Oil and Gas News Briefs
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March 25, 2024

Rising oil demand calls into question forecasts of peak consumption

(Bloomberg; March 21) - The world is using more oil than ever, and demand is outpacing expectations again this year, raising questions about how soon consumption will peak. The thirst for crude contributed to an increasingly confident tone from executives at this year's CERAWeek by S&P Global conference, the industry's annual gathering in Houston. Despite the rise of electric vehicles and renewable energy, many attendees at the event said they expect consumption to rise for many years to come, dealing a blow to meeting goals to decarbonize the global economy.

Russell Hardy, the CEO of Vitol, the world's largest biggest oil trader, told the conference his firm was pushing back the estimated peak in oil consumption to the early 2030s because of downgraded expectations on the adoption of electric vehicles, driving a need for more gasoline. "Oil demand has stayed very strong, both in the U.S. and in other countries, both developed countries and emerging markets," said Helen Currie, chief economist at oil producer ConocoPhillips. "We're looking for another record high in world demand this year across the board."

India is set to be a major contributor of additional oil demand. Its government expects the economy will expand 7% in the fiscal year beginning April, making it one of the fastest-growing major economies. The world's third-biggest oil importer behind China and the U.S., India is set to be the single largest source of global demand growth between now and 2030, according to the International Energy Agency.

Oil trading company official predicts $85-90 crude later this year

(Bloomberg; March 20) - Oil prices likely will trade at about $85 to $90 a barrel in the third quarter even if OPEC+ producers and allies decide not to extend current supply cuts, said oil trading firm Gunvor Group's global head of research and analysis. If Saudi Arabia and allies extend cuts beyond the second quarter, that could send prices even higher, Frederic Lasserre said during the CERAWeek conference in Houston.

Ample supplies largely have kept international oil prices in the range of $80 a barrel this year even as conflict in the Middle East disrupts regional shipping and Russia's war with Ukraine escalates. Prices remain vulnerable to spikes, especially as geopolitical risks are elevated with two wars and disruptions at vital trade routes at the Panama Canal and Red Sea, Lasserre and Trafigura Group's global head of oil Ben Luckock warned.

Meanwhile, oil demand from China is expected to rise by about 700,000 barrels per day this year, representing about half of global demand growth this year, Lasserre said.

China’s offshore producer pumped more oil and gas in 2023

(S&P Global; March 22) - China's top offshore producer CNOOC will continue prioritizing exploration and development in domestic assets, while expanding overseas business and pushing forward energy transition actively and prudently, senior officials said March 21 at the company's 2023 annual results briefing. CEO Zhou Xinhuai said the company will keep spending Yuan 13 billion to 14 billion ($1.8 billion to $1.94 billion) annually in domestic exploration in the coming years. This accounted for 68.2% of the company's exploration capital expenditure in 2023, the annual results showed.

With continuous investment over decades, CNOOC discovered two large oil fields in the Bohai Sea and South China Sea in March, each with proven volumes of more than 730 million barrels. "The basins in China offshore are in the mid-range of maturity, providing a huge potential (for production). With the further advancement of technology and improvement of management, I believe that the China offshore business will continue to contribute more," said Zhou, who has served as a geologist for over 20 years.

In 2023, CNOOC's domestic crude and liquids production rose 6.6% on the year to 982,465 barrels per day, compared with China's overall 2% growth to 4.19 million barrels per day, according to the company's annual results and China's official data. The company's domestic gas output jumped 12.3% on the year to 638.8 billion cubic feet in 2023, while China's gas production was up 5.8% at 8.111 trillion cubic feet.

All of India’s refiners now refuse oil on Russia’s Sovcomflot tankers

(Bloomberg; March 22) - All of India’s refiners are now refusing to take Russian crude carried on Sovcomflot tankers due to U.S. sanctions, further complicating the trade that has flourished since Russia’s invasion of Ukraine two years ago. Private and state-run processors including the biggest — Indian Oil Corp. — have stopped taking cargoes if they’re on Sovcomflot tankers, said people familiar with the matter. Refiners are scrutinizing the ownership of each ship to make sure they’re not affiliated with the company or other sanctioned groups, they added.

The broader pushback follows a similar move by India’s biggest private refiner, Reliance Industries. The heightened scrutiny on the tanker giant appears to have also swept up other oil ships carrying Russian oil, with two vessels waiting several weeks off the South Asian coast without any indication of when they will unload.

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. India has been a major buyer of Russian oil since the invasion of Ukraine, but tighter enforcement of U.S. sanctions has disrupted the trade and led to refiners seeking more expensive crude from other regions such as the U.S. The Sovcomflot issue means there are fewer tankers to deliver Russian crude, which has led to discounts for the nation's oil narrowing to compensate for higher freight costs, the sources said.

Corruption and bribes in overseas oil trading industry continues

(Bloomberg columnist; March 21) - Torbjörn Törnqvist, co-founder of Gunvor Group and one of oil trading's most senior executives, famously said about his industry: "There's a lot of skeletons, and many of them, most of them, will never be surfaced." Never say never. It's taken too long, but prosecutors are now unearthing those bones, revealing an ugly graveyard of bribes paid to government officials in return for lucrative contracts.

A series of criminal cases and lawsuits involving some of the largest independent oil trading firms has convinced me that corruption remains endemic. Unless governments impose tougher penalties, oil traders will continue to dismiss fines as the cost of doing business. The industry disagrees. CEOs have told me I'm wrong and that prosecutions have prompted genuine improvements. Maybe, but the protestations of innocence would be more convincing if the same firms hadn't made the same claims before.

The biggest eye-opener was the trial of Javier Aguilar — a mid-level executive at Vitol Group, the world's largest oil trading house. He faces up to 30 years in jail after a New York City jury found him guilty on Feb. 23. Vitol reached a deferred prosecution deal for bribery and corruption in Mexico and Ecuador and paid a fine. The Aguilar case has everything: bags of cash, expensive watches, clandestine meetings and very, very profitable deals. Above all, it had bribes — so many that one witness said they couldn't recall winning a single government contract without kickbacks.

During the trial, Nilsen Arias, a top executive working for Ecuador's state-owned oil company, admitted he took bribes and was asked to name names. The list read like a who's who of the traders industry, featuring Vitol, Trafigura and Gunvor, among others. Over the past decade, prosecutors have brought more than 15 lawsuits against oil trading houses, their employees and their agents. The geographic reach was vast, including Venezuela, Mexico, Brazil, Angola, Ivory Coast, Republic of Congo, Nigeria, Malawi, Cameroon, Ghana, Equatorial Guinea and South Sudan.

Celebrities join campaign to preserve California drilling restrictions

(Los Angeles Times; March 22) - As the oil industry wages a multimillion-dollar campaign to repeal California drilling restrictions, the campaign to defend the state's environmental protections is starting to resemble a Hollywood blockbuster. In a showcase of political clout and celebrity influence, former Gov. Arnold Schwarzenegger and actor Jane Fonda joined Gov. Gavin Newsom and environmental advocates March 22 in Los Angeles to call on voters to rescue Senate Bill 1137, a state law that would ban new oil and gas drilling within 3,200 feet of homes, schools and parks next year.

Although Newsom signed the measure into law in 2022, California's oil industry spent around $20 million to collect enough signatures to put the repeal on the November ballot. However, the fossil fuel interest groups have been challenged by a well-funded political committee whose biggest sponsors include former Google CEO Eric Schmidt, outdoor clothing retailer Patagonia and a coalition of environmental groups.

As a part of their counteroffensive, they enlisted Schwarzenegger and Fonda, two longtime opponents of oil drilling, for a news conference at a Ladera Heights soccer field that is next to the Inglewood Oil Field — the nation's largest urban drill site. "They're spending millions and millions of dollars because they want to tell the California people that it is safe to drill next to a house," Schwarzenegger said as pumpjacks slowly bobbed behind him. The oil industry has argued that less domestic oil production will result in more imported petroleum and higher emissions from shipping.

Environmentalists embark on humor campaign against natural gas

(Reuters; March 23) - When environmentalists talk about climate change, it's typically in stark terms, describing it as a crisis that threatens the future of the planet. A scrappy group of filmmakers and activists think it can also be funny. The Gas Leaks Project, a group formed by climate advocacy veterans, launched a $1 million campaign this week that uses humor to push back against oil and gas industry messaging that gas, which is lower emitting than coal, is a critical "bridge fuel" in the transition to renewable energy.

Called "Hot & Toxic," the campaign's trailer is a riff on a reality television show in which 21 irritating housemates symbolizing pollutants associated with natural gas descend on an unsuspecting homeowner. The message is clear: Using natural gas inside your home is not safe. "I did not come here to make friends," the actor playing Carbon Monoxide, or C.Mo, says directly to the camera as if being interviewed. "I came here to cause chest pain, nausea and vomiting."

The campaign also includes social media content and billboards in Los Angeles and Washington, D.C. It is sponsored by Rockefeller Philanthropy Advisors, a nonprofit that advises and manages charitable giving. "We really took a lot of care to design it in the most engaging way possible so it feels like a reality TV show," James Hadgis, a filmmaker who was tapped to run the project as its executive director, said. "I hope it brings people in to want to watch it and make it fun and funny and click to learn more."

Pause in export approvals, higher costs challenge U.S. LNG projects

(Nikkei Asia; March 23) - The liquefied natural gas industry has criticized the Biden administration for pausing LNG export permits as uncertainties arise for developers planning massive amounts of investment in gas projects. Major U.S. exporter Freeport LNG's Chief Executive Officer Michael Smith said March 20 in an interview on the sidelines of the CERAWeek energy conference in Houston that "you won't get this resolved till after the presidential elections" in November.

The U.S. Department of Energy, which issues permits for LNG exports, announced in January that the government will pause permits to review how the projects affect climate change, national security and the economy. On March 18, Energy Secretary Jennifer Granholm told the audience at CERAWeek that the review will be in the "rear-view mirrors" by March 2025. "I am encouraged by the secretary's comments, but I think that there's still some significant risk that the timing will slip from what she said," Smith said.

The industry has complained that the uncertainty will make it difficult for developers to invest in projects. Freeport LNG is mulling its own expansion but faces another problem: Construction costs of LNG projects along the Gulf of Mexico have soared with higher wages and inflation. The projects are “much more expensive than eight to 10 years ago. ... Prices in four years had gone up 40%. That's a challenge," Smith said. The escalation has affected negotiations with potential customers for Freeport’s expansion.

U.S. gas producers look toward more exports to boost demand

(Reuters; March 22) – U.S. energy executives say they are looking past current ultra-cheap gas prices and betting on a coming wave of new liquefied natural gas plants to lift demand — and prices — for the fuel. Natural gas prices have fallen by one-third this year, undercut by a warmer winter, outages at LNG facilities and higher-than-expected output. The growth in solar and wind power and a pause on new U.S. LNG export permit reviews also have clouded the outlook for future gas demand.

"Domestic U.S. markets are oversupplied," said Chad Zamarin, a senior vice president at gas pipeline operator Williams Cos. "It will certainly take some time for LNG coming out of the U.S. and a bit of a slowdown in supply to rebalance," said Zamarin, speaking on the sidelines of the CERAWeek energy conference in Houston. Oversupply in West Texas had prices this week at a negative 26 cents per million Btu, requiring gas producers to pay someone to take the fuel.

Benchmark U.S. gas prices were trading at $1.66 on March 22, down 74% from the average price in 2022. "Our pipeline infrastructure is maxed out. It's going to make it very difficult for us to connect markets," said Toby Rice, CEO of the largest U.S. gas producer, EQT. He said permitting reforms are needed to build new lines to move the record volume of U.S. gas production. New pipelines and LNG processing plants would allow the U.S. to export the gas now clogging West Texas lines.

Exxon says it is ahead of schedule to increase LNG production

(Reuters; March 21) - ExxonMobil is ahead of schedule with its plan to double the size of its liquefied natural gas portfolio to 40 million tons per year by 2030 and will focus on selling its own gas rather than trading that of third parties, the company's LNG chief said on March 21. Exxon is revamping its LNG trading strategy amid growing production of the fuel and as part of a wider corporate reorganization that began in 2022.

The oil major is relatively small in LNG trading compared to Shell and TotalEnergies. Shell is one of the industry leaders and made $2.4 billion from trading LNG in the fourth quarter 2023. Unlike Shell and Total, Exxon plans to mainly trade its own gas, said Peter Clarke, Exxon senior vice president for global LNG. "Our portfolio is never going to look like Shell's, it's not going to look like Total's, we are targeting different aspects of the value chain," he told Reuters in an interview.

While Exxon could widen its portfolio by purchasing and marketing LNG from other parties, Clarke said, it considers those margins small compared to the potential profits on its own gas. Exxon's volumes will increase through the Golden Pass LNG project, where it has a 30% stake with QatarEnergies in the Texas plant, with output estimated at 18 million tonnes a year. Production is scheduled to start in 2025. Exxon has said it expects to make a final investment decision this year to expand its LNG output in Papua New Guinea and begin engineering and design for a Mozambique project by year-end.

Low prices spur spot-market buys in cost-sensitive Asia markets

(Reuters; March 20) - Price-sensitive liquefied natural gas buyers from China, India and parts of Southeast Asia are snapping up more spot shipments of the fuel to power industries and generate electricity after prices have fallen to the lowest level in nearly three years. The price-led demand revival could push LNG imports by the world's top buyer China beyond its record of 78.8 million tonnes in 2021 and raise India's imports by about 10% this year, analysts said, tightening global supplies and lifting prices.

Spot LNG imports by Asian buyers increased by nearly a third in the first quarter of the year to 161 cargoes, according to data from S&P Global Commodity Insights, when spot Asian prices averaged $9.82 per million Btu. This is up from 125 in the same period of 2023, when prices averaged $18.75. Thailand's Gulf Energy Development said it received its first-ever LNG cargo in February, while industry sources said Hong Kong-listed China Resources Gas will receive its first shipment in March. PetroVietnam Gas had also sought two spot shipments to be delivered from April.

"For this year, we believe that the increasing spot demand will contribute to raising overall Asian LNG demand," said Ryhana Rasidi, LNG analyst at data analytics firm Kpler. Global gas markets have more supply after weaker-than-expected demand due to a mild winter and high stockpiles in the U.S., Europe and Japan. Asian LNG prices were at $8.30 per million Btu earlier this month, the lowest since April 2021. For some importers, the Asian spot price for April delivery was lower than their oil-linked long-term contract prices, which range from $10 to $12, a Rystad Energy report said.

Storage capacity has not kept pace with U.S. gas production growth

(S&P Global; March 22) - The U.S. natural gas market has seen substantial growth in recent years, but additions of new storage capacity have not kept pace, something expected to fuel volatility as the market continues to expand to meet rising gas demand, according to industry executives at the CERAWeek conference. "If you look back at 2010 until today, natural gas demand has grown 50%. Pipeline infrastructure has only grown 25%," Toby Rice, CEO of Appalachian gas producer EQT, said in a March 18 interview. "The volatility comes in with gas storage infrastructure only growing 10%."

"What that means is, storage is not going to be the buffer on price," Rice said. "Price is going to be the thing that influences — that balances supply and demand." Others representing all segments of the industry, from global commodities traders to pipeline and LNG companies, stressed how the transformation of the domestic market could be expected to make new storage capacity a premium asset.

"We have so much more going on now … and it's going to cause continued volatility in spot markets until we can handle that (with additional storage)," Rich Brockmeyer, head of North American natural gas and power for Gunvor, said March 20 at CERAWeek. Over the past decade, total Lower 48 gas demand rose from about 74 billion cubic feet per day in 2014 to just over 106 bcf per day in 2023, according to data from S&P Global Commodity Insights. Working underground storage capacity has remained largely flat over the same period, data from the U.S. Energy Information Administration showed.

Producers aren't earning much of a premium for certified U.S. gas

(S&P Global; March 20) – U.S. certified natural gas is selling for little to no premium because of a "gigantic" oversupply of certificates, but the demand side could pick up as LNG buyers in Europe or Asia are increasingly interested in buying certified cargoes, Georges Tijbosch, CEO of the nonprofit certificate issuer MiQ, said March 20. From a standing start in 2022, MiQ now certifies 22 billion cubic feet of gas a day, about 20% of total U.S. gas production, Tijbosch said on the sidelines of CERAWeek in Houston.

Buyers can pay a premium for certified gas, Tijbosch said, but “the premium is just very low, from what we hear the premiums are between one cents and five cents (per 1,000 cubic feet),” he said. Certified gas is independently verified to meet environmental and social standards. "Not everything commands a premium but that's where it's going to go and that's where it needs to go," William Jordan, general counsel at producer EQT said March 19 at a CERAWeek panel. EQT has over 4 bcf a day of production being certified by parties like MiQ. For now, "we're not even asking for a premium." Jordan said.

EQT also sees certification as a way to push back against environmental groups that have made building pipeline capacity in the Northeast particularly difficult. "We have an inventory (of gas) that we could effectively double for 30 years. Right now, we cannot do that ... because we don't have any pipelines.” At the same panel, Tijbosch compared the certified natural gas market to the early stages of the European Union’s emissions trading system. "For about five or ten years it traded near zero. Everybody gave up. And then the EU tinkered around with it," and the allowances increased in value.

Canadian pipeline needs expansion to replace gas diverted to LNG

(S&P Global; March 21) - Enbridge expects to file with the Canadian energy regulator "in the next couple of months" for an expansion of its T-South line, to replace natural gas that will be diverted away from the Pacific Northwest to the Woodfibre LNG terminal under construction just north of Vancouver, British Columbia. After the LNG export terminal starts operations, and until the short pipeline expansion is in place, gas flow into the Northwest will be reduced, Cynthia Hansen, Enbridge's president of gas transmission, said March 20 on the sidelines of CERAWeek in Houston.

The pipeline operator plans to redirect 300 million cubic feet per day of pipeline capacity it holds on the T-South Line of the Westcoast pipeline system to supply Woodfibre, Hansen said. "We believe and our customers believe that will leave that market — the industrial load in the Lower Mainland area and then that gas that flows into the Pacific Northwest — short."

The expansion, which will be done by adding pipeline loops and compression, will backfill the lost capacity, but there will be a gap between the two projects. Woodfibre will be in service "in the later half of 2027, and then we're working to get the T-South expansion into 2028," Hansen said. "So that market's going to be challenged.” Enbridge has a 30% stake in the Woodfibre export project, planned for 2.1 million tonnes per year of LNG, almost 300 million cubic feet of natural gas per day.

There are challenges to using hydrogen to generate electricity

(S&P Global; March 20) - Hydrogen presents a complicated challenge when used as a power source, but these challenges could be addressed with incremental gas blending and artificial intelligence tools, industry participants said March 20. Using expensive hydrogen to generate power is controversial, speakers at a CERAWeek panel said, adding, it's "not the first application that comes to mind." S&P Global Consulting Director Natallia Pinchuk referenced an analogy that says using hydrogen in power "is like using champagne to flush a toilet. … If you can do it, it will do the job, but why would you?"

Highlighting potential downsides, Steve Smith, director of strategy and innovation at National Grid, shared concerns on how a hydrogen-powered system would respond to peaks in demand "when the wind stops blowing and the sun is not shining." In the U.S. Northeast, where National Grid operates, "we might go days without renewable resources," Smith said. "So people need dispatchable generation to cover peaks," a role that natural gas and coal have covered for decades.

A hydrogen storage mechanism that works alongside regular generation would be necessary to address system spikes, Smith said. A mixed fuel source could also help keep the lights on. Hydrogen could have a role in areas with a concentration of natural gas infrastructure by blending hydrogen and reducing the carbon intensity of delivered energy, he said. But hydrogen tends to increase pipeline leakage, limiting its use, research by the Argonne National Laboratory shows.

Few demonstrations of blending have occurred in recent years and more research is needed across the hydrogen and gas supply chain, a 2023 collaborative National Renewable Energy Laboratory report shows. Hydrogen also has a lower energy per unit volume than natural gas, reducing a pipeline's transported energy, NREL report shows.

Suriname wants oil companies to develop its gas reserves

(Reuters; March 20) - Suriname's state-owned oil company Staatsolie has begun talks with oil majors ExxonMobil and TotalEnergies to encourage joint development of natural gas fields that straddle its maritime border with Guyana, the head of the state firm said on March 19. The early-stage discussions are part of Suriname's efforts to increase foreign investment in its energy production and turn the South American nation into a regional gas hub. Its first major oil production from offshore is about four years away.

To Suriname's west, an Exxon-led consortium in Guyana has quickly ramped oil output to about 650,000 barrels per day. The group is in discussions with the Guyanese government to develop as-yet untapped gas fields too. Guyana has said it wants the group to tap the gas fields for domestic supply and exports, generating a second stream of energy revenue for the country.

The Exxon-led consortium has outlined six projects in Guyana, where it has confirmed more than 11 billion barrels of recoverable resources. A seventh project could be the group's first to mainly focus on gas. Two of Exxon's discoveries in Guyana, which contain mostly gas and gas condensate, are near two Suriname fields where TotalEnergies and APA Corp. found gas, Staatsolie Managing Director Annand Jagesar said in an interview at the CERAWeek energy conference in Houston. “Joining the Guyana and Suriname explorations” would make Suriname gas viable, Jagesar said.

Chinese firm files arbitration over stake in Guyana oil assets

(Reuters; March 22) - Chinese offshore oil and gas major CNOOC said it had filed an arbitration claim to establish a right over Hess' stake in the giant Guyana oil field Stabroek in the event of the U.S. firm's sale to Chevron. CNOOC filed the arbitration application on March 15, following a similar move by its other Stabroek partner ExxonMobil, Xu Yugao, CNOOC's board of directors secretary, told an earnings briefing late on March 21.

"We have a joint operating agreement with partners regarding the Stabroek block. We will deal with relevant issues based on the relevant arbitration terms," Xu said. Exxon, the operator of Stabroek, holds a 45% stake, while Hess has 30% and CNOOC 25%. Exxon and Chevron are in talks over Exxon's claim that it has a right of first refusal on any sale of the Stabroek block, a giant field off the coast of Guyana that contains at least 11 billion barrels of oil.

Stabroek is the prize in Chevron's $53 billion bid for Hess. It is the site of the largest oil discoveries in almost two decades and is expected to produce more than 1.2 million barrels of oil and gas per day by 2027.