Oil and Gas News Briefs
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Alaska faces challenges to boost oil and gas, even under Trump

(Financial Times; London; Feb. 13) – On his first day in office, President Donald Trump signed an executive order to “unleash Alaska’s extraordinary resource potential,” undoing Biden-era climate protections that restricted oil and gas development in the state. Trump will need to do a lot more to convince oil and gas producers to invest more in Alaska, where North Slope oil production this year is averaging under 470,000 barrels per day, down more than 75% from its 1988 peak of 2 million barrels a day.

While two big projects are under construction — ConocoPhillips’ $8 billion Willow and Santos’ $3 billion Pikka — they are only expected to raise output to 650,000 barrels per day in 2031, according to consultancy Wood Mackenzie. Mark Oberstoetter, Wood Mac’s head of Americas upstream research, said there has been a “quiet revitalization” in Alaska, but it has not been as “quick” as other regions in the Lower 48 states.

Alaska has been a challenging place to operate as high costs, lack of regulatory stability and litigation risks cause some producers to shy away. Drillers also face a global market that is already well supplied as demand growth slows, putting pressure on prices. “The market is just not in a state where a lot of operators are going to explore such an uncertain and high-cost Arctic area when the market is already well supplied,” said Tom Liles, vice president of upstream research for Rystad Energy.

Much of Alaska’s oil and gas reserves are in federally protected lands such as ANWR and NPR-A, which means producers are vulnerable to a change in administration that may not be friendly to drilling in the Arctic. “We’re hoping that there can be some durable foundational changes made … that allows for consistent regulations moving forward to get away from this … pendulum swing that we see from one administration to the next,” said Kara Moriarty, president of Alaska Oil and Gas Association.

Republican U.S. senators pressure IEA over ‘peak oil’ prediction

(Climate Wire; Feb. 13) – U.S. Senate Majority Whip John Barrasso, a Wyoming Republican, is leading an effort to pressure the International Energy Agency to reverse its prediction that the world could soon reach “peak oil.” The Paris-based IEA is an independent agency that provides global energy analyses to dozens of member countries. For years, IEA has produced reams of data showing that clean energy is replacing global fossil fuel demand — which it predicts will peak around 2030.

Barrasso's push to shape IEA's conclusions is backed by a Texas-based think tank whose former employees now hold key positions in the Trump administration. The National Center for Energy Analytics has called IEA's global energy outlooks "dangerously misleading." Mark Mills, the center's executive director, said: "The problem is that these forecasts and scenarios have been used to determine either the discouragement of, or outright cancellation of, investments in oil development."

IEA's outlooks influence industry and governments. Its analyses and findings are often cited in government decisions — and can make it harder or easier for energy projects to obtain financing or permitting. The U.S. provides about a quarter of IEA's funding from member countries, giving it significant influence over the agency. Barrasso and other GOP lawmakers on the Senate Energy and Natural Resources Committee laid out their aims for IEA in a December report. They argued that the agency has veered too far from its energy security roots and is focused on an "unachievable" clean energy transition.

Oil export terminal offshore Texas wins final federal approval

(Bloomberg; Feb. 15) - The Trump administration has approved a Texas port capable of shipping 1 million barrels of oil a day, proposed by Sentinel Midstream. The project, first proposed in 2019 and known as the Texas GulfLink Deepwater Port, had been awaiting final authorization from the Transportation Department's Maritime Administration. "That was held up for five years and it was stonewalled," Transportation Secretary Sean Duffy said Feb. 14. "Bureaucrats got in the way, and now we are moving forward with that."

Duffy cast the port as important to "making sure we can move energy in and out of the country." The port off the coast of Brazoria County, Texas, would allow oversized oil tankers known as very large crude carriers to load as much as 85,000 barrels of oil an hour. GulfLink and similar terminals have faced increasing objections from environmental activists, who pressured then-President Joe Biden to halt those projects arguing that they're incompatible with environmental justice and fighting climate change.

GulfLink alone would be responsible for more than 100 million tons of upstream and downstream greenhouse gas emissions per year, according to Earthworks, an environmental group opposed to the project. Still, Biden's Environmental Protection Agency gave preliminary authorization for the Texas GulfLink project in October and his administration last April signed off on a similar nearby export facility by Enterprise Products Partners with the capacity to export 2 million barrels of oil a day.

Shell's scenarios see rising demand for LNG, but oil peaking in 2030

(Reuters; Feb. 12) - Global demand for liquefied natural gas will see a robust rise in the next few years, while oil may peak at the beginning of the next decade, scenarios published by Shell showed on Feb. 12. The company has created three different scenarios for modeling energy security in the long term — but added that they do not reflect its strategy or business plan.

The most positive outlook in terms of economic growth is dubbed “Surge” and presupposes a pervasive use of artificial intelligence that would boost productivity globally and drive up the energy demand. A second scenario called “Archipelagos” sees countries focused more on their self-interest than working together to spread the use of AI and develop renewable energy sources. The “Horizon” scenario is based on the assumption that the world will reach net-zero carbon dioxide emissions by 2050.

"In all three scenarios, liquefied natural gas shows significant growth in the near term, fueled by ongoing (export) projects in Qatar and the United States," Shell said in its report. Natural gas is seen growing until 2045 in the most upbeat scenario, Surge, while it is projected to peak in the very near term in the Horizon scenario in order to meet net-zero emissions. Shell cites the electrification of road transport as the main reason for the world reaching peak oil demand in 2030 at the latest under the Surge scenario.

More banks will not finance LNG project in Papua New Guinea

(Reuters; Feb. 13) - Italy's largest banking group, Intesa Sanpaolo, and the Asian Development Bank (ADB) said they will not finance a $10 billion LNG project in Papua New Guinea, as environmental groups lobby against the project led by TotalEnergies, Santos and ExxonMobil. Energy majors are refocusing spending on more profitable oil and gas and in many cases pulling back from renewables, while increasingly turning to Chinese and other Asian lenders and using more of their own money as green financing rules and pressure from climate groups spur Western lenders to shun fossil fuels.

In a letter dated Jan. 15 published on Intesa's website, the bank said, "Intesa Sanpaolo does not intend to participate in the financing of the Papua LNG project." The letter was a reply to a group of environmental campaigners which wrote to financiers in December, urging them not to participate in the project. Intesa and Manila-based ADB have funded similar projects in the past, notably Exxon's first Papua LNG project which started up a decade ago, but since then ADB has stopped financing upstream ventures.

"ADB will not support any gas exploration or drilling activities and will be selective in its support for midstream and downstream gas," Keiju Mitsuhashi, the bank's energy director, told Reuters on Feb. 12. So far, 13 banks and credit export agencies, some of which financed the earlier Papua New Guinea LNG project, have said they will not lend for the new project. A final investment decision on the project has been repeatedly delayed. French bank Credit Agricole pulled out as financial adviser last year and has been replaced by Japan's Mitsubishi UFJ Financial Group.

Iraq may soon resume oil production in Kurdistan region

(Bloomberg; Feb. 15) - Iraq is working to iron out technical issues with the semi-autonomous Kurdistan Regional Government to restart a crude export pipeline to Turkey after an almost two-year shutdown that cost Iraq around $19 billion in lost revenue, its foreign minister said. Iraq’s parliament significantly increased the payout for oil production earlier this month as part of efforts to resolve the dispute with Iraq’s semi-autonomous Kurdistan Regional Government over rights to revenue from oil sales.

“The legal framework has been agreed upon. Now it’s about technical questions between the oil companies and Iraqi federal government and KRG to start to start exporting,” Iraq’s Foreign Minister Fuad Hussein told Bloomberg News on Feb. 14 on the sidelines of the Munich Security Conference. “The discussion now between the federal government and the KRG is about how many barrels, is it possible to export and how many barrels are going to be used for internal consumption.”

A resumption of oil flows could cushion some of the impact on global markets over the cut in volume from Iraq, a top source of crude. Iraq had been exporting about 400,000 to 500,000 barrels a day from fields in the country’s north, including in the Kurdish region, via the now-halted pipeline. It is planning to move at least 300,000 barrels a day of oil once operations resume, oil minister Hayyan Abdul Ghani said earlier this month. Restarting shipments may pose a dilemma for Iraq, which is obligated to reduce its output as part of an OPEC+ agreement, but has struggled to adhere to promised cuts.

Japan’s biggest oil and gas company plans LNG project FID in 2027

(Reuters; Feb. 13) - Japan’s biggest oil and gas explorer, Inpex, said on Feb. 13 it aims to make a final investment decision on its Abadi liquefied natural gas project in Indonesia in 2027 as part of its efforts to expand LNG supply. The project is proposed for 9.5 million tonnes annual production capacity. Under a new three-year business plan through 2027, Inpex plans to invest 1.8 trillion yen ($11.7 billion) in growth areas, including its flagship Ichthys LNG project in Australia which started operations in 2018.

"Natural gas and LNG have a relatively low greenhouse gas emissions intensity compared to other fossil fuels and will play an increasingly important role as practical fuels in the energy transition," Inpex President Takayuki Ueda told a news conference. Inpex, which owns a 65% stake in Abadi, plans to begin front-end engineering design this year and reach FID in 2027, aiming to start production in the early 2030s.

The project has faced years of delays after planning changes and then the withdrawal by Shell, which sold its 35% interest to Indonesia's Pertamina and Malaysia's Petronas in 2023. Separate from the Abadi project, Inpex plans to expand LNG production at Ichthys by adding a third train, targeting production in the first half of the 2030s. Inpex will also explore cleaner, integrated gas-fired power generation, aiming to provide solutions to power-intensive sectors such as data centers, it said, without further details.

India wants to import more LNG, but needs much lower prices

(Bloomberg; Feb. 14) - At India's biggest annual energy gathering, company executives and government officials this week competed to extol the country's potential to become a major liquefied natural gas importer — once prices eventually fall. That may be a risky assumption. In principle, demand prospects are good. The world's fastest-growing major economy is vast, infrastructure is slowly improving and there is policy support.

But even the International Energy Agency's expectation of a doubling in LNG imports by 2030 relies on the fuel becoming more affordable as additional supply comes online starting in 2027. The impact of Russia's war on Ukraine continues to reverberate across gas markets. For much of the emerging world — including India — imported LNG is still too costly. The nation has a fleet of gas-fired plants, for example, that remains sorely underutilized, even as India wants to boost the use of gas in its energy mix.

LNG is currently trading at about $15 per million Btu. For it to be economical in power generation, it needs to drop by at least half, according to executives from GAIL India and Indian Oil Corp. When it's too expensive, buyers go elsewhere. One power industry executive said he doesn't see it becoming cheaper than domestic coal anytime soon. To be clear, a surge in LNG supply from the U.S. and Qatar will certainly bring down prices by 2027 — it's just not clear exactly how low they will go, especially if India has to continue competing for cargoes. That leaves policymakers in a bind.

Trump administration approves first new LNG exports

(Bloomberg; Feb. 14) - The Trump administration on Feb. 14 granted its first approval for a project to export liquefied natural gas as the administration seeks to make good on a pledge to unleash a torrent of fuel shipments, according to a senior administration official. The Department of Energy will issue an order conditionally approving a license for Commonwealth LNG to ship 9.5 millions of tonnes of LNG a year from a planned $5 billion facility near Cameron, Louisiana, according to the official.

It will be the first LNG project approved under Energy Secretary Chris Wright, who has vowed to "return to regular order" in granting licenses. The Energy Department, which has authority in approving permits to export shipments of natural gas to European and Asian countries that do not have free-trade agreements with the U.S., has a backlog of a roughly a dozen major LNG projects that have been pending approval from the department, in some cases waiting years.

The Biden administration in January 2024 paused permits for such projects to study the issue following strong opposition from climate activists and others. The study, released last month, found increased exports would raise natural gas prices for U.S. consumers and increase global emissions, a move analysts said could make new approvals by the Trump administration more vulnerable to legal challenges from environmental groups. Commonwealth LNG, majority owned by private equity firm Kimmeridge Energy Management, has not yet made a final investment decision on its proposed facility.

Sanctions will prevent Russia from reaching LNG export goal

(Reuters; Feb. 14) – Annual exports of Russia's liquefied natural gas will likely not exceed 67 million tonnes by 2030, falling far short of its 100 million target due to international sanctions, experts said at an industry conference on Feb. 14. Russia has focused on development of seaborne LNG exports as its pipeline gas sale to Europe have plummeted over the conflict with Ukraine and as it struggles to negotiate new pipeline gas supply deals with China.

Russia has planned to raise its share in the global LNG market to 20% by the first half of the next decade. However, due to Western sanctions and a possible LNG imports embargo from Europe, Russia's LNG exports will likely increase to 60 million tonnes by that time, said Alexei Gromov from the Moscow-based Institute for Energy and Finance Foundation. Andrei Klepach, chief economist at state lender VEB, said Russia's LNG exports are seen reaching no more than 67 million tonnes by 2030. The sanctions have hampered construction, production and deliveries from the Novatek-led Arctic LNG 2 project, and have hindered plans for additional export projects.

Volume of Russian crude floating at sea increases amid sanctions

(Reuters analysis; Feb. 13) - Tightened U.S. sanctions on Moscow in January have disrupted a roaring trade in discounted Russian oil to China and India, reviving demand for Mideast and African crudes, roiling shipping markets and driving up prices. Those new rules have left millions of barrels floating on ships at sea and sent traders hunting for alternatives, while dealings in Russian crude, the biggest source for top global importers China and India, have slowed for March.

The scramble has upended market dynamics, with some Mideast grades climbing in price. That opened opportunities for producers from Brazil to Kazakhstan to gain share in China and India. Premiums for Brazilian crude surged last month to about $5 a barrel above dated Brent on cost and freight basis to China, up from about $2 in the previous month, traders said. That premium is now just below $5 a barrel for May arrival cargoes.

In the week after the new sanctions, TotalEnergies' trading arm received so many inquiries that it held tenders instead of private negotiations to sell its Mideast crude cargoes, which eventually went to China's CNOOC and Rongsheng Petrochemical, a Singapore-based trader said. And with sanctioned ships carrying Russian crude stuck on the water, many traders have rushed to switch to other vessels which now cost multiple times more, adding millions of dollars to each cargo.

The slowdown has meant that Russian oil stored aboard ships has increased by 17 million barrels since Jan. 10, according to a Feb. 5 note from Goldman Sachs, and is expected to rise to 50 million barrels in the first half of 2025.

Japanese utility will review contract for Russian LNG when it expires

(Reuters; Feb. 14) - Kojiro Higachi, the president of Tohoku Electric Power in Japan, said the company should review its liquefied natural gas procurement strategy if it is to stop buying from Russia. Under a contract that runs for 20 years, the utility will import 420,000 tonnes of LNG per year from the Sakhalin-2 project in Russia’s Far East. Higuchi said the Russian gas accounts for approximately 10% of the LNG produced by Tohoku Electric.

“We must think about (our future procurement plans) assuming we will eventually stop purchasing from Russia,” he said at a press conference. Later, the company stated no decision had been made about renewing the contract. It noted that it would reexamine the situation when the contract expires.

Japan is looking to secure more long-term LNG supplies from its close allies Australia and the U.S. as key contracts with suppliers such as Russia will expire in the early 2030s. Tohoku Electric currently buys U.S. LNG and will decide whether or not to increase its purchases after a thorough assessment of pricing competition, procurement stability and diversification.

CEO of LNG trading firm says EU will need to help rebuild gas storage

(Reuters; Feb. 12) - European prices to buy liquefied natural gas, which are currently trading at a premium to Asia, are reaching heights that will start hurting demand, the CEO of global energy and commodities trading firm Vitol said on Feb. 12. "Europe is attracting much more LNG and the European price has overtaken the Asian price. ... Typically, it's the other way," Russell Hardy said at the India Energy Week conference.

Higher European prices have drawn more LNG supplies to the region, with traders even diverting some cargoes that were on course for Asia, as countries seek to replace piped Russian gas after the Ukraine transit deal expired Jan. 1 and amid lower temperatures.

Due to this trend, Hardy said Europe will have enough gas to refill its gas inventories but added that government intervention will be required to ensure adequate supplies of gas for next winter.

“The European Union is rightfully concerned about winter supply and keeping people warm is a major priority,” Hardy said. “It's just a concern today that that won't happen without a degree of force being brought in to make it happen. That instruction is developing in the EU and is going to come probably with some incentives or subsidies or negatively priced storage.”

British Columbia company drops plans for West Coast refinery

(The Globe and Mail; Canada; Feb. 12) - A British Columbia-based company has cancelled its proposal to build a West Coast Canada refinery to export petroleum products to Asia. Pacific Future Energy sought to transport bitumen from Alberta’s oil sands to northwestern British Columbia for refining. The idea was to load refined petroleum products such as diesel, gasoline and jet fuel onto Asia-bound tankers.

Samer Salameh, Pacific Future Energy’s chief executive officer, e-mailed the Impact Assessment Agency of Canada in December to announce the company’s decision to scrap the project, according to newly released documents. Salameh’s comment was in response to three separate requests from the agency — in September, October and November — to clarify an e-mail that he sent in August, in which he wrote: “This project has been suspended for now.” Salameh did not respond to requests for comment.

The agency, which had been reviewing the company’s application, publicly released the documents this week. “This letter provides you with notification that I have terminated the environmental assessment for the project,” federal Environment Minister Steven Guilbeault wrote to Salameh. The refinery would have been located near Kitimat, B.C. Pacific Future Energy submitted its project description to regulators in 2016, banking on hopes for a new pipeline to move oil sands production from Alberta to the coast.