Oil and Gas News Briefs
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Russia's Arctic LNG 2 plant stops commercial production

(Bloomberg; Oct. 25) - Russia's sanctioned Arctic LNG 2 plant has stopped liquefying gas as Western sanctions are restricting its options to ship and sell cargoes, according to people familiar with the situation. Commercial liquefaction at the facility was halted due to high storage inventories as the plant cannot freely export its production, said the people, asking not to be named discussing information that isn't public.

The facility has become a target of several waves of Western sanctions in the past year. The restrictions imposed by the U.S. and its allies over the Kremlin's invasion of Ukraine restricted Arctic LNG 2's access to specialized ice-class tankers built for the project in South Korea. The sanctions also have made foreign buyers reluctant purchase the cargoes. As a result of the liquefaction halt, the average daily output at the gas field feeding the plant dropped to less than 200 million cubic feet of gas per day this month, another person said. That's less than half of the daily production for most of September.

Some gas processing is needed to maintain LNG facilities even when they don't operate at commercial scale. Arctic LNG 2 and its largest shareholder, Russian gas producer Novatek, didn't respond to Bloomberg requests for comment. The facility managed to start shipments of its fuel in August by deploying conventional gas carriers, often with opaque ownership. It has so far has sent eight cargoes to sea, though none of the shiploads has been able to find a buyer. Winter sea ice will complicate the situation.

Coal losing political power in U.S. while it loses market share

(S&P Global; Oct. 25) - "King Coal," once dominant in U.S. energy politics, has nearly vanished as a national political force in 2024. As climate change became a mainstream concern and consumers increasingly embraced coal's alternatives, the "war on coal" narrative faded from the stage and has scarcely been mentioned by candidates Donald Trump and Kamala Harris. A fight to keep coal plants continues but miners are spending less money to influence U.S. energy policy and deploying less heated political rhetoric.

Where once candidates for national office had to take a position on coal, the issue is vanishing alongside its most bombastic advocates. "In all ways, coal's role has changed significantly. As a flash point policy issue, I think it's old news or perceived to be old news by the general public that the market trends all point in one direction," said Robert Godby, professor of economics at the University of Wyoming.

In 1990, coal accounted for 52% of total electricity generation in the U.S., according to the U.S. Energy Information Administration. It fueled the backbone of the power grid, and producers and plant owners could lean on politicians with warnings of blackouts and lost jobs. In 2024, experts see a clear path to little to no coal on the grid within the next few decades. Coal provided 15% of U.S. electricity in 2023, and that is projected to fall to 6.4% by 2035, according to S&P Global Market Intelligence Power Forecast data.

Meanwhile, energy companies have unlocked massive U.S. natural gas reserves with hydraulic fracturing, creating a cleaner and cheaper alternative to coal. Cheap natural gas, plus new environmental regulations, nudged utilities to ditch coal power for gas.

Low prices drive down U.S. shale gas production

(U.S. Energy Information Administration; Oct. 24) - U.S. natural gas production from shale and tight formations, which account for 79% of the nation's dry gas production, decreased slightly in the first nine months of 2024 compared with the same period in 2023. If this trend holds for the remainder of 2024, it would mark the first annual drop in U.S. shale gas output since the EIA started collecting the data in 2000.

Total U.S. shale gas production from January through September 2024 declined by about 1%, to 81.2 billion cubic feet per day, compared with the same period in 2023, while other U.S. dry gas production increased by about 6% to 22.1 bcf per day. Total U.S. dry gas production from January through September 2024 averaged 103.3 bcf per day, essentially flat compared with the same period in 2023.

The decline in shale gas production has been driven primarily by declines in production in the Haynesville and Utica plays. At the same time, shale gas production in the Permian play grew by 10%. Production in the Marcellus play, which leads U.S. shale gas production, remained flat. The U.S. benchmark Henry Hub gas price has generally declined since August 2022 and reached record lows in the first half of 2024, making drilling gas wells less profitable. In contrast, gas produced in the Permian is primarily associated gas from oil wells where drilling and development is driven by the oil price.

Pennsylvania drilling rig count lowest since 2007

(Argus Media; Oct. 25) - Pennsylvania oil and gas drilling this week fell to the lowest in 17 years, signaling dimming producer sentiment in the second-largest U.S. gas producing state. The number of rigs drilling for oil and gas in Pennsylvania this week fell to 12, the lowest since July 2007, as the state's rig count lost one from a week earlier and fell by 10 from a year earlier, according to oil field services company Baker Hughes.

Pennsylvania wells produce plentiful dry gas but little crude and natural gas liquids. The 17-year-low rig count in the gas-producing powerhouse, home to the prolific Marcellus shale, is due to expectations of lower U.S. gas prices after the 2024-25 winter heating season, a lower share of more profitable crude and NGLs in Pennsylvania's output compared to nearby West Virginia and Ohio, and the June start-up of a new gas pipeline in West Virginia where some Pennsylvania production may have shifted.

Prices for crude and NGLs in 2024 have been more resilient than U.S. natural gas prices, which have languished after a warmer-than-normal 2023-24 winter left the U.S. gas market oversupplied. The higher prices for crude and NGLs make associated gas produced from the same wells as oil and liquids more economically attractive for drillers than gas wells without so much of the valuable liquids.

Europe needs more private investment for clean-energy transition

(Bloomberg columnist; Oct. 24) - Russia’s invasion of Ukraine ignited an acceleration in Europe’s clean-energy expansion. But it’s not fast enough. There’s broad agreement that the pace of deployment needs to speed up to meet net-zero targets. Yet recent stumbles show the challenges of building out complex, expensive projects across the region. In industrial powerhouse Germany, the government’s ambitious bet on hydrogen is facing substantial setbacks after key pipeline plans were shelved or pushed back.

In the U.K., costs and schedules for two new atomic reactors at a site in southwest England have blown out amid labor shortages and supply-chain problems. A final investment decision on another large nuclear project may get pushed into next year. Crucially, governments need to provide the right policy framework for investors to guarantee returns. All too often, the high cost of capital typically associated with new green technologies delays projects — with some abandoned entirely.

“There are larger checks that need to be written for the energy transition,” said Chris O’Shea, CEO of U.K. power and gas utility Centrica. “Financing nuclear and hydrogen requires regulatory underpinning, it has to have government involvement.” Even energy majors are scaling back exposure to renewables to focus on their core oil and gas business, which offers heftier returns. Europe is effectively a net importer of energy and can’t afford to jeopardize security of supply — especially at a time when geopolitical risk is roiling the market — so governments must find ways to lure pools of private capital.

Argentina has high hopes; needs investors for further shale boom

(Reuters; Oct. 23) - Argentina's new market-friendly government and fears about oil supply from the Middle East and elsewhere are driving a drilling and production boom in Argentina's Patagonian south, home to the giant Vaca Muerta shale formation, Spanish for "Dead Cow." Shale oil and gas output is soaring in the flat, arid landscape. Fracking wells are being drilled at record pace, pipelines built to take gas north to the capital Buenos Aires and eventually beyond, once liquefied natural gas plants come online.

"Our energy future is being built here," proclaims a huge blue billboard from state energy giant YPF outside the shale town of Anelo, where new homes are being built fast. The town's population swelled 10% in the past year. Argentina's embattled government, under pro-industry libertarian President Javier Milei, is pushing oil and gas exports to bring in needed foreign currency and rolling out sweeteners for investments.

Vaca Muerta, an area the size of Belgium, holds the world's second-largest shale gas reserves and fourth largest for shale oil. Still a relative frontier in the global energy scene, it has huge promise. Investors are more than ready to welcome a new and stable source of oil and LNG at a time of mounting conflict in the oil-rich Middle East while gas giant Russia wages war in Ukraine and Venezuela remains a pariah.

"Vaca Muerta can provide 2 million barrels per day without any problem," said José Luis Sureda, former secretary of hydrocarbon resources. Argentina's shale oil output is about 400,000 barrels a day. "For that to happen, other things are needed: more infrastructure to bring oil to the ports, and many more people in the workforce and more equipment."

Suriname hesitant about borrowing against future oil revenues

(Bloomberg; Oct. 25) – Suriname — on the verge of becoming a major South American energy producer — is ruling out more borrowing against future oil production, according to its finance minister. TotalEnergies and APA Corp. earlier this month announced a $10.5 billion offshore project that will begin pumping crude as soon as 2028. Minister of Finance and Planning of Suriname Stanley Raghoebarsing said the nation isn't considering loans guaranteed by future revenues, despite offers from brokers this week. The discovery is estimated at more than 750 million barrels of recoverable oil.

"In no way do we want to pre-sell oil … and collateralize that for easy money that will burden the next generation," he said in an interview on the sidelines of the International Monetary Fund and World Bank annual meetings. The comments provide a window into how one of the world's newest oil patches is approaching its forthcoming bounty, which the state oil company estimates could bring in as much as $26 billion. The prospect of a huge windfall helped it win a double-notch credit upgrade from Moody's Ratings this week, which lifted the nation to Caa1 — still deep in junk level — with a positive outlook.

A year ago, the government finalized a debt restructuring that included so-called value-recovery instruments that pay investors a portion of revenue from oil after it starts flowing. The price for those securities has more than doubled to around 101 cents on the dollar over the past year. Raghoebarsing said the government isn't considering selling more of the oil-linked instruments. "We're not going … down that road." He said the country of roughly 650,000 has to carefully balance its newfound wealth that will come with oil discoveries. It has created a sovereign wealth fund for those revenues.

Lower oil prices put pressure on Angola's finances

(Reuters; Oct. 25) - The prospect of lower oil prices puts "lots of pressure" on Angola, the country's finance minister told Reuters on Oct. 25, adding that she expected to see prices average around $70 to $72 per barrel compared with $75 in 2024. The government of Africa's second-largest oil exporter will continue to phase out fuel subsidies, Finance Minister Vera Daves de Sousa said in an interview on the sidelines of the International Monetary Fund and World Bank annual meetings in Washington.

"How many steps we didn't decide yet, but our idea is to do it in steps," she said, confirming that fuel subsidies were amounting to around 4% of GDP this year. Daves de Sousa said the government will present its budget to Parliament next week, with figures on external financing needs being finalized over the next few days. Angola left the Organization of the Petroleum Exporting Countries at the beginning of this year.

She said Angola was examining the possibility of requesting a financing program from the International Monetary Fund. "We asked for a note with options of programs in case we request." She said the government was also considering other options, such as a mix of funding from other multilateral sources such as the World Bank and the African Development Bank, as well as domestic capital markets and banks.

Ontario plans for more nuclear and hydro to meet power demand

(S&P Global; Oct. 24) - Ontario Minister of Energy and Electrification Stephen Lecce has launched a plan to invest further in nuclear, hydro and gas power generation as part of a goal for the province to meet future demand and grow its energy exports. "Ontario will position itself to not just meet that domestic demand, but where it makes sense for the province and is in the best interests of ratepayers, to exceed it," the Oct. 22 report from the minister's office said.

The Ontario Independent Electricity System Operator expects the province's electricity demand to increase by 75% by 2050. To meet forecast demand, the province needs to add 111 terawatt hours of energy assets to its grid by 2050. The demand is driven by data center growth and electric vehicle proliferation, according to the report.

To meet its domestic demand, the province is investing in four small modular reactors, which would provide a total of 1,200 megawatts, at Ontario Power Generation's 1,756-MW Darlington nuclear plant. Additionally, Canada's nuclear safety commission recently allowed Ontario Power to continue operating units at its 2,584-MW Pickering nuclear plant until the end of 2026. The report also pointed to C$1.6 billion worth of investments the provincial government has made to extend the lifespan of its hydroelectric fleet.

FERC gives Exxon/Qatar 3 more years to finish Texas LNG project

(Reuters; Oct. 24) - Federal regulators on Oct. 24 gave an ExxonMobil and QatarEnergy joint venture a three-year extension to finish building their Golden Pass LNG plant in Texas. The extension was granted due to delays caused when lead construction contractor Zachry Holdings filed for bankruptcy in March, according to a Federal Energy Regulatory Commission filing.

The project, at the site of a former LNG import terminal, is one of two large U.S. LNG facilities whose start-ups were expected to significantly boost supplies from the world's top exporter of the fuel in the next 12 months. Zachry Holdings in its bankruptcy filing said the project was at least $2.4 billion over the original budget. FERC gave the project owners until the end of November 2029 to complete construction and put the terminal into operation. Golden Pass LNG, in its August request to FERC, cited the bankruptcy, "schedule uncertainties" of bringing on a new lead contractor and other potential delays.

Permian pipeline operators favor expansion over building new lines

(Reuters; Oct. 24) - Top executives of two U.S. energy pipeline operators on Oct. 24 ruled out building new crude oil lines to move volumes out of the Permian shale field in West Texas because of tepid volume growth and difficulties constructing new lines. A wave of consolidation in the top U.S. shale field has concentrated output in the hands of companies that are promising to restrain output so as not to crash prices by over-producing. Pipeline firms also have embraced acquisitions over new construction.

Enterprise Products Partners co-CEO Jim Teague said at a Houston energy conference his firm is not considering a new pipeline out of West Texas. The CEO of rival operator Plains All American Pipeline, Willie Chiang, said at the same event companies are more likely to optimize existing rather than build new lines. Enbridge will add up to 120,000 barrels per day to its Gray Oak pipeline by 2026, an example of expanding capacity on an existing line. Enterprise has said it could convert a gas liquids pipeline to carry oil.

It's the same expand-versus-new for shale oil pipeline operator EPIC Consolidated Operations, which is weighing expanding a Permian to southern Texas line by about 300,000 barrels a day. Pipeline company executives said Permian producers are not likely to return to their era of fast growth that prompted the construction of new oil lines last decade. Drillers remain disciplined in spending for new volumes and do not look to drill and grow production even if prices jump from current levels, Chiang said. "A range of roughly $60 to $90 (per barrel) doesn't change their plans too much," he said.

Canadian gas producers waiting for LNG exports to boost prices

(The Canadian Press; Oct. 25) - Natural gas producers in Western Canada have white-knuckled it through months of depressed prices, with the expectation that their fortunes will improve when LNG Canada comes online in mid-2025. But the supply glut plaguing the industry this fall is so large that not everyone is convinced the massive facility's impact on pricing will be as dramatic or sustained as once hoped. At full capacity, the LNG plant will be capable of processing almost 2 billion cubic feet of gas per day.

As the colder temperatures set in and Canadians turn on their furnaces, gas producers in Alberta and British Columbia are finally starting to see improvement after months of low prices that prompted some companies to delay their growth plans or shut in production altogether. "We've pretty much been as low as you can go on natural gas prices. There were days when (the Alberta gas benchmark AECO price) was essentially pennies," Jason Feit, an adviser at Enverus Intelligence Research, said in an interview.

In the past week, AECO spot prices have hovered between C$1.20 to $1.60 per gigajoule, a significant improvement over last month's bottom-barrel prices but still well below the 2023 average price of $2.74, according to Alberta Energy Regulator figures. Mike Belenkie, CEO of Calgary-headquartered gas producer Advantage Energy, said companies have been ramping up production in spite of low prices in order to get ahead of the opening of LNG Canada. The massive Shell-led project nearing completion near Kitimat, British Columbia, will be Canada's first large-scale liquefied gas export facility.

JPMorgan Chase may start trading LNG

(Bloomberg; Oct. 23) - JPMorgan Chase is in talks to start trading physical liquefied natural gas again after more than a decade on the sidelines, a move that lines up with Chief Executive Officer Jamie Dimon’s calls for an increase in U.S. oil and gas output and energy exports. The bank has held talks to secure a long-term LNG supply from at least three projects under development on the U.S. Gulf Coast, according to people familiar with the matter. The move is part of a wider push JPMorgan has made in recent years to get back into trading some of the physical commodities it abandoned in 2014.

Discussions are underway between the bank and developers looking to build a project to liquefy and export gas in Louisiana called Commonwealth LNG, Sempra Energy’s expansion of its Port Arthur site under construction in Texas, and Energy Transfer’s planned Lake Charles LNG facility in Louisiana, the people said, asking not to be identified describing confidential negotiations.

Global demand is surging for LNG, with many nations seeking a cleaner-burning alternative to oil and coal as they shift toward renewable energy. The U.S. has emerged as the world’s largest exporter with development of huge terminals on the Gulf Coast to liquefy and ship the fuel. JPMorgan has expanded its physical natural gas trading operation in the U.S. since 2022 and is eyeing U.S. power as well as gas and power in Europe, where it recently applied for a gas shipper license, some of the people said.