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

Russia working on plan to merge its biggest oil companies

(Wall Street Journal; Nov. 9) - Moscow is working on a plan to merge its biggest oil companies into a single national champion, a deal that would tighten President Vladimir Putin's grip on global energy markets and Russia's wartime economy. Under one idea being discussed, state-backed giant Rosneft Oil would absorb fellow state producer Gazprom Neft — a subsidiary of gas exporter Gazprom — and independently owned Lukoil, people familiar with the discussions said. All three are under U.S. sanctions.

The resulting company would easily be the world's second-biggest crude producer, after Saudi Aramco. Pumping almost three times the output of ExxonMobil, a combined entity could enable Russia to wring higher prices from customers in places such as India and China. Talks among executives and government officials have taken place over the past few months. They may or may not result in a deal, and details of any plan could change.

Obstacles include opposition from some Rosneft and Lukoil executives as well as the challenge of amassing the funds to pay Lukoil shareholders, some of the people said. The talks underline Putin's desire to muster the nation's energy sector to support his war effort, the people familiar with the talks said. The Russian president, some of them said, envisions a juggernaut able to compete with Saudi Arabia at a time when oil demand, while still enormous, is slowing in the face of greener alternatives.

Oil and gas are the lifeblood of Russia's economy, supplying almost a third of federal revenue and handing Putin influence around the world. Russia's success at stabilizing its economy in the face of Western sanctions is in large part thanks to its oil industry.

China's oil imports down again in October

(Bloomberg; Nov. 7) - Oil imports into China sank again last month, highlighting soft consumption in the largest buyer as traders weigh the implications of Donald Trump capturing the White House and potential supply increases from OPEC+. Imports slid to 44.7 million tons in October, according to customs data Nov. 7, about 2% under September and almost 9% below the same period last year, according to Bloomberg calculations. Year-to-date shipments are running more than 3% behind last year's pace.

Crude prices are lower year-to-date despite tensions in the Middle East, with U.S. oil production running at a record rate and OPEC+ planning to ease supply curbs. China's

consumption has been a weak spot for the market, and last month's decline in inflows came as local refiners cut throughput amid weaker margins.

State-owned refineries in the Asian nation cut their run rates at the end of October to the lowest since December, according to data from Mysteel OilChem. More than half of 60 state-owned plants surveyed by the industry consultant have curtailed operations in the period. The roots of the slowdown in oil imports lie in the wider economy's sluggish performance, with policymakers grappling with a drawn-out property crisis despite several round of stimulus. In addition, more of the nation's trucking fleet has been switching away from diesel to liquefied natural gas.

Trump policies against Iran could cost China access to cheap crude

(Reuters; Nov. 6) - China faces a squeeze on supplies of cheap Iranian crude, which make up about 13% of imports by the world's biggest buyer of oil, if Donald Trump ramps up enforcement of sanctions on Tehran after his return as U.S. president in January. Trump is expected during his second term to re-impose his "maximum pressure policy" of heightened sanctions on Iran's oil industry over concerns about its nuclear program, say Iranian, Arab and Western officials.

Such a move would raise the cost of China's oil imports, piling pressure on a refining sector grappling with weak demand and tight margins, with independent plants known as teapots set to be hit especially hard. "A Trump victory may see the U.S. enforce sanctions against Iran, thereby reducing Iranian oil exports and prompting oil prices higher," Vivek Dhar, a commodities strategist at Commonwealth Bank of Australia, said in a note. Vortexa Analytics, which tracks Iran's oil flows, estimated China's imports of Iranian oil at 1.4 million barrels per day during the first nine months of this year.

In 2018, during his first White House term, Trump reinstated sanctions on Iran, leading eventually to a halt in its oil exports to India, Japan and South Korea. Late in 2019, China's teapot refiners stepped in as buyers of discounted Iranian crude, filling a vacuum left by its state oil firms wary of U.S. sanctions, saving billions of dollars and cementing China's status as Tehran's top oil market. China and Iran have built a trading system that uses mostly Chinese yuan and a network of middlemen, avoiding the dollar and exposure to U.S. regulators, making sanctions enforcement tough.

Citi forecasts Trump policies will help push down oil to average $60

(Reuters; Nov. 6) - Citi forecasted on Nov. 6 that President-elect Donald Trump's second term could exert downward pressure on oil through 2025, with Brent crude forecast to average $60 per barrel, primarily due to potential trade tariffs and increased oil supply. The bank notes that Trump's influence on OPEC+, which is made up of the

Organization of the Petroleum Exporting Countries and allies led by Russia, might prompt the producer group to taper production cuts faster, while potentially reducing geopolitical tensions and releasing some oil back into the market.

Trump's policies could favor the industry through potential tax incentives for capital investment in exploration and production and could reverse the Biden era's increases in royalties, costs for minimum bids, and lease rates on federal lands, Citi noted. The bank further noted that Trump's policies could have mixed global economic growth implications, particularly negative for Europe and China, which remain exposed to the risk of trade tariffs. This could further dent into global oil-demand growth.

Oil trader expects crude to remain at $70 to $80 in 2025

(Reuters; Nov. 7) - Global oil prices are expected to stay in the $70- to $80-per-barrel range in 2025, similar to 2024, while geopolitical risks create uncertainty around supply, Russell Hardy, CEO of Vitol, the world's largest independent oil trader, said on Nov. 7. Oil prices have been capped by concerns about an unwinding of OPEC+ supply cuts in 2025 and China's weak oil-demand growth despite risks of Mideast supply disruption.

"There's clearly a little bit of concern about the balances for 2025 and that's what's driving the market today," he said at the FT Commodities Asia Summit. However, there's still a lot of geopolitical tensions, unknowns around the Middle East, around Iranian exports and Venezuelan exports under the new Trump presidency, Hardy said. “I think it's a little premature to conclude that the market is going to be oversupplied in 2025.”

Janet Kong, CEO of Singapore-based Hengli Petrochemical International, said there is about 4 million barrels per day of spare oil capacity globally, reducing concerns about supply. Instead, she expects demand growth in China and India, the world's No. 2 and 3 oil consumers, to drive oil prices in 2025. China faces, however, a squeeze on supplies of cheap Iranian crude, which make up about 13% of its imports, if Donald Trump ramps up enforcement of sanctions on Tehran after his return as U.S. president in January.

Oil company says it will shut down North Sea field by 2029

(BBC; Nov. 7) - A U.S. oil firm has said it will end all its operations in the North Sea by the end of 2029, blaming the impact of the U.K.’s windfall tax. Apache said recent confirmation in the U.K. budget that the windfall tax on oil and gas firm profits would rise and be extended to 2030 had made production uneconomic. The Texas-based firm took control of the Forties field, east of Fraserburgh, in 2003 but suspended all new drilling activity last year. Production hovers around 20,000 barrels per day.

The U.K. government said it wanted to make the U.K. a "clean-energy superpower" and it was asking the oil and gas sector to contribute more to that transition. The Energy Profits Levy — the official name for the windfall tax — is a levy on profits made from extracting U.K. oil and gas. It was introduced in May 2022 after energy firms recorded bumper profits due to the rise in energy prices.

Initially set at 25% and due to expire in 2025, the Conservatives later raised it to 35% and said it would last until March 2029. In the recent budget, the Labor government raised the levy to 38% — meaning the total tax on the companies is now 78% — and extended it by a year. An Apache spokesperson said: "The onerous financial impact of the EPL, combined with the substantial investment that will be necessary to comply with regulatory requirements, makes production of hydrocarbons beyond 2029 uneconomic.

Canada could lose billions when it sells government-owned oil line

(The Canadian Press; Nov. 8) - The Canadian federal government faces a potential loss on the sale of the Trans Mountain oil pipeline, which is worth less than it cost to develop, the Parliamentary Budget Officer said Nov. 8. The pipeline could be worth between C$29.6 billion and C$33.4 billion, depending on what happens after the initial 20-year shipping contracts expire, the budget watchdog said in an updated financial assessment of the controversial project.

Meanwhile, the cost to build the pipeline, which went into service in May, came in at C$34.2 billion, dramatically higher than the C$7.4 billion estimate in 2017. The budget office valuation estimate doesn’t factor in sunk costs, such as the C$4.5 billion the federal government paid to buy the project in 2018, or capital spending before 2024. Whether the government makes a profit or takes a loss depends on what someone is willing to pay for it, the office said in its report, noting the numerous variables at play.

The potential sale will be influenced by the number of potential buyers, their cost in raising capital, when and how it will be sold, market conditions at the time, whether it will be an arm’s-length transaction, and whether certain groups will be prioritized in the sale, the agency said. The pipeline carries crude from Alberta to the West Coast. Its expansion tripled the capacity of the existing pipeline, adding an additional 590,000 barrels per day of shipping capability, bringing total capacity to 890,000 barrels per day.

U.S. trying to finish LNG exports review before Trump takes office

(Bloomberg; Nov. 7) - The Biden administration is racing to complete a study that could complicate President-elect Donald Trump’s plan to immediately approve new liquefied natural gas export terminals, according to people familiar with the matter. The study, underway since January, examines climate, economic and national security implications

of increasing U.S. LNG exports. Biden launched it while imposing a halt on new export licenses, a moratorium Trump has vowed to end on his first day in the White House.

Should the study find additional exports cause more harm than good, or add new conditions to them, the new administration's project approvals could be challenged in court. "If Trump wants to say 'Yes' on day one, and there is a study that says 'Yes' isn't in the public interest, then those approvals might be targets of legal challenges," said Kevin Book, managing director of consulting firm ClearView Energy Partners.

The Energy Department is trying to complete the exports study this month, according to people familiar with the matter. It remains to be seen if that goal, which was set before Trump's electoral victory, will be met, the people said. The department has vowed not to finalize the study until a 60-day public comment period expires, leaving a narrow window to ensure it's in effect before Trump takes office on Jan. 20. The study, however, could prove to be little more than a speed bump to an incoming Republican administration that has promised to increase U.S. fossil fuel production.

U.S. LNG developers look forward to permits under Trump presidency

(Reuters; Nov. 8) - U.S. liquefied natural gas developers awaiting permits for new export projects this week expressed confidence President-elect Donald Trump will ease the way for their multibillion-dollar plans. Their confidence is buoyed by Trump's promise to end an expanded Department of Energy review that has slowed new export permits. President Joe Biden paused new export permits in January and asked the Department of Energy to more broadly evaluate the cumulative effects of new LNG projects' climate and economic impacts.

Trump's victory will ensure the nation will have "some rational, reasonable people running this country," said Marshall McCrea, co-CEO of LNG producer and pipeline operator Energy Transfer. The change of administration assures a financial go-ahead for its $13-billion LNG export facility in Louisiana, he said on a quarterly call. Commonwealth LNG, which is developing a $10 billion facility near Cameron, Louisiana, and has been waiting for an LNG export permit for more than 18 months, said it is looking forward to approval.

Sempra LNG, which plans to build a second phase of its Texas-based Port Arthur LNG, expects the Trump victory will lead to an export permit by June. "We have growing confidence in getting the permits we need for Port Arthur Phase 2 in the first half of next year," Sempra CEO Jeffrey Martin said Nov. 6 on a quarterly call. The project would add two liquefaction processing units to the two already under construction.

U.S. oil and gas producers could get caught in trade fight with Europe

(Reuters; Nov. 8) - Oil and gas producers in the United States expect to find it easier to ramp up production and exploration under the incoming Trump administration. Finding lucrative markets for their wares may be the bigger challenge. Producers expect the administration to streamline permit processes for fossil fuel extraction and distribution, which should result in a climb in U.S. oil and gas output, already at record highs.

That bodes well for firms that export liquefied natural gas, crude oil and refined fuels and will likely encourage further growth in U.S. export capacity of those products. However, energy exporters also run the risk of getting caught in trade-related crossfire should Trump's plan to impose steep tariffs on a slew of imported goods trigger retaliatory responses in consumer markets. European nations are particularly likely to be targeted with tariffs by the incoming administration as the long-standing U.S. trade deficit with Europe — about $240 billion annually — is a major irritant for Trump allies.

President-elect Trump said last month that Europe would "pay a big price" for not buying enough American exports and has threatened to impose blanket tariffs on European goods. However, Europe is also the single largest market for both U.S. LNG and crude oil exports, accounting for 49% of all U.S. LNG shipments and 47% of U.S. crude exports this year, according to ship-tracking data from Kpler. Since Russia's invasion of Ukraine in 2022, Europe has had to import record volumes of fuels and oil from other suppliers, and the U.S. has been the main beneficiary by shipping out record volumes.

Additions to global LNG supply will drive down prices

(Financial Times opinion; London; Nov. 8) - President-elect Donald Trump famously wants to make America great again. But at least one of his policy ideas has the potential to give European industry a leg up too. Trump has vowed to encourage upstream oil and gas production. He is also expected to lift a President Joe Biden moratorium on licensing new liquefied natural gas export facilities. These measures would have an incremental, rather than revolutionary impact. U.S. gas production already has risen to record levels of about 125 billion cubic feet a day, up nearly half in the past decade.

While rolling back royalties, compliance and costs might give drillers an extra incentive, the uplift in supply would be capped by the downward pressure on oil and gas prices. The “temporary pause” on new authorizations for LNG exports generally affected earlier-stage projects, and a reversal would not have an immediate impact, although it undoubtedly strengthens the prospects for more LNG supply in the medium term.

Wood Mackenzie has estimated almost 90 million tonnes per year of U.S. LNG export projects are waiting for export approval. All of this matters because it comes in the context of an LNG market which is already preparing for a glut. Projects with 130 million

tonnes per year of capacity are scheduled to come online between 2025 and 2027 — equivalent to 33% of existing global LNG capacity, according to a Bernstein analysis. As this flood of fuel hits European shores, it is a fair bet it will drive prices down. Market forces, then, are conspiring to bring cheaper gas to Europe, at least for some time.

Europe burns fossil fuels when wind and solar power come up short

(Bloomberg; Nov. 7) - Europe's power prices soared to levels last seen during the energy crisis this week. Only it wasn't a war or other geopolitical events that caused it, but the dark, windless weather that is all too common during winter. The continent has rapidly expanded its capacity to generate wind and solar power but still relies on costly hydrocarbons as backup. For instance, while Germany gets more than 49 gigawatts of wind power on the gustiest days, only around 1% of that record was being generated on Nov. 6, with expensive fossil fuels plugging the gap.

The "Dunkelflaute" phenomenon — known in power markets by the German word for periods when little to no solar or wind energy can be produced — poses a significant issue for energy infrastructure that relies on renewables. Flexibility and storage are widely seen as a way to cushion against intermittent supply, but they aren't being built out fast enough. While Germany added 3,600 megawatts of wind capacity last year, it only added 80 megawatts of battery output capacity, according to BloombergNEF.

The path to net-zero "requires more than a rapid rollout of renewables" according to Pranav Menon, a research associate at Aurora Energy Research. Building long-duration storage options and gas-fueled power plants is also very important. Ensuring security of supply is challenging, he added, as firm dispatchable power production isn't always used or remunerated. The U.K. has a capacity mechanism that pays plants for remaining available and Germany has plans to roll out a similar scheme.

Cheap gas pushes coal out of U.S., but it's not so cheap in Asia

(Bloomberg columnist; Nov. 6) - To many in the petroleum industry, gas is the unsung hero of the energy transition. It may not be a clean fuel, but it's nowhere near as dirty as coal, which it has been pushing out of grids in Japan, South Korea, Canada and Poland over the past decade. In the U.S., which produces nearly 30% of the world's gas-fired electricity, gas generation increased between 2010 and 2023 more than the pickup in wind and solar, and enough to explain three-quarters of the 63% decline in coal power.

That's led to expectations that gas might repeat the trick in the Asian markets still hooked on solid fuel, such as China, India, Indonesia, Pakistan and Vietnam. It's not going to happen — but that doesn't mean that gas is done causing damage to its fellow fossil fuels. In Asia, it's oil that will be in the firing line instead. The reason is price. If

you're a serious energy consumer, the important metric is not how much coal, oil or gas you are buying but what you're paying for the energy it's going to give you when burned.

That's why gas has been such a potent competitor to coal in the U.S. About a quarter of domestic gas production is a byproduct from oil wells, and as a result it's often more or less given away. At the Waha Hub, a pricing point in the fracking-rich Permian Basin in West Texas, it's averaged minus 11 cents per million Btu. There's no way to compete with that. Overhead at a typical U.S. gas generator last year were about 38% lower than those at a coal plant. Faced with a pincer movement, coal didn't stand a chance.

Things are different in developing Asia, a region with scant gas reserves but substantial domestic coal deposits. Liquefying natural gas and shipping it across the world is an expensive business, and as a result benchmark Asian LNG costs more than five times what you'd pay at Henry Hub, the main U.S. pricing point. That's left gas largely absent from the major grids, despite the hopes of LNG exporters. In China and India, it accounts for only 3% or so of electric power, far below levels around 40% in the U.S.

India says affordability is key to increasing gas consumption

(S&P Global; Nov. 7) - Global gas liquefaction capacity is expected to grow to about 700 million tonnes per year by 2030 to meet increased demand for the fuel as some countries such as India raise their reliance on LNG to meet their energy needs and advance their net-zero ambitions, Petronet LNG CEO Akshay Kumar Singh said. According to the International Gas Union's 2024 World LNG Report, global liquefaction capacity at the end of February stood at about 483 million tonnes per year.

However, affordability is a major factor when it comes to increasing India's natural gas consumption, Singh said at an industry event in Abu Dhabi on Nov. 6. "Nobody expects that (imported) LNG will be cheaper than coal or renewables or for that matter (some) other (options) but at least (it is expected to be cheaper than) liquid fuels," Singh said, sharing that in India over 80% of liquid fuels is being imported.

"We are heavily dependent on crude oil imports and the major chunk of liquid fuels can be replaced with natural gas in the form of LNG," he said, adding that LNG is expected to become cost competitive with liquid fuels as production increases. While the cost of gas production does not vary that much and reserves are plentiful — though liquefaction is a significant expense — the supply-and-demand market volatility sometimes makes it unaffordable and a concern for consumers who want to avoid uncertainty, he said.

Exxon expects first LNG from Mozambique project in 2030

(Reuters; Nov. 7) - ExxonMobil is expecting the first liquefied natural gas output from its project in Mozambique in 2030, a company executive said on Nov. 7. Exxon along with partners including Eni and China National Petroleum Corp. are developing an LNG project in northern Mozambique, with the U.S. energy giant leading the construction and operation of the onshore liquefaction plant and related facilities.

"We will most likely next year start some early works in (the) Afungi (site) to get things going, keep it on track and allowing us to get first LNG (production) in 2030," Frank Kretschmer, general manager at the company's Mozambique unit, told delegates at an energy conference in Cape Town, South Africa. The company said on Nov. 6 that it now expects a final investment decision for its Mozambique project in early 2026. The cost of the project is estimated at about $30 billion, with a planned production capacity of 18 million tonnes per year.

Angola wants to add capacity to its LNG plant

(Reuters; Nov. 8) - Angola Liquefied Natural Gas is considering future expansion options including adding a small production train of 3 million tonnes per year, as new gas supplies to the plant ramp up over the next 12 months, energy executives told Reuters. Extra supplies expected from Chevron by year-end and the New Gas Consortium by the end of 2025 will help to take the plant to full capacity for the first time.

Africa's second-largest crude producer plans to pivot more toward natural gas to capture growing demand in key markets in Europe and Asia. The Angola LNG plant, commissioned more than a decade ago at a cost of $12 billion, has been running below its nameplate capacity for years as gas production fell at the mature fields supplying the facility. Current supply averages about 700 million cubic feet a day, or 70% of operating capacity, government officials said.

New Gas Consortium, a gas project operated by the Azule Energy partnership between BP and Eni, is expected to start production at the end of 2025, six months earlier than planned, said Azule CEO Adriano Mongini. The additional gas will allow Angola LNG to run at full capacity, with even more feedstock anticipated from Angola's first gas-specific exploration well to be drilled early next year, Mongini said on the sidelines of an energy conference in Cape Town. Angola LNG includes Chevron, TotalEnergies and Sonangol as stakeholders. The plant has the capacity to make 5.2 million tonnes a year.

Panama looks to cancel flag registrations for Russian LNG carriers

(Reuters; Nov. 6) - Panama's Maritime Authority said Nov. 6 it has begun a process to cancel flag registrations on four liquefied natural gas tankers sanctioned by the U.S. over their links with Russian gas producer Novatek. The ships are managed by United Arab Emirates-registered White Fox Ship Management. The four switched to Panama's flag registry earlier this year from Singapore, according to maritime database Equasis.

The vessels carried LNG from Russia's Yamal and Arctic LNG 2 projects as part of a lease agreement with Novatek and its UAE-based affiliate New Transshipment FZE, the State Department said. White Fox Ship Management was sanctioned by Washington in August. The State Department said last week that Russian firms had sought to obtain secondhand LNG tankers through third-country front companies like White Fox to circumvent U.S. sanctions and revitalize Russia's Arctic LNG 2 project.

The U.S. has imposed several rounds of sanctions on companies supporting Russia's Arctic LNG 2 project, including its developer Novatek and its LNG shipments. The project had been due to become Russia's largest LNG plant, with eventual output of 19.8 million tonnes per year. The sanctions have succeeded in blocking the project and making it difficult for potential buyers to accept cargoes. The four tankers had previously been identified as part of Russia's dark tanker fleet, according to media reports.

U.S. runs out of money to refill strategic oil reserve

(Reuters; Nov. 8) - The Biden administration said Nov. 8 it has bought its last batch of oil for the Strategic Petroleum Reserve after selling a record amount from the facility in 2022 to counter fuel prices that had risen after Russia's invasion of Ukraine. The Department of Energy said it had bought 2.4 million barrels of oil for the reserve for delivery from April through May to the SPR's Bryan Mound, Texas site.

The purchase depleted the department's fund to buy back more oil for the reserve, it said. The 2022 sale of 180 million barrels of crude raised nearly $17 billion in emergency revenue for buybacks, but Congress had rescinded about $2.05 billion to help offset the national deficit. The administration has bought back 59 million barrels after the 2022 sale at an average price of less than $76 a barrel, far lower than the $95 a barrel it sold oil in 2022. That resulted in a profit of about $3.5 billion, the DOE said.

President-elect Donald Trump, who has said he will put oil into the SPR, will have to work with Congress to replenish the department's purchasing fund. The 2022 sale of 180 million barrels over six months was the biggest sale ever; it helped to counter U.S. gasoline prices that spiked to record prices of more than $5 a gallon in June 2022. It also sank SPR levels to the lowest in 40 years of under 350 million barrels, sparking criticism from some lawmakers who said it cut into the U.S. energy security. The SPR now has nearly 390 million barrels. The most it ever held was nearly 727 million in 2009.

Washington state votes to ensure access to natural gas for heating

(Seattle Times; Nov. 8) - Washington state voters on Nov. 5 approved Initiative 2066, a measure that explicitly enshrines access to natural gas in Washington and weakens building codes that make it more difficult and costly to add gas heating in new construction. The initiative marks a moment when the state, long known for progressive climate policies, has taken a step in the other direction. It throws a wrench in the state's long-term plans to ease reliance on climate-warming fossil fuels, and the state joins dozens of others that have passed similar laws prohibiting local bans on natural gas.

As of Nov. 8, 51.4% of ballots favored the initiative, a lead of about 90,000 votes. The measure was broadly popular in the state, though much less so in King County. About 59% of King County (home to Seattle) voters opposed it. The initiative adds provisions to state law that explicitly protect access to gas and ensure that local governments and the state's energy code cannot "prohibit, penalize or discourage the use of gas."

Under current code, buildings must meet a certain energy performance and those built with electric heat pumps score higher than gas appliances. The initiative likely changes that system, though the state's building code council will go through a rule-making process. It also targets legislation intended to help Puget Sound Energy, the state's largest utility, plan its transition away from gas. The initiative takes away requirements for the utility to study electrification efforts and prevents the state utility commission from approving a plan from the utility that incentivizes terminating gas service.