Oil and Gas News Briefs
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Expanded Canadian oil line will boost tanker traffic in border waters

(Washington State Standard; April 29) - A significant increase in oil tanker traffic is in store for the Salish Sea in U.S. and Canadian waters with the completion of the Trans Mountain Pipeline expansion in British Columbia. The project triples the volume of Alberta oil the pipeline can carry to an export terminal near Vancouver, British Columbia. The facility now sends out an average of five loaded tankers per month, and the expansion aims to raise the pace to one vessel per day. The oil-filled ships will pass the San Juan Islands and Olympic Peninsula of Washington state as they head to sea.

Increased oil-spill risks in shared waters, disturbances to endangered orcas and other whales and climate change impacts are among the worries the pipeline expansion has stoked across the border in Washington. The Canadian project inspired repeated protests from Puget Sound tribes and Washington Gov. Jay Inslee, but they were all powerless to stop it. “Anytime you move oil from one place to another, that presents a risk of an oil spill,” said Lovel Pratt, marine protection and policy director for Friends of the San Juans. “Oil knows no boundaries. The oil goes wherever the water takes it.”

The operator of the Canadian government-owned pipeline, Trans Mountain Corp., contends expanded oil exports can be done responsibly. Trans Mountain has paid to enhance spill prevention and response capabilities at multiple new bases on Vancouver Island near the international shipping lanes. “Trans Mountain has loaded marine vessels with oil at the Westridge Marine Terminal since 1956 without a single spill from tanker operations,” the company said on its website. Oil is expected to start moving through the line in May, with the first tankers going to China and the U.S. West Coast.

Much of Canadian oil line throughput could go to California refineries

(Reuters; April 29) - Canada's Trans Mountain oil pipeline expansion is set to enter partial operation on May 1, years behind schedule and at more than four times the original cost estimate — but with the potential to affect oil flows even outside North America. Canada, the world's fourth-largest oil producer with nearly 5 million barrels per day of output, will have more than enough export pipeline capacity once the C$34 billion (US$24.9 billion) TMX becomes fully operational.

The expanded pipeline will ship an additional 590,000 barrels per day from Alberta to Canada's Pacific Coast, giving Canada's heavy-crude producers access to U.S. West Coast and Asian markets, boosting prices for their grades. Cargoes are expected to sell to China and California refiners. Many Chinese refineries are set up to process heavy sour crudes, but shipping brokers warn the cost of hauling crude to Asia on the smaller tankers that can call on the Canadian terminal may limit demand. California's complex refineries can process both light and heavy crude and are just two to four days away.

There are 11 contracted shippers on TMX, accounting for 80% of volumes. The remaining 20% of capacity will be available for spot shipments. Committed shippers include Canadian Natural Resources, MEG Energy, Cenovus Energy, Suncor Energy, BP, PetroChina and Marathon Petroleum. The massive construction cost overruns mean that TMX has had to raise tolls to recoup some of its costs. The shippers are disputing the rate increase, and the Canadian regulatory agency, which approved higher interim tolls last year, will hold a hearing this year to decide the final tolls.

Alberta's oil sands region looks to benefit from new pipeline

(The Canadian Press; April 29) - As the urban center at the heart of Canada's oil sands industry, Fort McMurray has seen more than its share of ups and downs. A decade and a half ago, the northern Alberta community was the country's most famous boom town. High oil prices helped to drive unprecedented demand for the thick, viscous bitumen that lies beneath the Earth's surface here, and workers flocked from around the world to cash in on the bonanza. Then crude prices crashed, layoffs began, and the frenzy of oil sands-related construction dried up. The party, it seemed, was over.

Now, with the opening of the long-awaited Trans Mountain pipeline expansion just days away, those who live and work in this region hope their fortunes are once again headed for an upswing. Fort McMurray, population 68,000, is in the heart of the Athabasca oil sands, the world's third-largest proven crude reserve. The oil industry permeates every aspect of life here. "It's hard to quantify the value of the … pipeline to a region like ours," said Dennis Vroom, senior strategic adviser for the regional municipality of Wood Buffalo, which encompasses Fort McMurray and the surrounding rural area.

The pipeline, which was bought six years ago by the federal government, is Canada's only oil pipeline to the West Coast. The expansion will increase its capacity from approximately 300,000 barrels per day currently to 890,000 barrels per day, improving access to export markets for Canadian oil companies. The path to get here hasn't been rosy. The pipeline project, which took more than four years and at least C$34 billion to construct, has been marred by environmental protests, delays and budget overruns.

Municipal council rejects floating work camp for B.C. LNG project

(Canadian Press; May 1) - Plans to use a renovated cruise ship to house more than 600 workers as they build a liquefied natural gas facility near Squamish, British Columbia, have been voted down by the local council. The ship arrived in B.C. waters in January after a 40-day journey from Estonia, where it had sheltered Ukrainian refugees, but Woodfibre LNG didn't obtain a permit from the district to operate the so-called "floatel."

The Squamish municipal council voted 3-4, denying a one-year permit application at a meeting on April 30, with members hearing concerns about the safety of local women and girls, traffic issues, waste management and potential hazards. Woodfibre wanted workers to start living on the ship this spring on the shores of Howe Sound, outside Squamish, about 30 miles north of Vancouver. Several councillors said the LNG project was not at issue, rather the decision was whether to allow the floating work camp.

Tracey Saxby, executive director of the advocacy group My Sea to Sky, issued a statement saying Woodfibre took the risk of bringing the vessel to B.C. waters without approval to anchor it at the site. There are "so many unknowns," she said, and the company's application is missing key information the community needs for an informed decision. The C$5.1 billion project (US$3.7 billion) is planned for 2.1 million tonnes annual production. Woodfibre is targeting a 2027 start-up, if construction is not delayed.

Washington state tries different tactic than banning new gas hookups

(The Seattle Times; April 28) - Over the past couple of years, Washington state lawmakers have wrestled with a daunting task. The problem: The state's largest utility, Puget Sound Energy (PSE), sells natural gas to nearly 1 million customers and burns gas and coal to electrify cities. That contributes millions of tons of planet-warming gases to the atmosphere. It makes PSE one of the largest producers of greenhouse gas pollution in the state, ranked among fuel suppliers like Marathon, BP and Philips 66. And it represents a huge threat to the state's ambitious climate goals.

Lawmakers' original proposed fix would have required PSE to stop offering new commercial and residential gas hookups. But the version of the legislation signed into law by Gov. Jay Inslee last month didn't go nearly that far and illustrates the intense debate over turning off the flow of gas. Dozens of states have gone the other direction, passing legislation prohibiting local gas bans or electrification mandates, and municipalities that have attempted to restrict new gas hookups have faced litigation.

The state's new law, passed with narrow margins and industry scrutiny, aspires to set a course for a future, decades away, in which gas is a thing of the past. State Sen. Joe Nguyen, who sponsored the bill's final version, called it "a plan for a plan" that allows PSE to start thinking about how to decarbonize when proposing rates. It allows PSE to potentially raise rates earlier to pay for clean-energy projects, spreading the cost over a longer period. Supporters say it's one of the first efforts nationwide of a utility agreeing to decarbonize and comply with emissions goals in return for regulatory changes.

[Colorado strikes a deal to avoid dueling oil and gas ballot measures]

(Colorado Newsline; April 30) - For the third time in a decade, the two sides in Colorado's long-running oil and gas wars have agreed to withdraw competing sets of initiatives slated for the November ballot, avoiding what Gov. Jared Polis called "costly, risky and divisive" fights over whether the state should ban restrictions on natural gas and whether it should be easier to sue drillers for health and safety violations.

The 2024 ballot measures sponsored by the oil and gas industry included constitutional protections for "energy choice," which would have barred state and local governments from restricting natural gas use in homes and businesses and from banning sources of pollution like gas-powered lawn and garden equipment. The environmentalist-backed initiatives would have held oil and gas companies strictly liable for damages.

The April 29 deal also means Democrats will drop legislative proposals targeting ozone pollution from the oil and gas sector. Instead, industry and environmentalists have agreed to endorse a package of clean air policies centered on a new per-barrel fee on oil and gas output, which will be used to fund public transit and wildlife habitat restoration. For decades, the Denver region has failed federal standards for ozone, a hazardous air pollutant linked to a wide variety of health problems.

Under the deal, the new fee on oil and gas production would fluctuate based on commodity prices. Estimates show it would generate roughly $138 million annually. Of that, 80% would be used for transit and rail spending, while the remainder would fund conservation and restoration that aim to offset the damages of oil and gas production.

[U.S. LPG and LNG exports at record high for first 3 months of year]

(S&P Global; April 29) – Liquefied petroleum gas (propane) and liquefied natural gas outflows from the U.S. have hit record highs in 2024 as natural gas production continues to soar, while arbitrage opportunities support export demand, sources said. U.S. gas production has continued to ramp up, with traders still expecting the U.S. to remain the strongest swing supplier in the near term for the global LNG market.

Although the rig count has fallen, gas production has stayed healthy. Despite lower rig counts, sources said ample production is supported by strong output from existing rigs. The increased production provided a backbone for record LNG and LPG exports. U.S. LPG exports have totaled 20.2 million tonnes from Jan. 1 to April 29, according to S&P Global data — an all-time high for the three-month period, up 6% from last year.

At the same time, U.S. LNG exports stood at 30.55 million tonnes between Jan. 1 to April 29, according to data from S&P Global Commodity Insights. This puts U.S. LNG exports at a record high for the three-month period, up almost 4% from last year.

[Negative Texas gas prices push producers to pull out ethane, NGLs]

(S&P Global; April 30) - An extended stretch of negative natural gas prices at the Waha hub in West Texas is having no impact on Permian Basin producer activity, but it is leading to stronger ethane recovery from the gas stream and driving record volumes of natural gas liquids, pipeline company Enterprise Products executives said April 30. "What we've seen in natural gas prices is not going to cause people to shut in or even throttle back oil-related natural gas at this point," said Anthony Chovanec, executive vice president of fundamentals, during Enterprise's first-quarter earnings call.

Natural gas production in the Permian eased a little in April to an average of 18 billion cubic feet per day, down from 18.4 bcf a day in March. The drop in production could be explained by a higher recovery from the gas stream of NGLs, whose prices have held up better, relative to gas. The U.S. Energy Information Administration also reported record propane volumes in the Gulf Coast for the week ended April 17.

Weak prices at Waha are leading to "higher ethane recovery throughout the system," said Michael Hanley, senior vice president of hydrocarbon marketing at Enterprise Products. Spot natural gas prices at Waha have been mostly negative since March 12 as maintenance on El Paso Natural Gas and Gulf Coast Express pipelines have highlighted the need for more capacity out of the Permian to accommodate growing natural gas output associated with oil production.

[Oil and gas driller pays $24 million for illegal flaring in New Mexico]

(KRQE News; Albuquerque, New Mexico; April 29) - After getting notice of a fine for over $40 million, a Texas-based oil and gas company has reached a $24.5 million settlement with the New Mexico Environment Department. "It's a message to oil and gas companies that aren't following our rules," said Michelle Miano, Environmental Protection Division director. "We are watching and we will hold bad actors to account."

The department alleged the company, Ameredev, "exploited public health for profit" and "willfully ignored" New Mexico's oil and gas rules, particularly against flaring gas. The department said it's the largest civil oil and gas settlement the state has ever received. After the state told Ameredev that five of its facilities improperly flared more than three billion cubic feet of gas, the company hired third-party contractors to help on compliance issues. The department said it does not know of any further issues at Ameredev.

With the settlement, Ameredev agreed to perform compliance audits of all its New Mexico facilities, report monthly emission rates from each facility, implement advanced leak-detection technology, and remove some equipment until they submit the correct permit application.

Federal court rejects lawsuit over FERC pipeline approval

(Reuters; April 30) - A U.S. appeals court on April 30 upheld federal approvals for a natural gas pipeline system expansion project in Louisiana and Mississippi, rejecting environmentalists' claims that the government performed an insufficient review of its climate harms. A unanimous three-judge panel of the U.S. Circuit Court of Appeals for the D.C. Circuit held that the Federal Energy Regulatory Commission was right to determine the Evangeline Pass Expansion Project is functionally separate from four related gas infrastructure developments being developed independently.

FERC therefore did not need to analyze their emissions together, the D.C. Circuit said. The Kinder Morgan-backed project would expand existing pipelines to feed more fuel to Venture Global's Plaquemines liquefied natural gas export terminal in Louisiana. The Sierra Club and Healthy Gulf said in their 2022 lawsuit seeking to vacate FERC's approvals that the expansion and the related projects — new pipeline infrastructure projects that connect to the same export terminal — would together cause a massive release of greenhouse gas emissions.

But the D.C. Circuit said that since the other projects have separate ownership and would likely be built anyway, FERC was not obligated under federal environmental review laws to consider their collective emissions when issuing approvals. The projects are all part of a major build-up of LNG export capacity in the Gulf. The U.S. last year became the world's largest LNG exporter, and that capacity is expected to double before the decade ends.

Japan jeopardizes its net-zero pledge by reselling surplus LNG

(The Japan Times commentary; April 30) - Despite its pledge to achieve net-zero emissions by 2050, Japan is trying to maintain its influence in the international liquefied natural gas market, especially in Asia. This makes it impossible for Japanese companies to achieve net-zero and potentially jeopardizes decarbonization goals throughout the continent, according to two researchers with the Institute for Energy Economics and Financial Analysis.

Japan's largest gas utility, Tokyo Gas, recently announced a roadmap for achieving carbon neutrality in its operations by midcentury. The plan involves interim targets to reduce greenhouse gas emissions 60% by 2040 compared with 2022 levels, largely by deploying renewables and replacing liquefied natural gas with cleaner substitutes. However, the roadmap applies only to domestic operations, despite the company's active role in developing LNG infrastructure abroad, particularly in Southeast Asia.

This indicates a broader trend: Japanese utilities are increasingly reselling LNG and cultivating demand in emerging markets as domestic gas demand falls. Japan's largest utilities could have a large surplus of LNG through to 2030, as highlighted in a report compiled by the Institute for Energy Economics and Financial Analysis. Japan's LNG imports peaked in 2014 and fell to their lowest level in a decade last year. In contrast, overseas LNG sales by Japanese companies have almost tripled in recent years.

Total CEO will meet with Mozambique president to restart LNG project

(LNG Prime; April 29) - French energy giant TotalEnergies had "good" discussions with contractors on the Mozambique LNG project and they agreed not to inflate the costs of the work, according to Patrick Pouyanne, CEO of TotalEnergies. The CEO will "soon" meet with the president of Mozambique to discuss security in the country and restarting the giant project. TotalEnergies declared force majeure on the project in April 2021 and withdrew all personnel from the work site due to attacks in the area by insurgents.

Mozambique LNG includes the development of offshore gas fields and construction of an onshore liquefaction plant and export terminal with almost 13 million tonnes annual production capacity. Besides TotalEnergies, the other partners in the $20 billion venture are Japan's Mitsui, Mozambique's ENH, Thailand's PTT, and Indian firms ONGC, Bharat Petroleum and Oil India. The project's engineering, procurement and construction (EPC) contractor is CCS, a venture between Saipem, McDermott and Chiyoda.

Pouyanne said in September that the last condition for the company and its partners to resume the project would be that the "contractors stick to their EPC contracts and not inflate the costs, otherwise we can wait longer." In February, he said TotalEnergies hopes to resume construction on its giant Mozambique LNG project by the middle of 2024, with TotalEnergies "remobilizing the contractors."

TotalEnergies CEO says it will 'take time' to build clean energies

(Bloomberg; April 29) - The world could still be using more than 100 million barrels a day of oil by 2040, making it vital to start preparing and adapting for a warmer climate, said TotalEnergies Chief Executive Officer Patrick Pouyanne. The warning from the outspoken 60-year-old Frenchman carries some weight, as under his leadership, TotalEnergies is investing $5 billion a year in low-carbon fuels and renewables, while remaining a major supplier of oil and gas. But "it will take time" to build a clean global energy system that can satisfy the demands of a growing population, he said.

"The responsibility for political leaders is to work seriously now on adaptation" to higher temperatures, the CEO said in an interview at TotalEnergies' headquarters near Paris on April 24. "It doesn't mean that you should give up" on the Paris climate targets, but policymakers must face reality, he said.

“Maybe it (net-zero carbon dioxide emissions) is achievable,” Pouyanne said, but it requires global coordination. Europe’s current policies aren’t supportive of the efforts of companies such as TotalEnergies, which has been criticized by governments, investors and climate groups even as it’s directing a third of its annual capital budget into clean-power and low-carbon fuels such as biogas, he said. While Total’s $5 billion annual investment in clean energy dwarfs that of its U.S. peers, European investors still “see the glass half empty” and have been selling some of their shares in oil companies.

Guinea lawmakers approve agreement that could lead to LNG exports

(Bloomberg; April 26) - Lawmakers in Guinea’s transition administration approved an agreement signed last year between the government and West Africa LNG Group, supporting a potential $3 billion investment in liquefied natural gas import infrastructure. West Africa LNG is proposing to build an export terminal at the port of Kamsar as part of efforts to spur domestic gas production and develop Guinea’s mining industry. Plans also include building an 1,800-megawatt gas-fired plant to electrify proposed alumina refineries, Energy and Hydrocarbons Minister Aboubacar Camara told parliament.

The approval by lawmakers gives the green light to launch the project, as soon as the country’s transition president, Gen. Mamadi Doumbouya, endorses parliament’s decision, Saran Traore, a parliamentary spokeswoman said. The terms provide for work to start not later than three years after securing approval, she said. Guinea is among the world’s top producers of bauxite, a raw material used to produce aluminum. The country also produces gold and has the world’s largest untapped deposit of iron ore.

The project is expected to transform the country’s mining, agriculture and residential sectors through the provision of commercial quantities of affordable and environmentally friendly gas to power their operations. There’s over 2,000 megawatts of energy demand from the bauxite industry alone within a 100-mile radius of the LNG terminal site, according to a feasibility study funded by the U.S. Trade and Development Agency. Guinea is located on the Atlantic Coast, between Senegal and Sierra Leone.

Germany led the way with Europe’s first floating LNG import facility

(Financial Times; London; April 28) - Wilhelmshaven has long been a strategic port for Germany, initially a stronghold for 14th-century pirates and later a major trade and naval base. However, in 2022 the North Sea coastal town took on a new role. It became home to Germany’s first floating liquefied natural gas import terminal, a vital artery for gas supplies to keep power flowing both at home and across Europe at a time when the continent was coming perilously close to running out.

The infrastructure for the terminal was constructed in just 10 months as Russia slashed pipeline gas supplies to the European Union after its invasion of Ukraine, threatening shortages and blackouts. It receives LNG, regasifies it and then sends it into Europe's sprawling network of gas pipelines. A full shipment has the capacity for enough gas to power 90,000 homes for a year. Appropriately the vessel, owned by Norway's Höegh LNG, is named the Esperanza, after the Spanish word for hope.

In 2023, the Esperanza provided about 6% of Germany's total gas, according to Uniper, the German energy giant that operates the terminal. Its capacity will be fully used again this year. Wilhelmshaven was the first floating storage regasification unit to come online but more are in the works. Since Russia started cutting pipeline gas supplies to Europe in 2021, at least 17 LNG terminals have been planned or are under construction. LNG received by these FSRUs have helped replace all but 10% of the gas that previously came to the EU from Russia by pipeline, helping to reduce gas prices from record highs.

Energy consultancy reports sanctions delay Russian LNG ambitions

(LNG Prime; April 29) - Russian oil production has remained strong despite Western sanctions in the wake of Russia's invasion of Ukraine. The country's natural gas industry, however, has suffered due to limited pipeline infrastructure and reliance on Western companies. Rystad Energy expects Russian piped gas to China to increase due to new infrastructure, but the outlook for Russian LNG is less rosy. The Kremlin has set an ambitious plan to reach 100 million tonnes a year of LNG capacity by 2030, but Rystad's forecasts show the country will miss that target by as much as 60 million.

But even with the rough outlook, Rystad expects Russia's planned LNG projects will go ahead despite sanctions and challenges in securing tankers and long-term contracts, thanks to government support and incentives around financing and research and development, along with tax breaks. However, due to the challenges, Russian LNG production is highly unlikely to reach government targets. Rystad's forecasts only 36.3 million tonnes a year of output by 2026, which is not much more than current numbers.

"Russian oil exports may have escaped the worst of the impact from Western sanctions. Piped gas exports have suffered greatly, but the LNG industry has been hit the hardest. The Russian government is still optimistic about the country's output, but without a significant change in fortunes, reaching the targets may be nothing more than a pipe dream," said Swapnil Babele, vice president of upstream research at Rystad Energy.

Analysts say sanctions create stress for Russian oil and gas sector

(S&P Global; April 26) - Russia has been surprisingly resilient in the face of oil and gas sanctions, but that resilience may not last long because Russia hasn't found a market for its fuels as profitable as Europe was, and because it lacks some key technology for the sector, experts said April 26. "When you look under the hood, and you look at the different sub-sectors within the oil and gas industry, you see a surprising level of distress," Craig Kennedy, of Harvard University's Davis Center for Russian and Eurasian Studies, said during a webinar hosted by the Center for the National Interest.

Over the past 25 years, Russian refineries have installed a lot of advanced equipment from Western suppliers, and they can no longer get spare parts or services, Kennedy said. "So, there's degradation going on," he said. On the natural gas side, Russia is in talks to build a large pipeline to China but neither Russia nor China have compressor technology to make this kind of pipeline work, Kennedy said. That kind of project would also require a large investment that Gazprom is not able to make right now, he said.

The European gas market provided a lot that Russia has not been able to get from Asia: premium pricing, low transport costs and private equity-driven financing, Kennedy said. "The reason Russia has stuck with Europe for so long was it was just such a good deal. Asia is very much a consolation prize." Russia will get creative, such as taking pipeline compressors that had served Europe and moving them to projects to serve China, said Columbia University Center on Global Energy's Tatiana Mitrova. "Don't underestimate creative thinking of the Russian companies which find themselves cornered."

Insurance coverage in dispute for tanker carrying Russian oil

(Bloomberg; April 28) - A shadow-fleet oil tanker that crashed in Denmark's vital straits produced a set of insurance documents that weren't valid, a stark example of how there's little clarity about who would pay the bill if such a ship had a major disaster. The Andromeda Star, an 820-foot vessel capable of transporting about 730,000 barrels of oil, was involved in a collision with a small Bulgarian freighter called the Peace at the start of March. The tanker had previously collected oil from Russia — whose exports are sanctioned — and did so again after it had undergone repairs in Denmark.

The Danish Maritime Authority said the ship provided some of its insurance documentation from Gard, the world's largest provider of coverage against spills and collisions. But a spokesperson for Gard said it wasn't the insurer at the time of the collision and doesn't cover it now either. The vessel forms part of a sprawling fleet of tankers that Russia has assembled to help keep its oil flowing after the country's exports were sanctioned because of its invasion of Ukraine.

Those ships often don't conform to industry standards and can be decades old. As a result, the European Union is currently discussing restrictions on such vessels to mitigate the risk of environmental disaster. In addition to the refuted coverage by Gard, the tanker's crew presented Danish inspectors with paperwork showing it had cover against spills from the Russian insurer Ingosstrakh. Even if it does have Ingosstrakh coverage, there’s still an uncertainty about its validity if something were to go wrong while hauling Russian cargo that violates international regulations.

Western insurance groups say price cap on Russian crude is leaking

(Reuters; April 30) - A group of Western insurers has said a Russian oil price cap has become unenforceable and pushed more ships into joining a shadow fleet that evades sanctions, delivering one of the harshest rebukes to the measure that had been meant to cut revenue to the Kremlin. The G7 group of industrialized nations approved a price cap for Russian oil after Washington lobbied to curb the Kremlin's revenue amid the war in Ukraine, while keeping Russian oil flowing to avoid an energy price spike.

The cap allows Western shippers and insurers to participate in Russian oil trade as long as oil is sold below $60 per barrel. The International Group of P&I Clubs in a statement said the price cap has had little success since being introduced two years ago, as Russia has switched to its own fleet as well as ships outside Western oversight. The group comprises 12 marine insurers covering 87% of the world's oceangoing tonnage.

"The oil price cap appears increasingly unenforceable as more ships and associated services move into this parallel trade. We estimate around 800 tankers have already left the International Group Clubs as a direct result," the International Group statement said. Enforcement of the price cap by the U.S. Treasury has reduced the number of ships willing to carry Russian crude. However, Tom Keatinge, director of the Royal United Services Institute's Centre for Finance and Security, told the U.K. parliamentary hearing: "There are insurers who are providing insurance in breach of the oil price cap.”