Oil and Gas News Briefs
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Canadian production expected to grow 500,000 barrels a day by 2030

(Bloomberg; May 9) - Canadian oil sands production will increase by about half a million barrels per day by 2030, more than previously forecast, as stronger prices encourage companies to expand existing projects, according to S&P Global Commodity Insights. Production will rise to 3.8 million barrels per day by 2030, about 3% higher than was projected last year, S&P said May 9. Companies including ExxonMobil's Imperial Oil unit and Canadian Natural Resources are expanding existing oil sands well sites, taking advantage of the start of new pipeline capacity to the Pacific Coast.

This month's start-up of the expanded Trans Mountain pipeline added capacity for an additional 590,000 barrels per day to be sent from Alberta to the Pacific Coast for export. "The extended period of comparatively higher oil prices has strengthened producer balance sheets and has begun to open the door to some more ambitious projects, still primarily leveraging existing infrastructure," analysts said in a blog post about the report. Several projects are set to grow 20,000 to 50,000 barrels per day "through optimizations, efficiency gains or commercialization of small-scale assets."

Rising production from non-OPEC countries has frustrated the cartel's efforts to support prices through output cuts, with the U.S., Brazil, Guyana and Canada expected to lead to a supply increase this year of 1.8 million barrels a day, according to U.S. government estimates. Canada's oil sands represent the world's third-largest crude reserves and make up the bulk of production from the country, the world's fourth-largest producer.

Chinese bidders win rights to five Iraqi oil and gas fields

(Reuters; May 11) - Iraq held an oil and gas licensing round for 29 projects on May 11 in a bid to develop its huge natural gas resources to help power the country and lure billions of dollars in investments. The exploration blocks are spread across 12 governorates in central, southern and western Iraq and for the first time include an offshore exploration block in Iraq's Arab Gulf waters.

Five fields were won by Chinese companies. Zhongman Petroleum and Natural Gas Group took the northern extension of the Eastern Baghdad field and the Middle Euphrates field that straddles the southern Najaf and Karbala provinces, the oil ministry said. China's United Energy Group won a bid to develop the Al-Faw field in southern Basra, while ZhenHua won rights to the Qurnain field in the Iraqi-Saudi border region and Geo-Jade won the bidding to develop Iraq's Zurbatiya oil and gas field in eastern Wasit. Iraqi companies won rights to two fields.

Iraq, OPEC's second-largest producer after Saudi Arabia, last held a licensing round in 2018. More than 20 companies pre-qualified for the latest round, including European, Chinese, Arab and Iraqi groups. There were no U.S. oil majors involved. Iraq's oil production capacity has grown from 3 million to around 5 million barrels per day in recent years, but the departure of giants such as ExxonMobil and Shell from a number of projects due to poor returns means future growth is uncertain.

Oil minister says Iraq will not agree to extend OPEC+ production cuts

(Bloomberg; May 11) - Iraq's oil minister said he won't agree to renew oil output cuts at the next OPEC+ meeting, potentially setting the stage for tough negotiations. “We will not agree on any renewals to cut output in the next OPEC+ meeting,” Oil Minister Hayyan Abdul Ghani told reporters in Baghdad on May 11. Ministers are due to meet on June 1 in Vienna and are widely expected to extend their current production cuts into the second half of the year. Iraq, the second-biggest producer in OPEC, is already causing unease in the group by failing to fully implement the existing curbs.

It's not clear if the minister will maintain his stance at the gathering in Vienna, and one OPEC delegate said it looked like usual pre-meeting behavior. Deputy Iraqi Oil Minister Basim Mohammed Khudair a few hours after the oil minister's statement struck a more conciliatory tone, saying Baghdad was “committed to the voluntary reduction decision within the deadline set by OPEC and its allies.”

He said the country has been averaging 3.4 million barrels a day of exports so far this month. That's just over the 3.3 million it said in March it would export as part of efforts to get production back to the agreed level. Iraq has a long history of failing to meet OPEC targets as it struggles to rebuild its war-shattered economy. Iraq has agreed to make additional cuts through the end of the year to make up for recent poor compliance.

Iraq now says it cooperate with OPEC to bring stability to oil markets

(Reuters; May 12) - Iraq is committed to voluntary oil production cuts agreed by the Organization of the Petroleum Exporting Countries and is keen to cooperate with member countries on efforts to achieve more stability in global oil markets, Iraq's oil minister told the state news agency on May 12. The minister's comments followed his suggestion on May 11 that Iraq had made enough reductions and would not agree to any additional cuts proposed by the wider OPEC+ group at its meeting in early June.

“The oil ministry is keen on the cooperation of member states and working to achieve more stability in the global oil market by agreeing on voluntary reduction programmes,” the state news agency quoted Hayan Abdul Ghani as saying. He told reporters on the sidelines of an oil and gas licensing round in Baghdad that OPEC's voluntary cuts are subject to agreement by its members, adding that Iraq is part of OPEC and would commit to its decisions. "It is necessary that we adhere to and agree with any decisions made by the organization,” he said.

Climate activists go after deepwater U.S. oil export terminals

(Bloomberg; May 9) - Climate activists who successfully pushed President Joe Biden to pause new U.S. liquefied natural gas export projects are setting their sights on proposed crude oil shipping facilities, after the administration approved a massive petroleum terminal last month. The administration should stop approvals of deepwater oil export facilities and reevaluate its review process, the Sierra Club wrote on behalf of nearly 20 environmental and community groups in a letter May 9 to the White House and the Department of Transportation.

The department in April quietly approved a deepwater port off the coast of Texas proposed by Enterprise Products Partners with the capacity to export 2 million barrels of oil a day. Three other oil export projects — proposed by companies including Energy Transfer, Phillips 66, Trafigura and Sentinel Midstream — are under review by the Transportation Department.

“Up to this point, DOT has failed to meaningfully evaluate the wide-ranging harms of licensing massive deepwater crude export facilities in the Gulf of Mexico and the significant upstream production and global consumption the projects would induce,” said a senior attorney with the Sierra Club. “Just like with liquefied gas exports, these projects pose serious threats to the climate, vulnerable communities and ecosystems, public health and national security.” The Transportation Department said extensive environmental reviews are already required to obtain a license for a deepwater port.

Rising supplies, slumping demand cuts into profit margins for diesel

(Reuters; May 9) - Profit margins for diesel are slumping as new refineries boost supplies and as mild weather in the Northern Hemisphere and slow economic activity eat into demand, putting oil prices under further downward pressure. The lower refining margins for diesel, one of the world's key industrial and transport fuels, have prompted some refiners in Asia to trim the volume of oil they process to reduce their diesel output.

Weaker demand has seen crude oil prices fall sharply in recent weeks and OPEC+ producers meet in early June to decide on the fate of a series of supply cuts agreed since late 2022. While the group has yet to begin formal discussions, sources told Reuters the group may keep cuts of 2.2 million barrels per day beyond June if demand for crude fails to pick up. Brent crude prices slumped to a two-month low of below $82 a barrel May 8. They're on track to lose 4% so far this month after four months of gains.

European diesel profit margins slid to below $16 per barrel in late April, an 11-month low after hitting over $40 in February. Rising output is weighing on prices for the fuel. Annual global refining capacity rose last year at the fastest pace since 1977 as new projects started up in Oman, Kuwait and Nigeria. JP Morgan noted that road diesel demand in Europe contracted by 50,000 barrels per day over the past year. Meanwhile, a change is underway in the U.S., with a rising volume of biofuels displacing diesel. U.S. West Coast demand for petroleum-derived diesel hit its lowest in nearly 28 years in January.

Petrochemical projects drive need for new gas pipelines in Canada

(Calgary Herald; May 9) - Despite a fierce debate about the role of natural gas in the energy transition, Alberta companies continue to make major multibillion-dollar investments with their eyes on the long run. On May 8, ATCO-controlled Canadian Utilities announced plans to build a C$2 billion natural gas pipeline from the Edson region to the Fort Saskatchewan area, where customer demand continues to rise — including from the new Dow petrochemical megaproject.

Once built, the Yellowhead Mainline will be able to move up to one billion cubic feet per day of incremental capacity. Permitting applications will likely begin to be made midway through this year, with construction expected to start in 2026. The line is slated to begin operating during the fourth quarter of 2027. "This is an area where our customers have collectively announced well over $20 billion of new investment, and that new investment requires additional gas supply," Wayne Stensby, ATCO Energy Systems' chief operating officer, told shareholders May 8 at the annual meeting of Canadian Utilities.

Indeed, while oil prices continue to sizzle and oil sands operators are eyeing production increases, natural gas is also seeing major long-term investments. And that creates a role for more much-needed infrastructure, such as pipelines. For example, Dow's $9 billion net-zero petrochemical facility is being built in Fort Saskatchewan and features a new ethylene cracker and derivatives complex. According to the Canada Energy Regulator, natural gas use in the country has climbed by 7.2% since 2018.

Rising construction costs could affect Louisiana LNG project

(Reuters; May 13) - Sempra LNG is revisiting its selection of Bechtel to build its Cameron LNG expansion project in Louisiana due to rising construction costs, two people familiar with the matter told Reuters. The Sempra-Bechtel pricing dispute reflects a broader hike in construction and labor costs that are affecting several U.S. liquefied natural gas export projects under development and threaten to further delay others.

Sempra "has gone back out for an EPC (engineering procurement and construction) contractor for its expansion project," one of the people familiar with the matter said. "High demand for skilled labor for plant construction is causing costs to rise and making some projects too expensive to build," the person added. Sempra LNG operates Cameron, the third-largest U.S. LNG export plant, and is constructing facilities in Mexico and Texas, in addition to pursuing the expansion of the Louisiana plant.

Cameron LNG Phase 2, a venture between affiliates of Sempra LNG, TotalEnergies, Mitsui and Japan LNG Investment, aims to expand the capacity of the three liquefaction trains at the facility and add a fourth, building on the existing production capacity of 12 million tonnes per year. Bechtel built the first phase of the Cameron plant, Sempra's first LNG facility, and is building the company's newest project, Port Arthur LNG in Texas. “There’s no doubt that the whole industry is feeling inflationary pressures," Paul Marsden, the president of Bechtel Energy, told Reuters via email.

First Nation protestors blockade oil lease road in northern Alberta

(The Canadian Press; May 8) - Police are present at a blockade of an oil lease road in northern Alberta but say they aren’t enforcing an injunction for members of a local First Nation to clear the site. “We are aware of the situation, and we have dispatched resources to speak with both parties,” said RCMP Cpl. Mathew Howell. “We have not gone into an enforcement capacity. We’re trying to get both parties to the table.”

On May 6, a judge issued an injunction for members of the Woodland Cree First Nation, north of Peace River, to clear a road used by Calgary-based Obsidian Energy. The blockade was first set up in February and Obsidian says it needs the road to conduct maintenance on a pipeline site. Chief Isaac Laboucan-Avirom said the dispute began last year. He said the First Nation was taken by surprise when Obsidian announced plans for about 200 new wells without consulting the band ahead of time.

“They do have to talk to us,” he said, speaking from the blockade site. “In meaningful consultation, you start out in a respectful way — not coming at us saying, ‘We’re going to do this whether you like it or not.'” The band is also concerned about earthquakes caused by Obsidian’s work. Alberta’s Energy regulator issued an environmental protection order against Obsidian in March 2023 for causing a series of earthquakes, including the largest recorded tremor in the province’s history. Obsidian says it has a right to the road and that the site is not on the band’s reserve.

[LNG project developer not giving up on floating housing for workers]

(Global News; May 9) - It's 555 feet long, retrofitted to house hundreds of workers and, for now, sitting idle in Howe Sound, north of Vancouver, B.C. The Isabelle X, a Croatian-built former cruise ship, was supposed to provide accommodations for some 650 workers who will help build the C$5.1 billion Woodfibre LNG project near Squamish, population about 27,000. But a permitting dispute with the District of Squamish has put a freeze on those plans. On May 9, Woodfibre opened the vessel to a media tour, showing off its dining room, games room, lounge and well-appointed cabins.

Vancouver-based Bridgeman's Services did the C$100 million makeover to bring the vessel up to standards for its new residents. In its new role as a "floatel," the vessel is completely self-sufficient, including sewage and shore power instead of diesel to run state-of-the-art heat pumps and other systems. "The floatel is a direct response to requests from the District of Squamish and the Squamish Nation and members of the community over a consultation process that went on for several years about housing our project workforce outside of the community," the Woodfibre LNG president said.

The B.C. Environmental Assessment Office and the Squamish Nation have approved the floatel. But last week, the District of Squamish council voted to reject a one-year permit for the vessel, following concerns from speakers about the safety of women and girls, traffic and waste management. Woodfibre LNG is in talks with the district, including an offer of a $10 million security, but the path forward is unclear. The company said it does not have a backup plan for housing if it cannot use the ship.

[Panama Canal wants to boost U.S. LNG transits as water levels rise]

(Reuters; May 9) - The Panama Canal is in talks with U.S. liquefied natural gas producers on how to meet increased demand for crossings as water levels recover after a prolonged drought, the canal's administrator Ricaurte Vasquez told Reuters in an interview. The canal is typically used by U.S. Gulf Coast exporters to send LNG cargoes to Asia via the Pacific Ocean, but from last year low water levels forced cuts to daily crossings, driving many producers to seek longer and more costly alternative routes.

In April, LNG transits through the canal's Neopanamax locks only amounted to 4.9% of crossings, while container ships snared some 61.6% of the transits. Following increased rainfall that has replenished water levels, tensions have begun to ease, and the canal is examining future opportunities, Vasquez said on May 8. Canal authorities might need to modify slot allocations to secure more passage for LNG customers, so the administration is working on a survey to be sent to its transport clients to identify their needs, especially in terms of frequency and permits, he said.

Companies including top U.S. LNG exporter Cheniere Energy have complained about having to endure long and costly waits to cross the canal as LNG carriers lack priority passage. Vasquez said the canal is looking for ways to guarantee crossings for those vessels, adding the number of slots available for LNG producers will be made public after studies are completed and a consensus is reached with the companies involved.

Türkiye signs agreement to buy LNG from ExxonMobil

(LNG Prime; May 9) - Türkiye's state-owned natural gas and LNG firm Botas has signed a deal to buy liquefied natural gas from ExxonMobil. According to a statement by Botas, the company's general manager, Abdulvahit Fidan, and Matthew Chandler, president of ExxonMobil LNG, signed the cooperation deal in Washington on May 8. Under the agreement, Türkiye plans to receive up to 2.5 million tonnes of LNG per year for 10 years, Botas said. The company did not say whether this deal is a memorandum or a heads of agreement which would be converted into a sales and purchase agreement.

The firm also did not reveal the source of the supplies or the start date of the supplies. "The U.S. is already one of our important suppliers of LNG," the Turkish energy minister said in a social media post. "With this agreement, which is planned to be long-term, we will take another step toward diversifying our resources," he said. "We will continue to contribute to the energy supply security of both our country and our region," he said.

Botas also has LNG supply deals with state-owned producer Oman LNG and Algeria's LNG producer, Sonatrach. Botas operates three import terminals. Türkiye has increased its LNG import capacity to boost its energy security and to become an international gas hub. In April last year, Bulgaria's Bulgargaz received the first LNG cargo via Türkiye from the U.S. as part of a deal it signed with Botas.

India will revive idled coal plants to help meet summer power demand

(Reuters; May 9) - India is projecting its biggest power shortfall in 14 years in June after a slump in hydropower generation, its government said, and is racing to avoid outages by deferring planned plant maintenance and reopening idled units. The deficit follows delays, a government source said, in the commissioning of 3.6 gigawatts of new coal-fired plants which had been targeted to be operational before March. A peak shortage of 14 GW is forecast in June during nighttime hours, when solar capacity is offline, the Central Electricity Authority, the country's planning body for the power sector, said.

"The planning process relies on worst-case scenarios," it said. The gap is the widest since 2009-2010, according to publicly available government data. India's hydroelectricity output fell at the steepest pace in four decades in the year ended March 31, while renewable energy generation was flat. Power Minister R K Singh held an emergency meeting last week to take stock of the situation and decided to defer shutting down power plants for planned maintenance during June and revive 5 GW of idled coal plant capacity, two separate government sources present in the meeting said.

The power ministry last month invoked emergency rights for the first time to direct gas-based and coal-based power plants to operate at full capacity. India has long defended its use of coal, but Prime Minister Narendra Modi's administration had slowed capacity growth based on the heavily polluting fuel to focus on the green energy transition, with an eye to meeting 2070 net-zero emission goals.

Lower prices for coal and LNG make it easier for China to stock up

(Bloomberg; May 12) - China is taking advantage of lower international prices for coal and natural gas to replenish its stockpiles of power fuels ahead of another long, hot summer. Gas imports through the end of April jumped 21% from the previous year, while coal purchases climbed 13%. The increase in coal in particular has defied predictions that imports would moderate from last year’s record-setting pace and comes after China’s domestic coal production posted its first quarterly drop since third-quarter 2020.

Coal miners are wrestling with heightened scrutiny on safety after a spate of fatal accidents, as well as depleting quality after the rush to expand capacity in recent years. Producers of China’s mainstay fuel are also putting limits on output growth as Beijing’s 2025 deadline for peak coal consumption approaches. That’s forcing utilities to lean more heavily on imports, an advantage amid relatively lower costs on the global market.

The Japan-Korea marker for liquefied natural gas, Asia’s benchmark, averaged just over $9 per million Btu in the first quarter, down from $18 in the same period in 2023. Newcastle coal futures in major exporter Australia averaged $127 a ton, down from $236 in the prior year. Ensuring power supplies has been a priority for policymakers in China since a series of embarrassing shortages in 2021 and 2022 forced widespread factory shutdowns. Meanwhile, another unusually hot summer in the Northern Hemisphere is forecast, which is likely to raise demand for air conditioning.

Energy analyst, at 79, may finally see victory against oil producers

(Financial Times; London; May 9) - Half a century ago, energy analyst Philip Verleger became embroiled in an antitrust battle as an adviser to American manufacturers that wanted to sue the mighty OPEC oil cartel over price fixing. That failed. So did a second anti-OPEC initiative that Verleger advised on in 2000. Now, however, at the age of 79, he is wondering if a third attack might finally — and unexpectedly — bear fruit. The reason lies in a ruling made last week by the U.S. Federal Trade Commission about Exxon’s $64.5 billion bid for Pioneer, the most successful U.S. shale oil producer.

The FTC is permitting the deal to go ahead. But it inserted a startling caveat: Scott Sheffield, the high-profile former Pioneer CEO who built the shale sector, is barred from the Exxon board, after alleged recent collusion with OPEC officials to keep oil prices artificially high, and thus hurt consumers. “Mr. Sheffield’s past conduct makes it crystal clear that he should be nowhere near Exxon’s boardroom,” explained Kyle Mach, deputy director of the FTC’s Bureau of Competition. The FTC says it has hundreds of WhatsApp messages between Sheffield and other oil executives to back its allegations.

This trove was heavily redacted last week. But Verleger predicts class-action lawyers will now force “discovery” — i.e. disclosure — with a view to winning billions of dollars of compensation from oil-producer groups. “It is a disaster for the industry — the liability could be huge,” he said, citing airline companies as one victim. “I never thought I would see this in my lifetime.” Unsurprisingly, Pioneer vehemently disagrees, insisting that the suit “reflects a fundamental misunderstanding of the U.S. and global oil markets and misreads the nature and intent of Mr. Sheffield’s actions.”