Oil and Gas News Briefs
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IEA forecasts million-barrel-per-day oil surplus next year

(Bloomberg; Nov. 14) - Global oil markets face a surplus of more than 1 million barrels a day next year as China's demand continues to falter, cushioning prices against turmoil in the Middle East and beyond, the International Energy Agency said. Oil consumption in China — the powerhouse of world markets for the past two decades — has declined for six straight months through September and will expand this year at just 10% of the growth rate seen in 2023, the IEA said in a monthly report on Nov. 14.

The glut would be even bigger if OPEC+ decides to press on with plans to revive halted production when it meets next month, according to the agency. It's possible that China's oil demand has peaked, IEA head of oil industry and markets Toril Bosoni said in an interview with Bloomberg TV on Nov. 14. "It's not just the economy and the shift, the slowdown in the construction sector," Bosoni said. "It's the transition to electric vehicles, high-speed rail and gas in trucking that is undermining Chinese oil-demand growth."

Amid this extended weakness in China's demand, crude prices have retreated 11% since early October despite ongoing hostilities between Israel and Iran, as traders focus growing output in the Americas, the IEA said. Global oil consumption will increase by 920,000 barrels a day this year — less than half the rate in 2023 — to average 102.8 million a day, the IEA said. Next year, demand will grow by 990,000 barrels a day. While demand growth cools, supplies from producers such as the U.S., Canada, Guyana and Brazil is set to grow this year and next by 1.5 million barrels a day, the agency predicts.

Exxon-led Guyana project passes 500-million-barrel mark

(Reuters; Nov. 13) - Oil giant ExxonMobil said on Nov. 13 it had reached 500 million barrels of oil produced from Guyana's offshore Stabroek block since beginning output in 2019. The Exxon-led consortium, which includes Hess and China National Offshore Oil Corp. (CNOOC), is responsible for all production in the South American nation. They aim to lift production capacity to more than 1.3 million barrels of oil per day by the end of 2027 once six approved offshore projects are online.

The first three operations — Liza Phase 1, Liza Phase 2 and Payara — already are pumping an average of over 650,000 barrels per day, Exxon said in a statement. The Stabroek block is a point of contention in Chevron's $53 billion deal for Hess. Both Exxon and CNOOC are challenging the deal, claiming a contractual first right to buy Hess's stake in the field, a matter to be decided by an arbitration panel in May next year.

Last year, the consortium's agreement with Guyana generated $6.33 billion for the partners, government data showed, with Exxon netting $2.9 billion, Hess earning $1.88 billion and CNOOC taking home $1.52 billion. Exxon will soon start generating natural gas at its Guyana assets. SBM Offshore has just completed the $1.23 billion sale of a floating production, storage and offloading unit to Exxon. With a production capacity of 250,000 barrels of oil per day, the unit has a daily associated-gas treatment capacity of 540 million cubic feet per day. Exxon is progressing with plans to build a gas-to-energy project in cooperation with the government, with start-up expected by the end of 2024.

[Energy industry ready with long wish list for Trump administration]

(Reuters; Nov. 14) - With President-elect Donald Trump two months away from taking office and able to act on his campaign promises, energy executives are lining up to offer new proposals to the mix. Trump has vowed to scrap offshore wind projects, open more federal acreage to oil and gas drilling and roll back climate rules. Advisers have prepared executive orders to quit the Paris climate accord that ties the U.S. to reducing emissions. The energy industry has prepared its own wish list for Trump to consider.

President Joe Biden's administration proposed cutting tailpipe emissions by 50% from 2026 levels by 2032. A separate set of fuel economy rules enacted this year would encourage more electric and hybrid vehicles. Trump has vowed to reverse the Biden administration's electric vehicle rules. A pause on pending and future export permits for new liquefied natural gas projects is tops on LNG and natural gas executives' priorities.

"Regulations, particularly on federal lands, are incredibly burdensome — operators are dealing with a very inefficient process that has a cost and slows down development," said Michael Oestmann, CEO of gas producer Tall City Exploration. "Demand is growing around the world. The question is, where is the supply going to come from? We think it should come from the United States, and we need a policy landscape that reflects that," said the American Petroleum Institute.

Industry has objected to delays in permitting everything from pipelines to wind farms. Permitting limbo means projects take years before being canceled, API wrote, adding the new administration must work with Congress to pass comprehensive permitting reform. The organization also has called for reforming the National Environmental Policy Act to provide greater certainty regarding timelines and scope of environmental reviews, judicial reforms to clarify when, where and who can file legal challenges.

[Shell’s victory in climate change litigation may not last]

(Bloomberg columnist; Nov. 14) - At first glance, Shell’s successful appeal against a landmark judgment by a Dutch court looks like a blow to those advocating corporate climate action. On Nov. 12, the Hague appellate court overturned a 2021 ruling that decreed the oil and gas giant must accelerate its emissions reduction efforts. But even as the verdict removed a specific demand on Shell, it reinforced the principle that the company has an “obligation to counter dangerous climate change” by cutting emissions.

According to Thom Wetzer, associate professor of law and finance at the University of Oxford, this could merely delay the inevitable changes required of the energy company. In 2021, the Hague district court ruled that Shell needed to reduce all three emissions classifications — Scopes 1, 2 and 3 — by 45% by 2030, a figure obtained from the U.N. Intergovernmental Panel on Climate Change and International Energy Agency reports.

Shell argued, and the appellate court agreed, that it is fulfilling its obligations for Scopes 1 and 2 — direct emissions and emissions from purchased energy — with specific targets. However, 95% of Shell’s emissions are Scope 3, the pollution that comes from burning fuels sold by the company, and it’s these emissions that much of the debate centers on. The court said Shell must reduce its Scope 3 emissions to be in line with the law, but because there’s no consensus on a reduction standard for oil and gas the court decided it couldn’t instruct Shell to reduce its emissions by a specific percentage.

There’s also a question over whether or not commanding Shell to reduce its Scope 3 emissions would be effective in fighting climate change, which the court couldn’t establish. The company argues that a reduction in its own sales, for instance, would simply result in more sales for another fossil fuel supplier — and, crucially, would fail to reduce emissions. The underlying message is that Big Oil won’t be able to ignore the Paris Agreement goals forever. Shell won this time because of the lack of clear sectoral standards, but advancing climate science and regulation is likely to change that.

European majors pivot back to oil and gas

(Reuters; Nov. 17) - Almost five years ago, BP embarked on an ambitious attempt to transform itself from an oil company into a business focused on low-carbon power. The British company is now trying to return to its roots as a big oil and gas player with a growth story to match rivals, revive its share price and allay investor concerns over future profits. Rivals Shell and Norway's state-controlled Equinor are also scaling back energy transition plans set out earlier this decade.

Their change of direction reflects the energy shock from Russia's war on Ukraine and a drop in profitability for many renewables projects, particularly offshore wind, due to rising costs, supply chain issues and technical problems. BP CEO Murray Auchincloss plans to plough billions into new oil and gas projects, including in the U.S. Gulf Coast and the Middle East, as part of his drive to improve performance and boost returns.

BP has also slowed down low-carbon operations, halting 18 early-stage potential hydrogen projects and announcing plans to sell wind and solar operations. It recently cut its hydrogen team in London by more than half to 40, company sources said. Shell CEO Wael Sawan has vowed to take a ruthless approach to improve its performance and returns and close a yawning valuation gap with rivals ExxonMobil and Chevron.

Shell has scaled back low-carbon operations, including floating offshore wind and hydrogen projects, retreated from European and Chinese power markets, sold refineries and weakened a 2030 carbon reduction target. The companies have not abandoned investments in low-carbon energy altogether. Rather, executives said, they are focusing on areas such as biofuels, which they feel confident can generate profit quickly.

U.S. LNG projects owner reports $4.85 billion income in second year

(Reuters; Nov. 15) - Venture Global LNG, which has rocketed into the top ranks of U.S. natural gas exporters, earned $4.85 billion in its second year of operations, according to financial documents prepared for its initial public offering of shares. Founded 11 years ago by an energy lawyer and investment banker, the Arlington, Virginia-based company has quickly become a major exporter of liquefied natural gas, competing against larger rivals Cheniere Energy, Freeport LNG and Sempra.

The documents show Venture Global had operating income of $4.85 billion on revenue of $7.9 billion last year. This compares with operating profits of $3.56 billion on sales of $6.45 billion in 2022. The company’s estimated costs for building three liquefied natural gas export facilities in the United States were revealed for the first time to top $100 billion, the documents show. Venture Global LNG has one operating plant in Louisiana and another expected to soon start producing LNG. The projected volumes from the two plants could next year rank it as the second largest U.S. exporter of the gas.

The company, which has a controversial history with four contract arbitration cases with customers that allege Venture Global has unduly delayed delivering gas under their long-term contracts, has plans for future production capacity that if completed could make it one of the three largest LNG producers in the world by 2030. The Venture Global share offering could find strong interest from institutional investors, said analysts.

Biden administration will not decide on LNG exports before term ends

(Bloomberg; Nov. 15) - The Biden administration won’t decide on any additional natural gas export permits before the presidential term ends in late January, Energy Secretary Jennifer Granholm signaled. New permits have been on hold for most of this year as government analysts researched the potential environmental, economic and national security impacts of U.S. exports of liquefied natural gas.

Although the results of the study will be published by the end of the year, Granholm indicated it will come too late for the administration to take action before the Jan. 20 inauguration of President-elect Donald Trump. That timing could set the stage for the fossil fuel-friendly Trump administration's LNG policy being hamstrung by a Biden-era report. Granholm spoke at the COP29 climate summit in Azerbaijan on Nov. 15.

Under federal law, gas export licenses must be found to be in the "public interest," and any findings in the study could be used as fodder to challenge future approvals. "The study will be complete by the end of the year … the study itself will speak for itself," Granholm said. "We won't be there to implement based upon the study, so we'll have to see how it's viewed by the next administration." The pause in approvals announced in January has halted several companies from moving with new projects or expansions.

China works LNG deal with TotalEnergies at lowest price in years

(S&P Global; Nov. 14) - Chinese state-owned Sinopec's heads of agreement with TotalEnergies for the supply of LNG is likely being discussed at a price of around a 12% crude oil slope or lower amid current market conditions, sources told S&P Global
The agreement signed on Nov. 4 allows France's TotalEnergies to supply 2 million tonnes per year of LNG to Sinopec for 15 years, starting in 2028. If finalized, the under-12% oil slope would be the lowest slope to crude oil for a long-term LNG contract with a tenure of more than 10 years in Northeast Asia since 2022.

The preliminary deal allows the seller to lower the price because of flexibilities, said sources. The deal considers flexibility such as cancellation rights for deliveries of up to four cargoes that the seller can choose to exercise, they added. Flexibilities have lately dominated the LNG market in long-term contract negotiations. Some of the flexibilities that buyers use to get a lower price include the seller's option to cancel delivery of cargoes, option to supply additional cargoes, letting the seller choose delivery windows, quality flexibility, extension of the contract and an option to delay start-up of deliveries.

The deal marks a low for pricing slopes in long-term LNG contracts signed in Northeast Asia that start delivery in 2028. Earlier agreements in the region were signed at a slope of mid- to high-12% range to crude oil, and prices have been declining on expectations of rising global supplies. Most LNG term deals in Asia use a crude oil "slope" formula as proxy pricing. A 12% slope to crude, for example, would result in a price of $8.40 per million Btu of gas if oil averaged $70 a barrel for the period specified in the contract.

Global LNG market could be tighter in 2025 due to project delays

(S&P Global; Nov. 15) - Anticipation of potential increases in 2025 spot liquefied natural gas prices is shaping buyers' purchasing strategies, as the global market braces for tight conditions amid concerns over supply vulnerabilities and increasing demand. Spot prices in 2025 remain vulnerable to supply-side shocks and unforeseen events as the global LNG balance is expected to remain tight from delays in new LNG export capacity, according to traders. "I expect next year to remain tight, so spot prices are likely going to be higher than the average Brent (oil)-linked term contract prices," a trader said.

Initially, LNG traders hoped for a buyer's market with a flood of new supply, but recent news of liquefaction project delays has tempered these expectations, revealing a tighter-than-anticipated global supply outlook for 2025. These projects include Golden Pass LNG in Texas and Energia Costa Azul LNG in Mexico delayed to 2026 from 2025, pushing traders to expect tighter fundamentals over the summer and a rush to secure supply during the season when Europe builds up its storage.

Global disturbances and supply-demand imbalances are key to influencing spot LNG prices. Conflicts in the Mideast and the Russia-Ukraine situation have supported bullish sentiment, driving spot prices higher in 2024, while post-winter gas inventories will also significantly influence 2025 price forecasts, said market sources. "Prices in 2025 may not change much compared to this year based on current supply and demand sentiment. But geopolitical issues could easily sway prices," a buyer in East Asia said.

Taiwan sees potential in Canadian LNG

(The Globe and Mail; Toronto; Nov. 15) - Taiwan is eager to buy liquefied natural gas from Canada when the opportunity becomes available as part of the island's effort to diversify supply, a senior government official said. Chern-Chyi Chen, deputy minister of economic affairs in Taiwan, said CPC Corp., the state-owned petroleum company, is in close touch with backers of LNG projects being developed on Canada's West Coast.

He said Taiwan is open to investing in Canadian LNG projects if the business models make sense. “It might be something like now you need to invest in order to get the supply,” the deputy minister said in an interview in Taipei on Nov. 14. “In that case, of course, we will be interested in investing for a guarantee of the supply.”

Taiwan has growing power needs as the heart of the world's semiconductor industry. Chen said Taiwan wants to generate 50% of its electricity from natural gas, up from 40% today. It currently imports almost all of its natural gas. He said Taiwan currently buys LNG from Qatar, Australia and the United States, among others. “CPC Corp. will continue to search for opportunities with producers in British Columbia,” he said.

Germany says terminal may not accept tanker with Russian LNG

(Reuters; Nov. 14) - Germany has refused to allow a Russian liquefied natural gas shipment at the Brunsbuttel terminal in northern Germany in line with Berlin's policy not to import LNG from Russia, industry sources said on Nov. 14. The Financial Times reported that Germany's economy ministry BMWK had instructed the Deutsche Energy Terminal not to accept any deliveries of Russian LNG after the company informed Berlin that its Brunsbuttel import facility was set to receive a Russian cargo on Nov. 10.

It was not clear who ordered the gas. Three LNG tankers recently left Russia's Yamal LNG facility and are awaiting orders, LSEG data showed. "The cargo was destined for Brunsbuttel and someone tried its luck and it seems wanted to check how Berlin would react," a source told Reuters, adding that it's "a bit of political PR stunt." Germany, once Russia's largest importer of gas, has never directly imported Russian LNG and has stopped buying Russian pipeline gas following Moscow's invasion of Ukraine.

"Germany does not import Russian gas as a matter of principle and it is also clear to the BMWK that this must not happen via German LNG terminals," a BMWK spokesperson said. In February, a spokesperson for the ministry said German companies that import LNG or move it to Germany have committed to ensuring that no Russian LNG goes to Germany when they buy on the market. A Reuters analysis in April found that more than 10% of the Russian gas formerly shipped by pipeline to the European Union has been replaced by LNG delivered to EU ports, mainly in Spain, Belgium and France.

Private Chinese refiner makes rare purchase of African crude

(Bloomberg; Nov. 14) - A privately owned Chinese refiner bought a cargo of West African crude in a rare purchase that's piqued traders' interest given smaller, independent processors in China have typically tended to favor imports of sensitive, U.S.-sanctioned grades from Iran and Russia. Landbridge Petrochemical — which recently restarted operations after a prolonged shutdown — bought 2 million barrels that included Angola's Mostarda grade for January arrival, according to traders.

While such refiners — known as teapots — have mostly been purchasing Russia's ESPO grade and Iranian oil, given those cargoes tend to be cheaper and have shorter delivery routes, conditions have been shifting, making other flows more attractive, traders said. The refiner's' purchase comes as the oil market is bracing to see what changes the Trump administration will make to its enforcement of U.S. sanctions against Iranian oil, with banks speculating it could be a more stringent approach.

In addition, a tighter supply of spot-market Iranian crude — given concerns about a possible Israeli strike on Tehran's energy infrastructure — have spurred teapots to look elsewhere, the traders said. For Iranian oil, light crude was being offered to Chinese refiners at a $2-a-barrel discount against the global benchmark Brent, compared with $3.50 a month ago, according to traders.

[Nigeria claims its oil production is on the rise]

(S&P Global; Nov. 14) - Nigeria's oil and gas production has risen sharply to hit 1.81 million barrels per day, thanks in part to an ongoing blitz on oil thieves and saboteurs, the head of state-run Nigerian National Petroleum Co. said Nov. 14. According to S&P Global Commodity Insights, Africa's largest oil producer has pumped at an average of 1.5 million barrels a day so far this year, having seen crude output fall below its estimated 2.2 million capacity due to theft, underinvestment and issues at aging fields.

However, Mele Kyari, the NNPC boss, told journalists that Nigeria and its foreign partners had "revved up crude oil and gas production to 1.8 million barrels per day and 7.4 billion cubic feet per day," thanks to efforts by the government, security agencies and joint venture oil partners to tackle pilfering and sabotage. "The interventions that led to the recovery of production cut across every segment of the production chain, with security agencies closely monitoring the pipelines," Kyari said.

Nigerian lawmakers estimated theft at some 400,000 barrels per day earlier this year. Kyari said output rose from 1.43 million in June to 1.7 million in August and 1.808 million in November, adding that the country is targeting 2 million by the end of 2024. That’s much higher than the official numbers released by the Nigerian petroleum regulator.

[Russian refineries reduce output due to poor economics]

(Reuters; Nov. 15) - At least three Russian refineries have had to halt processing or cut runs due to heavy losses amid export curbs, rising crude prices and high borrowing costs, according to five industry sources. The closures highlight the struggles of the Russian refining industry, which has been caught in the crosshairs of Ukrainian drone attacks, Western sanctions on Russia — which force refiners to sell fuel at a discount — as well as high interest rates.

The five sources who work at companies which operate the refineries and are familiar with the finances, said the plants — Tuapse, Ilsky and Novoshakhtinsky — have suspended or cut runs in recent months. The crisis is reducing fuel exports and denting companies' revenues, generating less cash for the state budget at the time of high inflation and uncertainties on energy markets, already concerned by sluggish demand.

Refiners around the world reaped record profits in 2021-2022 from the post-pandemic surge in travel demand and recovering economic activity. However, margins have dropped sharply as huge new plants opened up around the world and demand growth slowed, partly due to efforts to transition from fossil fuels. Russia's least sophisticated refineries have been hit the hardest, posting losses of up to $102 per metric ton during several months of the second half of 2024, sources said. Some more complex refineries also operated at a narrow loss while others were able to post modest profits.

New tools help track harmful methane emissions

(Financial Times; London; Nov. 11) - On the shores of the Caspian Sea, less than 30 miles from the place where world leaders, ministers and negotiators are meeting at the COP29 climate summit in Baku this week, a powerful greenhouse gas has been venting into the atmosphere. A sensor installed on the International Space Station detected six separate plumes of methane between April and June. According to the California-based nonprofit Carbon Mapper, which analyzed the data and shared it with the Financial Times, all were traced to oil and gas sites on the outskirts of Azerbaijan’s capital.

A further five plumes were detected at other sites in the country, including near the giant Sangachal oil and gas terminal. Although they varied in intensity, they were all polluting and deeply toxic, containing carcinogens and other dangerous gases as well as methane. A similar situation is occurring at oil and gas plants around the world, say activists and analysts who track methane pollution. In some cases, accidental leaks are to blame. But elsewhere producers are venting the gas flagrantly and deliberately.

Methane is the main contributor to the formation of ground-level ozone — a hazardous air pollutant responsible for deaths from respiratory illnesses. But an even bigger threat is to the climate. While it may not persist as long in the atmosphere as carbon dioxide, over a 20-year timeline methane is 80 times more potent at trapping heat. Some methane comes from natural sources such as wetlands and volcanic gas. But the bulk is caused by human activity — agriculture, landfill waste and the fossil fuel industry. The problem has long been obscured because of a lack of tools to detect and measure it.