Oil and Gas News Briefs
Compiled by Larry Persily
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Trade politics may help Alaska LNG, while economics don't help

(The New York Times; Feb. 27) - The geography behind a plan to ship LNG from Alaska to Asia makes good sense. Alaska has vast reserves and is just a little over a week at sea from Asia, home to some of the world's biggest importers of LNG. But those same countries have long been wary of the project's enormous cost. That has contributed to a decades-long standstill. Now, Asian buyers are giving Alaska gas project a second look.

Their pivot was driven not by a change in the underlying economics, but by a political shift in Washington, where President Donald Trump is pressuring countries to buy more American energy and appears bent on tapping Alaska reserves. Under threat of tariffs, officials and executives in Japan, South Korea and Taiwan are considering ways to participate in the state-led plan called Alaska LNG, estimated to cost at least $44 billion.

In Japan, a state-owned bank and a government-backed energy group have been exploring whether to provide financing and investment for Alaska LNG, according to sources. In Taiwan, the economy ministry said the state-owned energy company would be interested in buying the gas. South Korean energy companies are considering ways they could support the project by buying gas or making investments, a source said.

Yet any contracts for Alaska gas are likely to commit buyers for decades. Many see it as a long shot — it's expensive and would take years to build. Still, U.S. energy deals "have gone from being purely business decisions to being considered as diplomatic measures," said Takafumi Yanagisawa at the Institute of Energy Economics, Japan. "A project that seemed extremely difficult a few years ago is now looking more possible given the significant political momentum." For years, delegations of Alaska officials traveled to Tokyo and Seoul seeking support, but major buyers expressed little interest.

In Japan, government officials have been in talks with Japan's big trading companies, including Mitsubishi and Mitsui, to gauge their interest in investing, two sources said. Mitsui executives have said they are considering the project's potential but stressed that more information was needed to assess its cost competitiveness. Mitsubishi, which is focused on a major LNG project in Canada, has been more reluctant.

Regardless of Trump's support, U.S. LNG developers face challenges

(Financial Times; London; Feb. 27) – President Donald Trump has sparked enthusiasm for U.S. liquefied natural gas exports by lifting a pause on government permit approvals and pressing foreign leaders in Japan, India and Europe to buy more of the country's fuel. But backers of more than a dozen proposed new LNG terminal projects in North America still face challenges in raising money and navigating legal hurdles.

Analysts say the risk of lower prices due to a possible LNG supply glut, litigation and pipeline constraints on surging demand can slow the American industry's expansion. The U.S., which is already the world's largest LNG producer, also faces mounting competition from Qatar, where state-owned energy companies can typically move more rapidly. "If (Trump) green lights all of these projects, there's probably going to be an oversupply in the market," said Mathieu Utting, an analyst at Rystad Energy. "Obviously, you don't want to oversupply the market because then prices are going to drop."

Rystad Energy sees a risk of oversupply in the mid-2030s. Similarly, JPMorgan expects increased capacity, driven by Qatar and North America, will cause prices to fall in the long term. "We see a downward global LNG price trajectory with increased volatility, driven by a structurally oversupplied market," said Shikha Chaturvedi, head of global natural gas and natural gas liquids strategy at JPMorgan. Lower prices may deter producers from pursuing new projects that have become increasingly capital intensive.

Analysts say LNG producers cannot rely on Trump's tariff threats to prompt private-industry customers to sign the long-term deals typically needed to help finance new terminals. If anything, tariffs increase uncertainty and act as a drag on the sector, they said. "Many world leaders want to offer Trump a win to defuse his tariff threats, but LNG deals are an awkward fit. Companies sign contracts, not governments, and they do not sign 15- to 20-year deals on a whim," Ben Cahill, director for energy markets and policy at the Center for Energy and Environmental Analysis, wrote in a column at Barron's.

Abu Dhabi signs up another Japanese customer for LNG project

(Reuters; Feb. 27) - Abu Dhabi National Oil Co. said on Feb. 27 it had signed a 15-year sales and purchase agreement to supply Japan's Osaka Gas with liquefied natural gas from its Ruwais project. The deal to supply up to 0.8 million tonnes per year is the fourth sales agreement signed for Ruwais LNG, in which majors Shell, BP, TotalEnergies and Japan's Mitsui each have a 10% stake. The LNG will be primarily sourced from the Ruwais LNG project, due for completion in 2028, ADNOC said in a statement.

State-owned ADNOC has big ambitions to develop its LNG and natural gas sectors, which, along with renewable energy and petrochemicals, it considers as pillars for future growth. Its LNG push has increased competition with regional rivals Qatar — one of the world's top LNG exporters — and Saudi Arabia, which has similar ambitions.

Ruwais is expected to have a capacity of 9.6 million tonnes per year, more than doubling ADNOC's capacity to 15 million tonnes per year. Up to 8 million tonnes from Ruwais has already been committed to Asian and European buyers, ADNOC said.

LNG producers can’t have both higher volumes and higher prices

(Reuters columnist; March 2) - It's not really a surprise that one of the world's largest liquefied natural gas companies is bullish about the long-term view for the super-chilled fuel, but Shell's outlook also has inherent contradictions. Shell released its annual LNG outlook last week and forecast that demand will surge by about 60% from current levels by 2040, largely driven by strong economic growth in Asia, the impact of artificial intelligence and the need to cut emissions in heavy industries and transportation.

The question for the market is whether it's likely that LNG companies have the ability to increase supply by that much and, if they do, what kind of price will be necessary to make sure the investments happen. It's here that the contradiction in Shell's outlook becomes more apparent. If demand is going to rise as strongly as Shell expects, it's likely the price of LNG will have to remain competitive against alternatives, especially in Asia, the top-importing continent and a key driver of the bullish demand forecasts.

However, if LNG is going to remain affordable on a relative basis to coal and renewable energies, then LNG producers will find it harder to secure the massive capital needed to fund the huge expansion needed. LNG companies likely have a choice between higher volumes or higher prices — but can't have both. This is especially the case in Asia, where the three most populous countries with the highest potential energy demand growth also happen to be the top three coal producers. LNG companies will have to invest massive capital and at the same time be prepared to accept weaker prices.

Big oil makes ‘business case’ for carbon capture to boost production

(Louisiana Illuminator; Feb. 28) - Billions of taxpayer dollars once intended to help fight climate change by subsidizing capture and storage of carbon dioxide may instead go to fossil fuel companies to help boost production of oil — one of the main drivers of climate change. In a Feb. 19 call with investors, Vicki Hollub, chief executive officer of Occidental Petroleum, said she’s had several conversations with President Donald Trump, arguing the “business case” for federal support for carbon capture.

“We believe the next round of technology that’s going to add significant barrels … will be production that comes from the use of CO2 in enhanced oil recovery,” Hollub said. “And that 50 billion to 70 billion barrels would extend our energy independence by more than 10 years. It’s critically important.” The United States produced about 5 billion barrels of oil in 2023. Hollub calls carbon capture a way to keep the oil industry alive amid the international calls to reduce reliance on fossil fuels.

In enhanced oil recovery, pressurized carbon dioxide is used to force oil out of old wells. The process is used to produce about 2% of the nation’s oil. Hollub said the industry is turning to carbon captured from industrial sources as the supply of naturally occurring CO2 has dwindled. Depending on conditions, producing oil using captured carbon can offset the climate impacts of a barrel of oil, making it less carbon intensive. But because new oil supplies lower the market price of oil, it could increase demand for oil, raising CO2 emissions, according to the Clean Air Task Force, which supports carbon capture.

OPEC+ struggles to decide on production increase in April

(Reuters; Feb. 27) - OPEC+ is debating whether to raise oil output in April as planned or freeze it as its members struggle to read the global supply picture because of fresh U.S. sanctions on Venezuela, Iran and Russia, eight OPEC+ sources said. OPEC+ usually confirms its supply policy one month in advance to provide time to allocate crude to buyers. Hence, the group has until March 5-7 to finalize its April production, but no consensus has emerged so far, some of the sources said.

Inside OPEC+, the United Arab Emirates, keen to make use of its rising output capacity, would like to proceed with the increase, as would Russia, some of the sources said. Other members including Saudi Arabia favor a delay, they said. U.S. President Donald Trump has renewed pressure on OPEC to pump more oil to bring down prices, which rallied above $82 a barrel in January to multi-month highs after Trump's predecessor Joe Biden slapped new sanctions on Russia.

Since then, prices have fallen to $73 on hopes Trump would help clinch a peace deal between Russia and Ukraine and boost Russian oil flows. However, his plans to cut Iran's oil exports to zero and his cancellation this week of a Chevron license to operate in Venezuela have prevented prices from falling further. The combination of those bullish and bearish factors have made decision-making for April extremely complex, the eight OPEC+ sources said. They added that Trump's plans for global tariffs also could reduce oil demand and complicate the outlook even further.

U.S. oil and gas production hit record highs in December

(Reuters; Feb. 28) - U.S. crude oil and natural gas output set records in December, and oil demand touched multi-month highs, the U.S. Energy Information Administration said in its Petroleum Supply Monthly report on Feb. 28. Crude oil output hit 13.491 million barrels per day in December, up from 13.314 million in November and topping the prior all-time high of 13.436 million in October, the EIA said.

Oil output from the Federal Offshore Gulf of Mexico region rose 12.3% in December to 1.86 million barrels per day, the highest since October 2023, the EIA said. Oil output in Texas, the largest producer in the country, fell 1.3% from November to 5.72 million barrels per day in December, the lowest since July, while New Mexico output rose to a record-high 2.11 million, EIA data showed.

Gross natural gas production in the U.S. Lower 48 states rose by 2% in December to a record 118.5 billion cubic feet per day, according to the agency's production report. The prior record for gross natural gas production was 117.8 bcf per day in February 2024. In top gas-producing states, monthly output in December rose by 0.9% to a record 36.6 bcf per day in Texas and 6.7% to 21.3 bcf per day in Pennsylvania.

Russia expands oil and gas shipments along Northern Sea Route

(gCaptain; Feb. 28) - Russia continues to use the Arctic as an expanding transport corridor for its oil and gas resources. Last year it carried 21.86 million tonnes of liquefied natural gas along the Northern Sea Route, the main shipping lane. This represents an increase of 8.6%, or 1.73 million tonnes over the previous year. LNG remains the primary cargo exported via the Arctic route, accounting for nearly 58% of total volume.

Crude oil also saw an increase of 4% to 8.1 million tonnes, or approximately 61 million barrels. This figure is slated to grow significantly in the coming decade as Rosneft's Vostok Oil project begins operation in the next 12 to 24 months. By the 2030s it could account for up to 100 million tonnes of cargo each year. Gas condensate saw a major increase of 22% to 1.32 million tonnes. In contrast to oil and LNG, Russian condensate has not yet attracted much public or official attention with respect to Western sanctions.

Ice-class shuttle tankers continue to carry around 35 shipments per year from Novatek's Yamal LNG plant into Western Europe. While the total cargo volume along the Northern Sea Route in 2024 set a new record, the figure remains substantially below that originally predicted as part of Russia's grand Arctic resource development plan. Prior to the country's invasion of Ukraine and the subsequent Western sanctions, Arctic LNG 2 had been on track to ship up to 20 million tonnes of LNG by 2026. Its export figures will now likely remain at or close to zero if Western sanctions remain in place.

Alberta projects US$3.6 billion budget deficit after years of surpluses

(Bloomberg; Feb. 28) - Alberta, Canada's top oil-producing province, is projecting its first budget deficit after four years of surpluses as the prospect of a trade war with the U.S. weighs on the outlook for economic growth and oil revenue. The shortfall of C$5.2 billion (US$3.6 billion) in the fiscal year starting in April would be driven largely by a C$4 billion drop in bitumen (oil) royalties based on lower prices and a C$1.2 billion drop in personal and corporate income taxes, according to forecasts released Feb 28.

Expenses are expected to rise 3.3% to C$75.3 billion. Alberta stands to be among the Canadian provinces hardest hit by President Donald Trump's planned tariffs as it provides the vast majority of the roughly 4 million barrels a day of crude the U.S. imports from its northern neighbor. While U.S. imports of Canadian energy products are facing a 10% levy — less than half the proposed duty on other goods — a potential trade war still threatens to lower Alberta oil prices and volumes, reducing the resource revenue that accounts for about a quarter of the province's inflows.

"While we work closely with partners to find solutions to a possible trade conflict, we will continue our work to make sure Alberta's economy is strong — in and outside of the energy sector — so that we can manage any turbulence that comes our way," Finance Minister Nate Horner said in a statement. Trump's 25% tariffs on most U.S. imports from Canada and Mexico were set to take effect Feb. 4, then pushed back by a month after those countries' leaders announced new border security measures. Trump said in a social media post Feb. 27 that the levies are on track to go into place on March 4.

Vietnam moves to boost wind and solar, but still relies heavily on coal

(Associated Press; Feb. 27) - Vietnam is revising its energy plans to focus more on large solar farms and less on coal and gas, though it is the fifth-largest coal importer in the world. The fast-growing economy now aims to get 16% of its energy from the sun — more than triple its earlier target of just 5%. A draft of the new policy outline, likely to be finalized in coming weeks, scraps plans to build offshore wind turbines, instead building more onshore wind capacity, rooftop solar and energy storage.

Offshore wind and new gas projects have proven expensive and difficult, while large solar farms are cheaper and easier to build. Vietnam also is emphasizing expansion of large solar farms to meet soaring demand for power generation. It forecasts it will need more than 211 gigawatts of energy by 2030 as its economy grows, 40% more than its previous estimate and more than Germany's current total capacity.

"This reflects both an overall increase in potential power demand by 2030 and the fact that LNG import projects are not on track to be completed by 2030," said Giles Cooper, a partner at the international law firm Allens based in Hanoi who specializes in energy policy. But while it's building clean power capacity, Vietnam is also ramping up use of coal. That's partly to make up for lost hydropower capacity due to drought, and also to meet soaring demand as businesses shift factories from China to Vietnam.

India continues building coal plants, even while adding renewables

(Reuters; Feb. 27) - India is the second-largest clean-energy capacity development pipeline in the world after China. Nearly 56,000 megawatts worth of new renewables and nuclear power capacity are currently under construction. Global Energy Monitor data shows that clean energy sources make up 68% of all new power capacity being developed in India. This will lead to a 35% increase in the total amount of clean power available once completed.

However, the country also is building 30,000 megawatts of new coal-fired power capacity. This will ensure that coal remains India's main energy source, even after the clean-energy construction boom. India's heavy reliance on coal in its power system highlights the challenge faced by fast-growing economies that need to increase their energy supply to homes and businesses as quickly and cheaply as possible.

According to data firm Ember, the expanded coal capacity is expected to further increase India's coal-powered emissions. These are set to reach a record high in 2024, with over 1.2 billion tons of carbon dioxide. India's coal dependence is primarily due to the rapid growth of its energy demand, which has increased in tandem with India's economy. According to the Energy Institute, India's primary electricity consumption has increased by an average 7% per year since 2021.

Congress repeals Biden-era federal fee on methane emissions

(Associated Press; Feb. 27) - The Republican-controlled Congress has voted to repeal a federal fee on oil and gas producers that release high levels of methane, undoing a major piece of former President Joe Biden’s climate policy aimed at controlling the planet-warming “super pollutant.” The fee, which had not gone into effect, was expected to bring in billions of dollars for the federal treasury.

The Senate on Feb. 27 voted along party lines 52-47 to repeal the fee, following a similar House vote on Feb. 26. The measure now goes to President Donald Trump, who is expected to sign it. Methane is a much stronger global warming gas than carbon dioxide, especially in the short term, and is to blame for about one-third of the world’s warming so far. Oil and gas producers are among the biggest U.S. methane emitters, and controlling it is critical to address climate change.

Most major oil and gas companies do not release enough methane to trigger the fee, which is $900 per ton, an amount that would increase to $1,500 by 2026. The measure was part of the 2022 Inflation Reduction Act, but the Environmental Protection Agency didn’t formally set rules until late last year. That timing made it vulnerable to the Congressional Review Act, which allows Congress to pass a resolution to undo rules finalized toward the end of a president’s term. If the resolutions pass and the president signs them, the rule is terminated and agencies cannot issue a similar one again.

TotalEnergies again suspends work at Mozambique LNG

(Africa Intelligence; Feb. 28) - Despite its optimistic pronouncements of late, French oil and gas major TotalEnergies is standing down hundreds of workers based in the Afungi area of Mozambique, the site of the company’s multibillion-dollar liquefied natural gas export project, planned for 13 million tonnes annual production capacity. The letters from TotalEnergies began to arrive on Feb. 7, instructing all the subcontractors of the joint venture (Saipem, Chiyoda, McDermott) to suspend operations until further notice.

The subcontractors will stand down staff still based on the Afungi Peninsula in the province of Cabo Delgado, where over 150 trillion cubic feet of offshore gas reserves have been discovered since 2010. This decision is likely to come as a surprise to the Mozambican authorities, given that during a press conference held Feb. 5 to publicize the company's 2024 activity report, TotalEnergies' CEO Patrick Pouyanné was upbeat about the chances of resuming the project, which has been shut down since 2021.

The CEO voiced satisfaction with the improved security conditions in the Afungi area with the presence of Rwandan troops to suppress insurgents. But it seems the abrupt suspension of operations is now the order of the day, at least in the short term. TotalEnergies felt obliged to dispatch the Feb. 7 letters to contractors on account of the lack of clarity regarding financial aspects and construction costs of the project, which in its view justifies this umpteenth postponement of the lifting of force majeure.

Canadian developer looks at LNG export project for Hudson Bay

(The Winnipeg Sun; Canada; Feb. 28) - Northern Prince, a Canadian company with plans to get into the liquefied natural gas export business, is hoping to set up an operation in northern Manitoba in a far north First Nations community. In a Feb. 27 news release, the developer said the Port Nelson area, located on the shores of Hudson Bay near the mouth of the Nelson River, has attracted the interest of their organization.

The organization said the area is currently an “object of considerable interest from several Canadian energy companies for its tidewater location and proximity to Europe … an ideal combination for the export of liquefied natural gas.” Northern Prince is working with the Fox Lake Cree Nation as they try to get a deal done to bring an LNG export facility to the First Nations community.

According to Northern Prince LNG official Chris Hillard, the company signed a memorandum of understanding with Manitoba-based NeeStaNan, a company co-owned by Fox Lake Cree Nation and NeeStaNan Projects, to advance a feasibility study of building a “year-round, multifunctional port at Port Nelson, and a utility corridor connecting the three western provinces with tidewater on Huson Bay.” In addition to the construction at Port Nelson, the project would require more than 1,000 miles of gas pipeline from the shale gas fields of northeastern British Columbia and northern Alberta.

Researchers say gas, LNG and power will fuel commodity profits

(Bloomberg; Feb. 24) - Gas, power and LNG are set to eclipse oil as the biggest driver of commodity trading profits, according to research from McKinsey & Co. “In the last two years they’ve been almost parallel, and we definitely see stronger fundamental growth prospects on the power, gas and LNG side going forward,” said Roland Rechtsteiner, head of McKinsey’s commodity trading and risk practice.

Commodity trading houses have enjoyed the most profitable period in their history recently, as first the COVID-19 pandemic and then Russia’s invasion of Ukraine upended supply chains, spurring shortages and huge price volatility. While profits have eased off from record levels, they’re still far higher than before 2020.