Oil and Gas News Briefs
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Shell wins appeal against climate change lawsuit

(Wall Street Journal; Nov. 12) - Shell won its appeal against a 2021 landmark decision that said it was partially responsible for climate change and must sharply cut its carbon emissions, delivering a major court victory to the oil giant in a closely watched case. The ruling in a Dutch court is a setback for efforts by nonprofits and other groups to hold energy companies and other multinationals responsible for the effects of climate change. But experts warned the issues raised in the case remain far from settled.

Experts said the Nov. 12 judgment signaled a willingness by the court to mandate emissions curbs, while leaving wide latitude for the mechanisms to be worked out in future litigation. The 2021 decision by The Hague district court ordered Shell — at the time based in the Netherlands — to reduce its carbon emissions by 45% by the end of 2030 from 2019 levels. The Court of Appeal on Nov. 12 ruled that while Shell is obliged to reduce emissions, the court was unable to determine what percentage should apply.

“There is currently insufficient consensus in climate science on a specific reduction percentage to which an individual company like Shell should adhere,” the court said. It said it therefore rejected the claims of Milieudefensie, the Dutch arm of environmental group Friends of the Earth. The court added that Shell is already working to reduce its own emissions. The court also said that an obligation for the company to reduce emissions caused by buyers of its products would be ineffective.

Legal and climate experts pointed to important nuances in the judgment, including the ruling that Shell does have an obligation to society to reduce carbon emissions. But unresolved questions about what measures should apply — and how to enforce such rules on any single company — leave a lot of room for future court battles.

Legal challenge over U.K. oil and gas fields headed to court

(BBC; Nov. 11) - A legal challenge over the decision to approve the U.K.’s largest untapped oil field is set to begin. A judicial review brought jointly by the environmental groups Greenpeace and Uplift is due to be heard at the Court of Session in Edinburgh. The campaigners want to stop development of Rosebank oil field, which is off Shetland, and the Jackdaw gas field, off Aberdeen. But oil companies say the projects are vital.

If the challenge is successful, operators would have to resubmit environmental impact assessments for approval before drilling can begin. The oil companies will accept that

the decision to give the go-ahead was unlawful — because the emissions they would create were not properly assessed — and will not challenge it. Instead, they are expected to focus on how to move forward, given that work is already under way.

Consent for drilling in the Rosebank field was granted by the regulator, the North Sea Transition Authority, in September 2023. Shell plan to develop the Jackdaw field was approved in 2022. The U.K. government said in August that it would not fight any cases over either field. It effectively accepted the original decisions were unlawful. This came after the Supreme Court ruled in June that regulators must consider the total environmental impact of projects, including the way fossil fuels are used by consumers.

ExxonMobil CEO says U.S. should not quit Paris climate accord

(Bloomberg; Nov. 12) - The CEO of ExxonMobil on Nov. 12 discouraged President-elect Donald Trump from withdrawing the U.S. from the landmark Paris climate pact, arguing that would mean forfeiting a chance to push for “common sense” carbon-cutting policy on the world stage. “The way you influence things is to participate, not to exit,” Darren Woods said in an interview during the U.N.’s COP29 climate summit in Azerbaijan.

Just as the incoming administration is seeking to drive “common sense” in domestic policy, Woods said, it can “try to drive a similar level of common sense” internationally to balance emission reductions with the need for affordable energy. Trump has promised to withdraw from the Paris Agreement on the campaign trail, reprising the earlier exodus he led in his first term in the White House. ExxonMobil, the top U.S. oil producer, was among the companies that unsuccessfully discouraged the departure in 2017.

Woods’s comments underscore emerging policy clashes between the oil industry and the incoming president, who has vowed to “drill, baby, drill” and unleash American energy might, even if it’s at odds with producers’ focus on shareholder returns. Trump has signaled he’ll ease some regulations that may be essential for the industry’s social license to operate and its access to foreign markets, where regulators are increasingly focused on the carbon intensity of imported fuels.

U.S. oil producers may not want to drill as much as Trump says

(Bloomberg; Nov. 11) - Days before being elected the 47th U.S. president, Donald Trump made a bold promise that he’d slash energy prices by 50%. “I’ll get those guys drilling,” he told supporters in Greenville, North Carolina. “If they drill themselves out of business, I don’t give a damn.” U.S. shale executives largely backed Trump in the election, but they may take a different view of production prospects.

During the past five years they've departed from the "drill, baby, drill" days of the 2010s, when they burned through $350 billion of investor cash and sparked two price wars with OPEC that resulted in dozens of bankruptcies. Earnings conference calls are now filled with talk of capital discipline, efficiency gains and shareholder returns — not ambitions for booming oil output. Chevron, one of the biggest operators in the Permian, will likely ease growth in the coming years to "open up the free cash flow," CEO Mike Wirth said.

The other problem is physical capability. The U.S. is pumping 13.5 million barrels a day, more than any other nation in history and up almost 30% in four years. Simply replacing natural well decline is a challenge. Analysts expect modest production growth in 2025, meaning Trump will almost certainly be able to claim a fresh record under his watch. But with oil demand flagging in China, combined with ample supply, prices are forecast to weaken in coming years. So, Trump may well declare victory on the cost of energy, but it won't be because U.S. shale companies unleash a flood of new supply.

Trump election will affect global gas markets, particularly China

(S&P Global; Nov. 11) – Donald Trump's election as president "is set to have far-reaching, significant effects on global gas markets," Expo Singapore Managing Director Sophie Ducoloner told S&P Global Commodity Insights. "Trump is expected to fast-track new LNG projects. On the other hand, had the Democrats won, they may not have necessarily rejected these projects but could have implemented more regulatory and environmental processes," Ducoloner said.

The industry awaits signals on what Trump could do next with an eye on the Russia-Ukraine war and potential tariffs on China, Ducoloner said, adding that LNG flows could be impacted if there is a trade war with China and new tariffs are introduced. China's demand for LNG imports continues to stay strong and is expected to grow by 5% to 6% year over year in 2024, industry sources told Commodity Insights. In 2023, China imported 71.32 million tonnes of LNG, up 11.7% from 2022, according to customs data.

The priority for China will still likely be to increase its domestic natural gas production, which is quite sizable, and to increase pipeline gas, because it is usually cheaper than imported LNG, Ducoloner said. However, a U.S.-China trade war could trigger a situation where more LNG flows from Asian suppliers as well as cargoes from the Middle East and Africa go into China, while U.S. LNG cargoes go elsewhere, she said, noting that this situation would come with its own complexities.

Trump likely to exempt Canadian oil and gas from tariffs

(Bloomberg; Nov. 10) - President-elect Donald Trump will follow through on his plans to hit imports with tariffs but is likely to carve out exemptions for sectors such as Canadian

oil and gas, former U.S. Commerce Secretary Wilbur Ross said. Canada is the largest external supplier of energy to the U.S., reaching nearly $160 billion in 2022, most of which is crude oil, petroleum products or natural gas.

“We import a lot of energy from Canada. I can’t imagine that the president would want to tax that, because all it would do would be to raise our costs and not help anything with more American jobs,” Ross told the Canadian Broadcasting Corp. “I think it’s easy to have the fears be overblown.” Trump has called “tariff” the “most beautiful word in the dictionary” and promised his protectionist trade strategy will boost U.S. manufacturing. Ross was commerce secretary 2017-2021, when Trump imposed tariffs on goods including steel and aluminum from China, Canada, Mexico and the European Union.

U.S. LNG industry looks to benefit from more sales to Europe

(Financial Times; London; Nov. 12) – U.S. liquefied natural gas exports are emerging as an early bargaining chip in a potential deal between Brussels and Washington that would send more energy to Europe in exchange for dissuading President-elect Donald Trump from levying hefty import tariffs on European Union companies. European officials have said increased imports of U.S. LNG could play a role in weaning the continent off its continued reliance on Russian imports while also helping to assuage Trump’s concerns over the trade deficit.

For U.S. LNG export project developers, the expansion of the European market, coupled with Trump’s promise to scrap a pause on export licenses as soon as he takes office, could open the door to rapid growth over the coming four years. “We look forward to working with the incoming Trump administration to cement America’s role as the world’s leading supplier of clean liquefied natural gas,” said Michael Sabel, chief executive of Venture Global, a leading U.S. LNG project developer.

Developers are banking that the EU’s ongoing efforts to wean itself off Russian gas will be turbocharged under the second Trump administration. Share prices of LNG companies in the U.S. — already the world’s biggest supplier — have surged over the past week. “We can supply — that’s the good thing about natural gas reserves in America,” said Harold Hamm, the founder of Continental Resources and Trump’s most prominent industry supporter, adding that U.S. industry stood ready to increase exports to the EU and wean the continent off its lingering reliance on Russian gas.

China’s oil imports continue downward slide for sixth month in a row

(Reuters; Nov. 11) - The scale of OPEC+'s China problem is evident in yet another month of weak crude oil imports, with the world's biggest buyer recording a sixth consecutive decline in October. Customs data last week showed imports of 44.7 million

tonnes in October, equivalent to 10.53 million barrels per day, down from 11.07 million barrels per day in September and 11.53 million in October last year.

For the first 10 months of the year China's imports were 10.94 million barrels per day, down 3.7% on a per-day basis from the 11.36 million for the same period in 2023. That decline in China's imports is a massive headache for the Organization of the Petroleum Exporting Countries and their allies, including Russia, in the wider OPEC+ group.

In OPEC's latest monthly report, the group cut its forecast for China's oil-demand growth. But even the lowered forecast seems wildly out of whack with the reality of China's stumbling imports. It's worth noting that it's the volume of imports that will have the largest bearing on crude oil prices, and that feeds directly into OPEC+'s production policy. The eight members of OPEC+ said on Nov. 3 that they will push back their planned production increase in December by another month.

OPEC reduces its forecast for oil demand growth in 2024 and 2025

(Reuters; Nov. 12) - OPEC cut its forecast for global oil demand growth this year and next on Nov. 12, highlighting weakness in China, India and other regions, marking the producer group's fourth consecutive downward revision in the 2024 outlook. The weaker outlook highlights the challenge facing OPEC+, which comprises the Organization of the Petroleum Exporting Countries and allies such as Russia, which earlier this month postponed a plan to start raising output in December amid a backdrop of falling prices.

In a monthly report on Nov. 12, OPEC said world oil demand would rise by 1.82 million barrels per day in 2024, down from growth of 1.93 million forecast last month. Until August, OPEC had kept the outlook unchanged since its first forecast in July 2023. In the report, OPEC also cut its 2025 global demand growth estimate to 1.54 million barrels per day from 1.64 million. China accounted for the bulk of the 2024 downgrade.

"Diesel has been under pressure from a slowdown in construction amid weak manufacturing activity, combined with the ongoing deployment of LNG-fueled trucks," OPEC said in reference to China. Forecasts on the strength of demand growth in 2024 vary widely, partly due to differences over demand from China and the pace of the world's switch to cleaner fuels. OPEC is still at the top of industry estimates and has a long way to go to match the International Energy Agency's far lower view.

Analysts say oil could crash to $40 if OPEC+ boosts supply

(CNBC; Nov. 12) - Oil prices may see a drastic fall in the event that OPEC+ unwinds its existing output cuts, said market watchers who are predicting a bearish year ahead for crude. “There is more fear about 2025 oil prices than there has been since years — any

year I can remember, since the Arab Spring," said Tom Kloza, global head of energy analysis at OPIS, an oil-price reporting agency. "You could get down to $30 or $40 a barrel if OPEC unwound and didn't have any kind of real agreement to rein in production. They've seen their market share really dwindle through the years."

A drop to $40 would mean around a 40% freefall from current prices. Global benchmark Brent is currently trading at $72 a barrel, while U.S. West Texas Intermediate futures are around $68 per barrel. Given that oil-demand growth next year probably won't be much more than 1 million barrels a day, a full unwinding of OPEC+ supply cuts in 2025 would "undoubtedly see a very steep slide in crude prices, possibly toward $40 a barrel," said Henning Gloystein, head of energy, climate and resources at Eurasia Group.

MST Marquee's senior energy analyst Saul Kavonic said that should OPEC+ unwind cuts without regard to demand, it would "effectively amount to a price war over market share that could send oil to lows not seen since COVID." However, the alliance is more likely to opt for a gradual unwinding early next year, compared to a full scale and immediate one, the analysts said.

Putin exempts oil and gas companies from financial disclosures

(Reuters; Nov. 11) - Russian President Vladimir Putin signed a decree on Nov. 11 allowing Novatek and its liquefied natural gas units, as well as oil producer Surgutneftegaz, to limit public disclosure about their businesses. Russia started withholding some data shortly after its troops entered Ukraine in February 2022. Certain oil and gas statistics and federal budget details are hidden, while banks were ordered to limit disclosures as Moscow seeks to limit its exposure to Western sanctions.

Under Russian stock market regulations, listed companies are usually required to disclose their financial results, details of large deals and other significant information. Putin included the Novatek-led Yamal LNG and Arctic LNG 2 projects, which are subject to certain restrictions from the European Union and United States, in the exempt list. Novatek shut down commercial operations at the first and only operational train of Arctic LNG 2 in October with no plans to restart it during winter, a source told Reuters.

The ruling is an addendum to a decree issued in November 2023, outlining a list of companies which were allowed to limit their public disclosures in the face of Western sanctions. Russia's largest oil producer Rosneft was among those granted the waiver.

Putin relative pushes for merger of Russian energy companies

(Financial Times; London; Nov. 12) - Russia's energy minister has attempted to combine the country's oil majors in a sign of the power struggle at play over the Kremlin's key

wartime revenue source, according to four senior Russian energy industry figures. The pitch by Sergei Tsivilev, a relative of President Vladimir Putin who was appointed to the role in May, involves nationalizing Lukoil and tightening control over state-run Rosneft and Gazprom Neft, a unit of gas monopoly Gazprom, according to the people.

However, Putin did not give Tsivilev the greenlight to explore the idea, which is opposed by company executives, the people said. The move is one of the most ambitious efforts yet by loyalists and relatives of the president to increase their influence over Russia's economy. Such a merger would be the biggest restructuring of Russia's energy market since the 1990s, creating the world's second-largest oil producer after Saudi Aramco.

A merger would greatly increase ministerial oversight of the energy majors, which have traditionally been run by powerful Putin allies. But the heads of the companies have political leverage to push back on such an idea, the people said. Tsivilev is married to Putin's first cousin once removed, Anna Tsivileva, who became deputy defense minister in June amid a cabinet reshuffle in which several other relatives of top officials received promotions. He took over the energy ministry in May after six years running the Kemerovo region, where he and his wife built a fortune in the coal sector.

Gas production to feed Russian Arctic LNG plant drops further

(Bloomberg; Nov. 12) - Russia's Arctic LNG 2 project has slashed output at its gas fields to nearly zero so far in November after stopping liquefaction last month due to Western sanctions. Fields feeding the Novatek-led facility pumped an average of 14 million cubic feet of gas a day in the first 10 days of November, according to a person with knowledge of industry data, who spoke on condition of anonymity. That's a drop of more than 90% from the average output for most of October, Bloomberg calculations show.

It is also the lowest average production rate for the project since at least September 2023, according to historical figures. Even during pre-commissioning and commissioning of the first Arctic LNG 2 liquefaction train in the fourth quarter of last year, its fields produced between 70 million and almost 500 million cubic feet a day, said the person familiar with the data. The near-zero output at Arctic LNG 2 in November follows the halt reported by Bloomberg last month of the facility's liquefaction plant.

Arctic LNG 2 is key for Russia's ambitions to boost exports of LNG and develop its Northern Sea Route. It has been the target of several waves of Western sanctions in the past year over the Kremlin's war against Ukraine. Penalties imposed by the U.S. and its allies all but forced out other investors, limited the plant's access to ice-class tankers needed to navigate Arctic waters, and made foreign buyers reluctant to buy the cargoes. Only one of the plant's three planned liquefaction trains is operational.

India defends its purchase of Russian oil

(Reuters; Nov. 9) - Global oil prices "would have hit the roof" if big importer India had not bought oil from Russia following the Ukraine war, India's oil minister said, adding that prices would determine where the country buys oil from. India, the world's third-largest oil importer and consumer, has become the top buyer of discounted Russian seaborne oil shunned by Western countries since it invaded Ukraine in early 2022. Before that, India bought little oil from its long-running defense partner, Russia.

India has repeatedly defended its purchases from Russia as necessary to keep prices in check in the developing country of 1.42 billion. "What many around the world don't seem to realize is that global oil prices would have hit the roof if India had not bought oil from Russia," India's Oil Minister Hardeep Singh Puri wrote on X on Nov. 8. "We owe it to our citizens. India will buy oil from wherever our companies get the best rates."

India's crude imports from Russia rose by 11.7% to about 1.9 million barrels per day in September, accounting for about two-fifths of the nation's overall crude imports in the month. Russia was followed by Iraq and Saudi Arabia as India's biggest suppliers.

Abu Dhabi LNG developer will spend more to boost supply

(Bloomberg; Nov. 11) - The biggest supplier of liquefied natural gas in the United Arab Emirates sees strong demand for the fuel through the rest of the decade just as it boosts supply. ADNOC Gas, a unit of Abu Dhabi National Oil Co., raised its capital expenditure plan to about $15 billion over the next five years from about $13 billion earlier, according to a statement Nov. 11. It's expanding processing capacity at home by taking control of an LNG plant from its parent company once construction is completed.

"Our LNG business is growing on the back of demand that we see," Chief Financial Officer Peter van Driel said in a Bloomberg interview. Supply will follow increasing demand "in particular into the east and Asia." Mideast oil companies have been ramping up gas projects as they see the fuel as a key bridge in the transition to cleaner energy. ADNOC is building the multibillion-dollar Ruwais LNG project and has taken stakes in export facilities in the U.S. and Africa. Saudi Arabia aims to boost gas production by 60% this decade, while Qatar is in the middle of a massive LNG expansion.

"We don't see" any glut in supply that could hurt sales, van Driel said. ADNOC Gas can sell either into Europe or Asia, and expects to sign new contracts for LNG sales from the 9.6 million-tonnes-per-year Ruwais facility, he said. ADNOC last week signed an agreement to sell 1 million tonnes a year for 15 years to Germany's SEFE. ADNOC Gas is set to take a 60% stake in the Ruwais plant in 2028 from its parent company for about $5 billion. Preliminary and firm agreements for 75% of capacity have been signed, and ADNOC Gas will leave 15%-20% of the gas for sale on the spot market, van Driel said.

Colombia struggles with move away from oil and gas

(Financial Times; London; Nov. 10) - Colombia has been pushing to wean its economy off fossil fuels since it installed its first leftist president more than two years ago. But it has struggled to move more into agriculture, tourism and renewable energy industries. “Without a doubt, in order to substitute the revenues from fossil fuels, the economy must be diversified,” said Andrés Camacho, minister of mines and energy.

President Gustavo Petro’s administration has stopped issuing new oil drilling and exploration contracts and, in December last year, became the first significant oil and coal producer nation to sign up to the Fossil Fuel Non-Proliferation Treaty, which promotes the elimination of fossil fuel extraction worldwide. However, oil and coal exports still make up around half Colombia’s export revenues, generating $24.7 billion last year, while tourism and agriculture brought in about $17.5 billion.

Some observers have questioned the government’s insistence on abandoning extractive industries at a time when oil prices are high. Other South American nations, such as Brazil and Guyana, are developing fossil fuel industries as well as promoting environmental initiatives. Petro, once a guerrilla member who has often criticized the country’s private sector, is committed to reaching net-zero emissions by 2050 and has said Colombia should export green energy.