

# Oil and Gas News Briefs

## Compiled by Larry Persily

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#### **Trump election victory certain to affect energy markets**

(Bloomberg; Nov. 6) - Whatever policies he ultimately pursues, Donald Trump's return to the White House looks certain to send shock waves through global energy markets. In his victory speech, the president-elect said he'd take charge of any decisions relating to "liquid gold," a pledge that oil traders see as bearish on prices. International benchmark Brent initially fell below \$75 a barrel, and there are plenty of reasons to explain why.

Trump's threats of 200% tariffs on imports from China could unleash a trade war and deliver a fresh blow to already-faltering global oil demand. The stronger dollar that emerged in recent weeks is also curbing the appeal of commodities. His campaign mantra of "drill, baby, drill" implies support for the U.S. shale oil industry, which may translate into an increase in leasing and acreage auctions. Still, many analysts are skeptical it would have a material impact on U.S. output, which already is at a record.

Trump may also rekindle his camaraderie with Middle East producers such as Saudi Arabia, healing the rifts of the Biden administration, and thus encourage the OPEC+ cartel to add more barrels. His admiration for President Vladimir Putin might lead to an easing of the sanctions imposed on Russian oil and natural gas shipments after the invasion of Ukraine. Failing that, Trump could revive the flurries of tweets he once used to scold OPEC+ nations for keeping crude prices high.

There also are reasons why Trump's comeback may be bullish for energy prices. Top of these is the prospect of a "maximum pressure" campaign to stem oil exports by Iran, previously used to force Tehran into accepting further restraints on nuclear research.

#### **Permian drilling, cost efficiencies push U.S. oil output to new record**

(Bloomberg; Nov. 5) – U.S. shale producers are turning up the heat on OPEC again — but this time the cartel's adversaries aren't a bunch of debt-fueled wildcatters. They're the world's biggest and deepest-pocketed oil companies. Boosted by a flurry of acquisitions and focused capital spending, ExxonMobil, Chevron and ConocoPhillips produce a combined 3.1 million barrels of oil equivalent a day from the Permian Basin. And they're growing fast.

Chevron said its third-quarter Permian production was 22% higher than a year earlier. Exxon CEO Darren Woods found "considerably higher" cost savings from the \$60 billion purchase of Pioneer Natural Resources, potentially freeing up cash for more drilling.

Together, they helped push U.S. output to a record 13.5 million barrels a day last month, more than the two largest OPEC members — Saudi Arabia and Iraq — combined.

Just hours after the U.S. majors' results, OPEC and its allies succumbed to the inevitable and pushed back a planned December production increase. With demand from China continuing to disappoint, the move effectively cedes ground to America. The past two times the U.S. took significant market share from OPEC, it triggered price wars in 2014 and 2020. The fights tipped many shale producers into bankruptcy and left lingering financial scars for investors. There are signs, however, that this time may be different — the Saudis and Russia cannot afford to flood the market and crash prices.

### **OPEC remains upbeat about world oil demand**

(Reuters; Nov. 4) - The Organization of the Petroleum Exporting Countries is positive on demand for oil in both the short and long term, Secretary General Haitham Al Ghais said at an energy industry event in Abu Dhabi on Nov. 4. "There are some challenges, but the picture is not as negative as some make it sound," he said, adding that so-called peak demand would not happen while the global economy continues to grow.

Ghais said the oil-producer group was upbeat on the global economy, noting growth in the U.S. and in China, adding that 5% growth is still very good for a country of China's size, even if it achieved up to 10% in previous years. He also reiterated his view that global oil demand will not peak any time soon.

"It reminds me of all the talk on peak supply many years ago. Peak supply never happened and peak demand won't happen as the world keeps growing," he said. OPEC expects demand to continue growing for a longer period than forecast by the likes of the International Energy Agency, which expects oil use to peak this decade.

### **Canada releases draft rules to cap emissions from oil and gas sector**

(Reuters; Nov. 4) - The Canadian government released draft regulations on Nov. 4 that would cap emissions of greenhouse gases from the oil and gas sector at 35% below 2019 levels by 2030, drawing condemnation from the industry that said it will force a production cut. Oil and gas is Canada's highest-polluting industry and its emissions continue to rise, undercutting progress in many other parts of the economy. Ottawa will likely fall short of its commitment to reduce emissions by 40% to 45% from 2005 levels by 2030 unless the oil and gas sector intensifies its efforts to decarbonize.

Federal Environment Minister Steven Guilbeault said the sector's profits hit C\$66.6 billion (\$47.95 billion) in 2022 and the government wants to motivate producers to invest those profits in decarbonization. "This goes after pollution, not production," he told a

news conference. "We've worked carefully to develop what is technically feasible for the sector, to keep industry accountable to their own promise to be carbon neutral by 2050." Canada is the world's fourth-largest oil producer and sixth-largest natural gas producer.

Ottawa said oil and gas production is still expected to grow 16% from 2019 levels by 2030-2032 even with the emissions cap. The regulations would create a cap-and-trade system designed to recognize better-performing companies and incentivize higher-polluting firms to make their production cleaner. The cap-and-trade system would set a limit on the sector's emissions and then let companies buy and sell a limited number of emissions allowances. The first three-year compliance period will run 2030-2032. The government said it will develop penalties for producers that do not comply.

### **India says 'price is the only criteria' for energy imports**

(Nikkei Asia; Nov. 3) - India is "open for cooperation with all countries in the world" on energy, including Russia, the South Asian nation's oil and gas minister said, citing its fast-growing energy demand. Investing in energy projects is "a nonideological, nonpolitical situation," Petroleum and Natural Gas Minister Hardeep Singh Puri told Nikkei in an interview.

For energy imports, "price is the only criteria, because our companies, whether they are in the private sector or in the public sector, they issue tenders for import at the point of delivery," Puri said. "If you are able to deliver it from a farther distance at a cheaper price, we are quite happy." India is the world's fourth-largest LNG net importer and a growing market. Its moves on Russian energy are seen as a bellwether of other Global South nations that don't align with Western sanctions on Moscow over the Ukraine war.

Puri cited India's goal of increasing natural gas to 15% of its energy mix in 2030 — a rough doubling that he said would require \$60 billion of investment in infrastructure. Puri did not rule out possible Indian investment in Russia's Sakhalin-2 LNG project. "We are open to investments all over the world" in energy assets, he said, after noting that India's public-sector Oil and Natural Gas Corp. had invested in the Sakhalin-1 oil and gas field in the Russian Far East. "But those are company-to-company decisions," he said. Currently, most of India's LNG imports come from the U.S. and Qatar.

### **FERC allows first gas into new Louisiana LNG terminal**

(Reuters; Nov. 6) - Federal regulators on Nov. 6 gave Venture Global LNG permission to introduce natural gas into its Plaquemines export plant in Louisiana, moving the plant a step closer to starting production. The \$21 billion Plaquemines LNG project, at 20 million tonnes annual output capacity when both development phases are fully

operational, will be the second-largest U.S. export facility. It and other projects due to start in 2025 will help the U.S. retain its position as the world's top exporter of the gas.

Its commercial start-up will make Venture Global the second-largest U.S. LNG producer with the capacity to export over 30 million tonnes per year from its Calcasieu Pass and Plaquemines facilities, both in Louisiana. Cheniere Energy, with plants in Louisiana and Texas, is the nation's largest LNG producer.

Arlington, Virginia-based Venture Global can commission and introduce natural gas into its "fuel gas and warm flare" systems, the Federal Energy Regulatory Commission wrote. It is allowed to introduce gas to other parts of the facility once the company complies with the conditions of the Nov. 6 order. Plaquemines is expected to produce its first LNG in the coming weeks. Venture Global has two vessels anchored at the mouth of the Mississippi River that could receive any LNG the plant produces.

### **Developer selects Kiewit to build LNG project in Texas**

(Reuters; Nov. 4) - U.S. energy company Glenfarne Group said on Nov. 4 it had selected construction contractor Kiewit to build its proposed Texas LNG export terminal in Brownsville, Texas. The proposed terminal would have the capacity to turn about 0.5 billion cubic feet per day of natural gas into 4 million tonnes per year of liquefied natural gas. Glenfarne said it would work with Kiewit to meet the requirements needed to achieve a final investment decision.

The company was expected to begin construction by November 2024 and commercial operations by 2028. However, in May it asked federal energy regulators to give it until 2029 to put its plant into service. Earlier this month, Glenfarne said it had already secured enough commitments sufficient for achieving FID, including agreements with gas producer EQT, global commodity trader Gunvor and Australia-based investment bank Macquarie.

### **BP-led West Africa offshore LNG project close to start-up**

(Upstream; Nov. 4) - Start-up of BP's challenging Greater Tortue Ahmeyim liquefied natural gas project offshore Senegal and Mauritania is due this quarter. The \$4.8 billion West Africa development has been bedeviled by delays and cost overruns but now appears to be closing in rapidly to first production. According to partner Kosmos Energy, "cool down and commissioning" of the project's floating LNG production vessel has started, with first LNG "expected around the end of the fourth quarter of 2024."

It is unclear, however, if this is the date when the first LNG export cargo will be sent to market or whether this is when LNG production will start. The first batch of four

development wells has been completed, said Kosmos, with expected production capacity significantly higher than is required for first gas.

Work on a hub terminal — which comprises the 2.5 million-tonnes-per-year LNG vessel and various utility structures situated behind a concrete breakwater — has been handed over to operations, while the subsea work for first gas is mechanically complete. In addition, said Kosmos, the project's floating production, storage and offloading vessel is ready for start-up shortly. That vessel will separate produced gas from liquids, before sending gas to the liquefaction vessel.

### **Exxon plans Mozambique LNG final investment decision in early 2026**

(Reuters; Nov. 6) - ExxonMobil now expects a final investment decision for its Rovuma liquefied natural gas project in Mozambique in 2026, the company said on Nov. 6, pushing back the financial go-ahead by roughly three months. The company had said in May it expected the final investment decision for the project at the end of 2025. The company said it is making progress on the project despite the ongoing force majeure, and now expects first LNG by 2030.

"We will continue to work in close collaboration with the government of Mozambique and expect the security situation to stabilize," a company spokesperson said. Exxon and its partner Eni are developing the Rovuma LNG project in offshore Area 4 in northern Mozambique. The plant is expected to produce 18 million tonnes of LNG per year.

The Exxon-led venture was put on hold as insurgents threatened the safety of workers at a TotalEnergies-led LNG project in the same area of the country. Construction work on that project stopped in 2021, with TotalEnergies indicating it may restart work before the end of this year, while it's been working with its contractors on any cost escalations.

### **British Columbia LNG project sees more interest from suppliers**

(The Canadian Press; Nov. 6) – Calgary-based Pembina Pipeline says it has seen an uptick in interest from potential long-term contracted natural gas suppliers since making a firm decision to go ahead with the Cedar LNG project on the British Columbia coast. The pipeline company and its project partner, the Haisla First Nation, green-lit the US\$4 billion facility in June. Pembina CEO Scott Burrows said Nov. 6 the positive final investment decision has given potential suppliers more confidence, and he expects the facility's remaining uncontracted capacity will demand a "premium" price.

The project will involve the construction, expected to start in mid-2025, of a floating liquefied natural gas terminal near Kitimat, British Columbia. Cedar LNG will liquefy natural gas from Western Canada to produce LNG for export to Asian markets, with an

output capacity of 3.3 million tonnes per year. Pembina has already signed a 20-year contract with Calgary-based ARC Resources, which will supply the natural gas for about half of Cedar LNG's total production.

### **Abu Dhabi signs contract to supply Germany with LNG**

(The National; Abu Dhabi; Nov. 6) – Abu Dhabi National Oil Co. (ADNOC) has signed the first long-term sales and purchase agreement with Germany's Sefee (Securing Energy for Europe) for its Ruwais liquefied natural gas project in Abu Dhabi, boosting the emirate's status as an energy investment hub. The state-owned oil major announced the 15-year, 1-million-tonnes-per-year agreement with a Sefee subsidiary at the Abu Dhabi International Petroleum Exhibition and Conference on Nov. 6.

The financial value of the deal was not disclosed. The LNG will primarily be sourced from the new Ruwais project, with deliveries expected to start in 2028 once commercial operations begin, ADNOC said. More than 7 tonnes per year of the Ruwais LNG project's production capacity has been committed to international customers through long-term agreements to date.

The Ruwais LNG project will comprise two liquefaction trains with a total capacity of 9.6 million tonnes per year, which will more than double ADNOC's existing LNG production capacity in the United Arab Emirates to approximately 15 million tonnes. It is also set to be the first LNG export facility in the Middle East and Africa to run on clean power, making it one of the lowest-carbon-intensity LNG plants in the world, according to ADNOC. Last year, ADNOC and German power company RWE announced the delivery of the first LNG shipment from the UAE to Germany, from ADNOC's existing plant.

### **Wood Mackenzie says new LNG supply possible from South America**

(Reuters; Nov. 4) - Guyana and Suriname could supply 12 million tonnes of liquefied natural gas annually at a competitive price by the next decade, according to a report by Wood Mackenzie on Nov. 4. LNG demand is expected to spike by the end of the decade as industries switch from highly polluting coal to gas, which can cut greenhouse gas emissions by as much as half. Guyana and its South American neighbor Suriname have emerged as hotbeds for oil and gas exploration, with energy majors such as ExxonMobil and TotalEnergies committing billions of dollars for new projects.

Suriname's offshore Block 52 and Guyana's offshore Haimara cluster are estimated to hold 13 trillion cubic feet of discovered non-associated gas, according to the report by the commodities research group. Non-associated gas refers to natural gas sourced from a conventional gas field which has no crude oil or has such minimal amounts that it

cannot be economically extracted. The fields could produce and supply LNG at a breakeven cost of \$6 per million Btu, Wood Mackenzie analysts said.

The gas projects could provide supplies at a time when the global market still needs 105 million tonnes per year of LNG to fill the gap between supply and demand by 2035, the report added. "U.S. and Qatar LNG dominance is rapidly growing, but there is a supply window in the mid-2030s coming in part from President Biden's pause on approving new LNG export projects," said Amanda Bandeira, an analyst at Wood Mackenzie.

### **Chinese-made power station arrives at Russian LNG plant**

(gCaptain; Nov. 5) - Russia has taken a major step toward commissioning the second production line of the country's flagship liquefied natural gas project, Arctic LNG 2. Despite ongoing U.S. sanctions to curtail the flow of equipment from Chinese construction yards, the first sections of a 650-megawatt power plant arrived in the Russian Arctic over the weekend. The delivery of the power station is a significant blow to U.S. efforts to stop the expansion of Russia's LNG production capacity.

The completion of Train 2 with the aid of the Chinese power plant potentially puts another 6.6 million tonnes per year of Russian LNG production capacity into play. U.S. efforts have, however, thus far been effective in stopping deliveries from the project. Arctic LNG 2 has been unable to find buyers for gas produced by Train 1 this summer.

The late-season delivery of the massive power station aboard two Chinese heavy-lift vessels turned into a race against time before winter sea ice closed off the Arctic route. A nuclear icebreaker escorted the convoy for about 750 nautical miles. Satellite images and AIS data show the two vessels offloading the 5,000- to 7,000-tonne modules. The ships carried a massive substation and the first of four large power-generation units. The construction of a Chinese onshore power plant became necessary after supplier Baker Hughes ceased delivery of American-made turbines following U.S. sanctions.

### **Report says U.K. needs to keep gas power plants online as backup**

(Financial Times; London; Nov. 4) - Britain's fleet of gas-fired power plants will need to stay online as backup in 2030 even if the government hits its target of decarbonizing the power system by then, according to official modeling published Nov. 5. Gas plants currently account for about a third of Britain's power requirements. While this will fall to less than 5% in 2030, the same capacity of plants as today will be required as a "strategic reserve" for windless days, the National Energy System Operator said.

Its modeling is part of a wide-ranging study by NESO that considers whether and how the new Labor government can reach its flagship manifesto pledge of a clean power



system in 2030. It concludes that “urgent action” is needed to speed up the development of new wind turbines, solar panels and electrical transmission line towers, while consumers will also need to be far more flexible about when they use electricity.

The report finds that the overhaul requires annual investment of more than £40 billion (US\$52 billion), with nearly 2,700 miles of offshore electricity cables and 620 miles of onshore cables to be built. It concludes the costs of running the system in 2030 “should not increase for a clean power system.” But it dodges the question of whether household bills will fall, something that had been promised by Energy Secretary Ed Miliband during the election campaign. NESO said too much depends on how the government chooses to fund its policy costs.

### **China’s coal miners move into power generation business**

(Bloomberg; Nov. 4) - China’s top coal producers are accelerating a move into power generation as electrification takes center stage in China’s low-carbon transition. Profits this year at miners such as China Shenhua Energy, the country’s biggest producer, and China Coal Energy, have come under pressure as the coal market has weakened. Nationwide mining expansions have left a glut of coal, and benchmark prices have fallen nearly 8% this year while mining profits across the industry have slumped 22%.

Shenhua cut coal production in the third quarter after promising earlier this year to shift investments away from mining. The firm added 305 megawatts of generation capacity through September, the majority as solar panels. Mining costs are rising because of aging deposits that demand deeper bores and increased maintenance to avoid accidents, Song Jinggang, Shenhua’s chief financial officer, said at a briefing Nov. 1.

The firm is also taking the last “window of opportunity” to open new mines and thermal power plants by 2025, said Chairman Lv Zhiren, before political pressure kicks in to peak the nation’s coal consumption to meet President Xi Jinping’s climate targets. State-owned China Coal Energy, the country’s fourth-largest miner, has also accelerated acquisitions and new construction of power plants to hedge risks from its core mining business. The firm rose to become the nation’s sixth-biggest investor in thermal power last year, based on data compiled by industrial news outlet BJX.com.

### **Vancouver-area LNG expansion working through agency review**

(Squamish Chief; British Columbia; Nov. 1) - FortisBC’s Tilbury Phase 2 LNG expansion project is winding its way through a provincial environmental assessment process with federal involvement that, if successful, would grant it approvals from both levels of government. An updated regional district report to the Metro Vancouver board outlined the application for the major expansion on Tilbury Island in Delta, noting that the project



is still in the application development and review phase of the assessment process, and FortisBC is expected to submit an application for review this fall.

It will be reviewed by the British Columbia Environmental Assessment Office and process participants, including Metro Vancouver. The project would increase the facility's LNG production capacity by tenfold from its 2018 capacity, taking it to more than 2.5 million tonnes of LNG per year to serve the marine fuel, export and domestic gas markets. The 2018 expansion of 0.25 million tonnes annual production capacity was the first since the facility was built in 1971 on an island near Vancouver.

The project is undergoing an environmental assessment review under the federal Impact Assessment Act and the British Columbia Environmental Assessment Act. The provincial agency is leading the review, which consists of seven phases. The application is in the fourth stage, including the application development and review phase. During the stage, the proponent works with participating Indigenous nations and environmental assessment participants to develop their application for an environmental certificate.

### **Shipping bureau looks at potential of nuclear-powered LNG carriers**

(World Nuclear News; Nov. 1) - The American Bureau of Shipping has released its latest report into the potential of advanced nuclear technology for maritime applications, with a study of a small modular reactor powering a liquefied natural gas carrier. The report notes that large LNG carriers are increasing in demand as the international LNG trade remains important for global energy security. The typical energy demand for an LNG carrier is between 30 to 75 megawatts.

The scope of the American Bureau of Shipping study — Pathways to a Low-Carbon Future: LNG Carrier Nuclear Ship Concept Design — was to consider a standard LNG carrier design using nuclear power for propulsion and other energy needs. A conceptual future zero-emissions LNG carrier is presented to illustrate how one type of advanced nuclear fission technology may be applied for shipboard power in the future, with an emphasis on what aspects of ship and reactor design may require further investigation.

The study shows a nuclear LNG carrier would have specific design features, with reactors placed at the rear of the vessel to shield the cryogenic cargo from the thermal load of the reactor compartment and batteries forward of the location occupied by fuel tanks on current vessels, and also a stronger reinforced hull. Given design constraints, the technology would only be suitable for larger ships. The study also found that nuclear power would allow faster transit speeds and zero-emission operations.