Oil and Gas News Briefs
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Abu Dhabi Oil wants to decarbonize — and also pump more oil

(Financial Times; London; Oct. 15) - A full-size replica of an oil rig stands outside the headquarters of Abu Dhabi's National Oil Co., a reminder of what the city's wealth is built on. But inside the 1,115-foot-tall skyscraper, ADNOC's leaders are working out how to "future proof" the state oil company over the next 25 years as the world tries to wean itself off fossil fuels and hit climate targets. Like Shell, TotalEnergies and BP, ADNOC is investing as much as $5 billion a year in low-carbon energy, according to the consultancy Wood Mackenzie, far more than the U.S. majors.

It has also set a target to hit net-zero emissions by 2045, five years ahead of its peers, and is diversifying into products derived from hydrocarbons, such as plastics, which will sustain oil demand after the use of gasoline and diesel starts to drop. But unlike the European majors, which are preparing for peak oil sometime in the next decade or so, ADNOC wants to be one of the last oil companies pumping. It is therefore also investing heavily in boosting its crude oil capacity and betting on demand for natural gas.

"The big challenge for players like us is how to decarbonize the energy system, not how to replace it," Musabbeh Al Kaabi, ADNOC's executive director for low-carbon solutions and international growth, told the Financial Times at the oil company's office. "Maybe that will come over a very long time. But I think the main focus now for us is to decarbonize the energy of today while investing in the energy of tomorrow," he added.

OPEC reduces oil-demand growth forecast

(Reuters; Oct. 14) - OPEC on Oct. 14 cut its forecast for global oil-demand growth in 2024 reflecting data received so far this year and also lowered its projection for next year, marking the producer group's third consecutive downward revision. The weaker outlook highlights the dilemma faced by OPEC+, which comprises the Organization of the Petroleum Exporting Countries and allies such as Russia, which is planning to start raising output in December after earlier delaying the production hike amid low oil prices.

OPEC in its monthly report said world oil demand will rise by 1.93 million barrels per day in 2024, down from growth of 2.03 million it expected last month. Until August, OPEC had kept the forecast unchanged since it was first made in July 2023. China accounted for the bulk of the 2024 downgrade. OPEC trimmed its China growth forecast to 580,000 barrels per day from 650,000. While Chinese government stimulus measures will support fourth-quarter demand, oil use is facing headwinds from economic challenges and moves toward cleaner fuels, OPEC said.

"Diesel consumption (in China) continued to be subdued by slowing economic activity, mostly a slowdown in building and housing construction, and the substitution of liquefied natural gas for petroleum diesel fuel in heavy-duty trucks," OPEC said. There is a wide split between forecasters on the strength of global demand growth in 2024, partly due to differences over China and over 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.

IEA forecasts cheaper energy as world shifts away from oil and gas

(Bloomberg; Oct. 16) - The world is heading into an era of cheaper energy prices as a shift toward electricity leaves behind surpluses of oil and gas, the International Energy Agency predicted. Global demand for all fossil fuels will stop growing this decade, while supplies of oil and liquefied natural gas are set to climb, the IEA forecast in its annual long-term report. Meanwhile, an ongoing surge in electricity consumption led by China is on track to accelerate, it said.

“The world is set to enter a new energy market context in the second half of this decade because underlying market balances for oil and gas are easing,” IEA Executive Director Fatih Birol said. “Barring major geopolitical conflicts, we will be entering a period where prices will see significant downward pressures.” It would mark a turning point from early years of the decade, when surging energy costs following Russia’s 2022 war on Ukraine fed into a brutal wave of inflation. Prices have shown signs of cooling, with crude futures down 20% from this year’s highs to under $75 a barrel despite conflict in the Mideast.

Electricity use has grown at twice the pace of total energy demand over the past decade and, driven by China, will increase six times as fast during the coming 10 years, the IEA said. “In energy history, we’ve witnessed the Age of Coal and the Age of Oil – and we’re now moving at speed into the Age of Electricity,” said Birol. The agency reiterated its view that demand for oil and gas will hit a plateau this decade. Nonetheless, oil supplies are climbing amid new output from the U.S., Brazil, Canada and Guyana, and there is a looming “wave” of liquefied natural gas export projects.

IEA sees world moving into ‘age of electricity’

(Reuters; Oct. 16) - The world is on the brink of a new age of electricity with fossil fuel demand set to peak by the end of the decade, meaning surplus oil and gas supplies could drive investment into green energy, the International Energy Agency said on Oct, 16. But it also flagged a high level of uncertainty as conflicts embroil the oil and gasproducing Middle East and Russia and as countries representing half of global energy demand have elections in 2024.

“In the second half of this decade, the prospect of more ample — or even surplus — supplies of oil and natural gas, depending on how geopolitical tensions evolve, would move us into a very different energy world,” IEA Executive Director Fatih Birol said in a release alongside the agency's annual report. Surplus fossil fuel supplies would likely lead to lower prices and could enable countries to dedicate more resources to clean energy, moving the world into an "age of electricity," Birol said.

A record high level of clean energy came online globally last year, the IEA said, including more than 560 gigawatts of renewable power capacity. Around $2 trillion is expected to be invested in clean energy in 2024, almost double the amount invested in fossil fuels. However, growth in clean power generation has not kept pace with rising global electricity demand and this trend is expected to continue from 2023-2030, meaning coal power will decrease more slowly than previously expected, the IEA said.

IEA forecasts EVs could displace 6 million barrels a day of oil

(Reuters columnist; Oct. 16) - Overestimating China's appetite for crude has been a factor in oil markets this year, especially by OPEC, and it's a theme that looks likely to continue in coming years. The increasing shift from fossil fuels to electricity in transport is "wrong-footing oil producers," according to the International Energy Agency's latest World Energy Outlook, released on Oct. 16. It's China, the world's biggest oil importer, that is leading the drive to electric vehicles, with 50% market share in new sales already achieved, a level the rest of the world is likely to reach by 2030, according to the IEA.

Under this forecast, which is the agency’s base case, the rise of EVs displaces around 6 million barrels per day of global oil demand. The main risk for the long-term optimistic oil demand outlook that producers such as OPEC remain committed to is that China becomes the global template for renewable energy use and electrification, rather than the outlier it currently is.

China was responsible for two-thirds of global oil demand growth in the decade to 2023 and one-third of natural gas demand growth. It is also the world's biggest producer and importer of coal, and while coal's share in the overall energy mix is declining, it appears Beijing is prepared to use the dirtier fuel to help meet its electrification drive. It added 50 gigawatts of new coal-fired capacity in 2023, but also a record 260 GW of solar and 75 GW of wind, the report said. The IEA expects China's use of coal to generate electricity to peak in the next few years, even though electricity demand will continue to grow.

Phillips 66 will close Los Angeles refinery by end of 2025

(Associated Press; Oct. 16) - Oil company Phillips 66 announced Oct. 16 that it plans to shut down a Los Angeles-area refinery by the end of 2025, citing market concerns. The refinery accounts for about 8% of California's refining capacity, according to the state's Energy Commission. The company said it will remain operating in the state: "With the long-term sustainability of our Los Angeles Refinery uncertain and affected by market dynamics, we are working with leading land development firms to evaluate the future use of our unique and strategically located properties near the Port of Los Angeles."

The closure will affect 600 employees and 300 contractors who help operate the refinery, the company said. The refinery consists of two facilities that were built more than a century ago. The company also operates a refinery near San Francisco that accounts for about 5% of California's refining capacity, according to the state Energy Commission. Phillips 66 Santa Maria, a refinery that was located 62 miles northwest of Santa Barbara, shut down in 2023 after the company announced plans to convert its San Francisco-area site into "one of the world's largest renewable fuels facilities."

Russia thinking about nuclear-powered sub to move LNG out of Arctic

(Barents Observer; Norway; Oct. 13) - Aleksandr Nikitin, with the Bellona Foundation, is halfway laughing when asked about safety aspects of Russia's planned civilian nuclear-powered submarine for bringing liquefied natural gas to Asia. He does not at all believe the project will surface. But design work has begun, said Mikhail Kovalchuk, president of the Kurchatov Institute, who presented the news this week at a St. Petersburg forum devoted to development of shipping and high-tech equipment for the Arctic.

The idea to conquer difficult ice conditions by sailing under it is not new. The Kurchatov institute and Malachite Design Bureau have previously discussed the plan of designing a nuclear-powered submarine for transport of hydrocarbons from the Arctic shelf. This time, however, the designers announced an agreement of intent with Gazprom, the Kremlin majority-owned energy corporation. Kovalchuk and Gazprom director Alexei Miller had a working meeting on Oct. 11 where the implementation of nuclear power project for Russia's Arctic shelf was discussed.

Gazprom is in deep financial crisis after sales more than halved following Russia's war on Ukraine. The energy giant lost pipeline gas sales to Europe and faced its first annual net loss in 2023 after decades of making big money. New markets are in Asia, but building pipelines takes time and becomes more difficult as thawing permafrost makes the ground unstable. A nuclear submarine with giant LNG-tanks could provide year-round transport from terminals along the north coast of western Siberia, Kovalchuk said.

Early sea ice a challenge along Russia’s Northern Sea Route

(High North News; Oct. 14) - With winter fast approaching, Arctic sea ice has returned unusually early in the eastern reaches of Russia’s Northern Sea Route. Vessel tracking sites and satellite images show the efforts of the nuclear icebreaker Sibir working in the ice and keeping a shipping lane open for commercial vessels on the route. Over the past week more than a dozen vessels, including multiple liquefied natural gas carriers, bulk carriers, oil tankers and a container ship passed through the narrowing gap in the ice to the north of Wrangel Island in the Chukchi Sea.

Sea ice had persisted along that eastern section of the shipping route throughout summer, giving winter ice a head start and allowing it to form quicker than it otherwise would. Russia’s Northern Sea Route Administration has announced that the route will shut down several weeks earlier than during past years due to the early formation of ice. Vessels without an ice-class rating have to vacate the East Siberian and Chukchi seas by Oct. 15, with lower ice-class vessels following five days later.

However, enforcement of the navigation deadline will be a different matter. Since being placed under the authority of Russia’s operator of nuclear icebreakers, Atomflot, the route’s administration has increasingly turned a blind eye to violations of its own rules and regulations. The deadline will almost certainly be breached by three heavy-lift vessels carrying power plant modules from a Chinese shipyard to the sanctioned Arctic LNG 2 project. The vessels are assembling to form a convoy south of the Bering Strait. They will likely receive an icebreaker escort to continue their voyage to the project site.

Tankers carrying Russian LNG at sea, destination unknown

(Reuters; Oct. 14) - Four tankers loaded with Russian Arctic LNG 2 cargoes are still out at sea, according to data from ship-tracking agency Kpler, highlighting the struggles of the U.S.-sanctioned project to sell the seaborne gas. The agency said on Oct. 14 that the tankers were seen traversing the sea without signaling a destination as the market continues to anticipate a potential delivery to a buyer.

According to Kpler data, the tankers laden with liquefied natural gas constitute 40% of a so-called "dark fleet" of 10 Russian LNG-ferrying vessels identified by the agency and which have been sanctioned by the West. The dark fleet, which Kpler and other ship-tracking agencies also refer to as a shadow fleet, consists of tankers which knowingly operate to circumvent Western sanctions. The Arctic LNG 2 project, 60% owned by Russia's Novatek, is subject to Western sanctions over Russia's war on Ukraine.

It is not clear where the four loaded tankers are headed. "It's a wait-and-see situation if these cargoes are discharged to end-users," said Ana Subasic, Kpler Insight market analyst for LNG and natural gas. "We believe certain players, like China, will be looking to make use of the heavily discounted spot volumes on offer." The project had been set to become Russia's largest LNG plant with eventual output of 19.8 million tonnes per year, but its prospects have been clouded by the sanctions.

First LNG exports from Mexico arrive in the Netherlands

(S&P Global; Oct. 15) - An LNG carrier, Energos Princess, began unloading in the Netherlands on Oct. 15, marking the first LNG imports from Mexico to Europe, according to data from S&P Global Commodities at Sea. The carrier, which loaded approximately 59,000 tonnes of LNG from New Fortress' Altamira LNG offshore project in the Gulf of Mexico, arrived at the Gate terminal on Oct. 15. This trade was likely a short-term or spot-based transaction.

The tanker sailing for Europe was also significant. The U.S. Department of Energy on Aug. 31 issued a key LNG export permit for the Altamira project, authorizing New Fortress to export U.S. gas to countries that lack free-trade agreements. The approval marked the first such permit issued by the department since it announced a pause on approvals in January. Though the gas was liquefied and loaded aboard the carrier in Mexican waters, the gas came from the U.S. via a cross-border pipeline.

The more than $2 billion Altamira project is the first of what the company calls its Fast LNG or FLNG, units. Altamira is Mexico's first liquefaction plant, with two more under development on the country’s West Coast.

S&P analyst expects Russia will grow its shadow fleet of LNG carriers

(S&P Global; Oct. 16) - The LNG shadow fleet to move blacklisted Russian LNG is expected to expand amid growing clandestine activities, such as the resale of older LNG carriers to shell companies in the second-hand market, ship-to-ship cargo transfers in undisclosed locations and hard-to-track monetary and commercial transactions. The roughly nine LNG carriers sanctioned by the U.S. so far are likely just the beginning of a larger fleet expected to emerge in the coming years to transport more Russian LNG as Western sanctions continue to tighten, according to sanctions experts.

Recent focus has been on ships associated with the sanctioned Arctic LNG 2 project, operated by Novatek, but importers of Russian LNG, such as utilities in Japan, have been bracing for a much broader crackdown on all Russian LNG exports. Meanwhile, the European Union has been mulling phasing out Russian fossil fuel imports by 2027, potentially leaving more molecules stranded.

"The LNG shadow fleet will grow. I believe estimates of its size needed to meet the full production capacity of Arctic LNG 2 are 16 (carriers). This is not far off the nine it currently has in the shadow fleet," said Byron McKinney, director for trade finance and compliance solutions at S&P Global Market Intelligence. "It will grow because Russia is not going to shut in its production; it will actively seek and find new buyers. This means sanctions have to be constantly monitored, identified — and then evaded by Russia."

Restart of offshore California oil platforms controversial

(Los Angeles Times; Oct. 14) - Nine years ago an aging oil pipeline ruptured near the coast of California's Santa Barbara County. The oil slick engulfed and killed hundreds of marine animals, including, seals, dolphins and pelicans. The smell of petroleum polluted the coastline's air. The May 2015 incident — which revived memories of a 3-million-gallon spill almost 50 years earlier — sullied some of the state's most pristine beaches and a stretch of undeveloped coast, costing hundreds of millions of dollars to clean up.

After the spill, ExxonMobil halted operations at three offshore oil platforms while Plains All American Pipeline idled the pipelines. This year, Sable Offshore, a Houston-based energy company, purchased the mothballed equipment and announced plans to restart oil production by the end of the year — including the failed pipeline. Most recently, the California Coastal Commission has repeatedly admonished the company for performing unauthorized work on the line in an attempt to ready the equipment for transporting oil.

The potential restart has heightened fears of another catastrophic spill. Environmental groups contend that federally mandated corrosion protection was not effective on the 30-year-old pipeline, and say it will never perform safely. In the years since the spill, the line was "evacuated, cleaned and preserved with inert nitrogen to maintain a corrosion-free state," according to Sable's vice president of environmental and regulatory affairs. He said work crews have started the process of repairing about 100 areas of corrosion, cracks or other defects to ensure that the pipeline will be in an "as-new" condition.

U.K. gas production decline could lead to more imports

(Bloomberg; Oct. 13) - Britain's natural gas output is declining faster than expected and leading to greater reliance on imports, according to an industry group seeking government relief to spur investment. Production fell about 13% this year through August on an annual basis, and a similar rate is possible for all of 2024, said Ross Dornan, market intelligence manager at Offshore Energies UK. That compares with a 10% decline forecast earlier this year for the U.K.'s aging North Sea basin.

"We should be a little bit worried about output from the basin and faster decline rates," he said. "There is not a huge amount of new production coming through." The group, known as OEUK, is looking for some support for domestic energy investment in the government's budget, due Oct. 30. The previous Conservative government imposed a windfall tax on oil and gas profits during the energy crisis two years ago, and the ruling Labor party plans to raise the levy even further to plug a fiscal gap.

The U.K.’s new tax system could lead to an investment slump of 80% in oil and gas in the next five years, according to OEUK. The group has noted that Shell’s Victory gas field in the North Sea may be the only one with a final investment decision in 2024. Britain’s energy production is now equivalent to only 60% of demand, the group said this month. U.K. oil production has also been falling, with an expected decline of about 10% this year, according to Dornan.

LNG imports through Mozambique could serve South Africa

(Bloomberg; Oct. 15) - TotalEnergies aims to next year approve an import terminal in Mozambique for liquefied natural gas that may help users in neighboring South Africa avoid a potential supply crisis. Gas could flow from the import terminal by the end of 2027, according to Gigajoule, a partner helping develop the facility. That’s the same year that gas piped from Sasol’s Mozambique fields is scheduled to end for South Africa companies, stoking fears of a “gas cliff” in the continent’s most industrialized nation.

The Matola project next to Mozambique’s capital of Maputo will have the capacity to bring in 2.5 million tonnes of LNG a year, about 120 billion cubic feet of natural gas, TotalEnergies said Oct. 14 in a response to emailed questions. The gas would go into the existing pipeline that supplies South Africa. It is separate from a much larger LNG export plant that the French major wants to build in Mozambique’s northeastern province, but which has been delayed for years by insurgent violence in the area.

Members of the Industrial Gas Users Association of Southern Africa, a lobby group, are poised to sign a term sheet by December for offtake from Matola as part of an effort to move the project ahead. The group is racing against time that’s needed to build the new infrastructure, IGUA Executive Officer Jaco Human said. “The risk of not having gas is catastrophic,” he said. The search for alternative supplies of gas by IGUA comes as South Africa plans to use more of the fuel and move away from a dependence on coal.

U.S. project owner continues to delay delivery of contract cargoes

(Reuters; Oct. 14) - Italian energy group Edison said Oct. 14 that U.S. gas exporter Venture Global LNG told it not to expect contract cargoes from its Louisiana export facility until April 2025. Edison is among companies including Shell, BP and Repsol that have filed contract arbitration cases against Venture Global for its failure to deliver contract cargoes, more than two years after it started exporting LNG worth billions of dollars from the Calcasieu Pass LNG plant and selling it on the spot market.

Edison in September 2017 signed a 20-year contract to take LNG from the project but has not received any cargoes. Venture Global has sold cargoes from the project to other buyers since March 2022. The Arlington, Virginia-based LNG exporter has said the plant has not achieved full commercial operations because of technical problems associated with a faulty power generation system, and until it reaches full operations, the company has said, it is not bound by the contract terms.

Edison last week was told by Venture Global that first cargoes under its contract would not be available until April 2025 at the earliest, Edison said in a press release. The Louisiana facility has produced, exported and sold 355 cargoes to the higher-priced spot market and generated more than $20 billion in revenue, Edison said.

Report says China is buying U.S. LNG and reselling at a profit

(E&E News; Oct. 16) - Chinese companies are importing U.S. liquefied natural gas and reselling the shipments at higher prices globally, according to a new report from the nonprofit American Security Project. The nonpartisan group, started in 2006 by former Secretary of State John Kerry and former Defense Secretary Chuck Hagel, said the "predatory" resale strategy directly benefits the Chinese government.

"State-managed inventories, preferential contracts and market control allow Beijing to purchase and store gas volumes during periods of oversupply and reexport these volumes at a premium during supply shortfalls," said the report, which was authored by American Security Project senior research scientist Courtney Manning. It calls for reduced U.S. LNG exports and more investment in domestic renewable energy. Chinese revenue from LNG resale is boosting renewable energy in the country while also "fueling its authoritarian objectives" the report said.

Colorado regulators adopt new drilling rules; critics not satisfied

(The Colorado Sun; Oct. 16) - Colorado oil and gas regulators on Oct. 15 passed sweeping rules to deal with the cumulative impacts of drilling and hailed it as "a big step forward," but legislators, environmentalists and community groups criticized the regulations for failing to protect vulnerable communities. After a year of hearings and drafts, the Colorado Energy and Carbon Management Commission adopted about 60 pages of rules to assess and mitigate the impacts of oil and gas drilling projects — an exercise the commission was mandated to do by the legislature.

"This has been a herculean effort," Chairman Jeff Robbins said. "We have the most protective oil and gas regulations in the nation, and this builds on that foundation. It puts in place even stronger protections for Colorado families." Critics did not see it that way. "Doesn't require any more than is required now and it creates a roadmap for how an operator can drill in disproportionately impacted communities,” said Michael Freeman, an attorney for the environmental group Earthjustice.

One major point of contention was a requirement in a June draft that an operator seeking to drill within 2,000 feet of homes in a disproportionately impacted community obtain the consent of every resident. The provision drew fire from the industry, which argued it could make the development of oil and gas reserves near impossible. It was dropped in the August draft upon which the final rules are based. That move drew a letter from 22 legislators saying the August draft offered inadequate protections to disproportionately impact communities, failing to meet the goals set by state law.