, which the exporter plans to sell on a spot basis. "We are not interested in terming (contracting) it out," Smith said. "We'll take the great prices when we can. We'll suffer the terrible prices when they happen. And the rest of the time, hopefully it will be somewhere in between."

The unit that was knocked offline in January, Train 3, is already back online and should resume full production on March 21 after Freeport successfully repaired a problem with an electrical motor experienced during a winter storm in January, Smith said. After making repairs, Freeport decided that it would shut down Trains 1 and 2 for inspection and similar work, if needed, moving forward planned maintenance that had been scheduled in the coming years.

U.S. LNG developer says projects will rely more on internal financing

(Reuters; March 19) - More funding for future liquefied natural gas plants will rely on internal financing instead of the project financing that has paid for most projects to date, Venture Global LNG 's CEO said on March 19. The U.S. has become the world's largest LNG exporter due to the shale gas revolution and construction of massive liquefaction plants, most funded by bank and project financing.

"Increasingly we will see less project financing and more financing from the balance sheet," said Venture Global CEO Michael Sabel. In part, the changeover reflects the growth of expansion projects as opposed to newly built LNG plants. Sabel told an S&P Global panel at CERAWeek in Houston that his company was spending an average of $700 million per month on plant construction. This year, it plans to spend $3.5 billion on its proposed Calcasieu Pass 2 (CP2) LNG plant, even though it doesn’t have regulatory approvals. If built, CP2 would be the company’s third U.S. LNG export terminal.

CP2 is the largest LNG project affected by a decision by President Joe Biden's administration to temporarily pause LNG export permits for new environmental reviews. "We would not be spending that money unless we did not feel the announced pause was temporary," said Sabel. The Arlington, Virginia, company last year completed $21 billion in project financing for its Plaquemines LNG plant in Louisiana, the largest such financing in the industry's history. The plant could start selling commissioning cargoes late this year, with full commercial operations and deliveries scheduled for 2026.

UAE company signs up to supply LNG to German buyer for 15 years

(Bloomberg; March 18) - The United Arab Emirates has agreed to sell liquefied natural gas to Germany for 15 years starting 2028, in a deal that further cements Europe’s fossil fuel use and underpins the Middle Eastern country’s plan to become a key supplier. Abu Dhabi National Oil Co. signed a preliminary accord to send 1 million tonnes of LNG a year to German state-owned energy group SEFE, the companies said in separate statements. ADNOC will supply the fuel from an LNG export facility it plans to build in Ruwais near Abu Dhabi, according to the statements.

The UAE is scouring the globe for deals that will allow it to ramp up exports of the fuel. Germany, meanwhile, has fast-tracked imports of LNG and is snapping up seaborne cargoes after Russia curbed pipeline gas deliveries following its invasion of Ukraine. Europe's largest economy has acknowledged that gas will play a key role in the medium term as it hopes to exit coal by the end of this decade. Eventually it aims to shift to cleaner forms of energy. Germany wants to be climate neutral by 2045.

ADNOC's deal with SEFE depends on a final investment decision for the Ruwais LNG project — which the UAE company expects this year — and a definitive sales and purchase agreement between the two companies. ADNOC moved closer to a decision on the facility when it awarded initial engineering and construction contracts earlier this month. The company last year signed a 15-year agreement with China's ENN for at least 1 million tonnes a year of LNG from Ruwais.

Canada joins German and Dutch-backed effort to promote hydrogen

(Bloomberg; March 18) - Canada is set to join a German and Dutch-backed effort to kick-start the trade of hydrogen, which is seen as a clean-energy alternative to dirtier fossil fuels. The Canadian government will provide funding for H2Global to help create hydrogen markets, Energy and Natural Resources Minister Jonathan Wilkinson said, without providing specific figures. He and German Economy Minister Robert Habeck announced the effort in Hamburg.

Canada already has an agreement to supply Germany with hydrogen by next year, though there is currently no global market for the gas. The two countries are now seeking to reduce price uncertainty that has so far deterred investment. H2Global uses a government-backed intermediary to connect buyers and sellers of the gas through auctions. It helps cover any price gap between long-term supply and short-term sales contracts — akin to what has been used to foster investment in wind energy.

The aim is "to best address premiums as we move to scale the production of hydrogen over a 10-year period," Wilkinson said, adding that the precise mechanics of the auctions are going to be established within the next 90 days. Germany's Economy Ministry is providing €900 million (US$980 million) to support H2Global's auctions for green derivatives, and further funding has been earmarked by Berlin and the Dutch government. Canada is "still in the time frame" to ship its first hydrogen made from ammonia to Germany by the end of next year, though it could be 2026, Wilkinson said.

Drought strains farmers and oil drillers in Alberta

(Reuters; March 18) - Drought in the western Canadian province of Alberta is stretching into its fourth year, and farmers and oil companies are planning for water restrictions that threaten production of wheat, beef and crude. The severe conditions have prompted Alberta to open water-sharing negotiations among license holders for the first time in two decades, hoping to salvage output from two of its biggest industries.

Alberta, which relies on melting snow and precipitation for most of its water supply, has allocated water since 1894. That system prioritizes those who have held licenses the longest, although holders rarely exercise that right. Alberta’s water talks underline the difficult compromises facing resource-rich regions adapting to extreme weather. Hydrologists say the future will bring Alberta more rain instead of snow due to climate change, which will strain summer water supplies.

The province produces most of Canada’s oil, gas and beef, plus big wheat and canola harvests. Irrigation to grow crops in dry areas accounts for 46% of Alberta’s water allocation, with oil and gas using 10%. Oil producers are renting on-site water storage structures and other swimming pool-sized spaces, drilling company Trican Well Service said. For oil companies, dry conditions may elevate costs by forcing them to shift drilling to sites with water access or to truck in water, said Tristan Goodman, CEO of the Explorers and Producers Association of Canada.

Oil field services CEO sees more exploration in frontier countries

(Reuters; March 19) - Oil and gas companies have increased exploration of frontier areas in countries such as the African nation of Namibia and the South American nations of Surinam and Guyana, and that will create a new wave of future projects, Olivier Le Peuch, CEO of oil field services company SLB, said March 19. "We have seen a rebound in exploration over the past two or three years," he said at CERAWeek in Houston. SLB is the world's largest provider of oil field services.

He pointed to developments in countries like Namibia as setting the next frontier for exploration. That country, which has yet to produce any oil and gas, expects its first production from major offshore finds by 2030. Companies are also focusing exploration efforts around areas where there is already existing infrastructure, Le Peuch said. The majority of new oil production will come from the U.S., Canada, Guyana and Brazil in the near-term, the U.S. Energy Information Administration said last week.

In Guyana, Exxon Mobil anticipates bringing oil production to 1.2 million barrels per day by 2027, around 12 years after it drilled its first exploration well off the shores of the South American country.