Oil and Gas News Briefs
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Rockefeller Foundation will sell all its fossil fuel holdings

(CNN Business; Dec. 18) - The Rockefeller Foundation, a 107-year-old philanthropy built by oil tycoon John D. Rockefeller, is breaking up with fossil fuels in an effort to save the planet. Beyond pledging to dump its fossil fuel holdings, the $5 billion endowment is also promising not to make any new investments in the beleaguered sector. The moves make the Rockefeller Foundation the largest U.S. foundation to embrace the rapidly growing divestment movement.

"Burning fossil fuels is not necessary to sustain our economy and economic growth over the long run — and it's detrimental to our climate future," said Rajiv Shah, Rockefeller Foundation president. The move is especially symbolic because the foundation was founded by oil money. The endowment was largely built from the proceeds of Standard Oil, a company that at its peak controlled over 90% of petroleum products in the U.S.

More than a century later, the Rockefeller Foundation has decided it's time to cut ties with fossil fuels because such investments conflict with its mission to lift up humanity. The step puts an exclamation point on the pressure facing the fossil fuels industry as socially conscious investing goes mainstream and the climate crisis intensifies. By divesting from fossil fuels — and instead plowing money into clean energy such as solar power — the foundation is striving to speed up the energy transition.

Over the past six years, the Rockefeller Foundation's fossil fuels footprint has been cut in half to just 2% of its total assets, reflecting the industry's deep decline. That relatively small exposure makes the divorce less messy today. The news comes weeks after New York State's $226 billion pension fund pledged to dump fossil fuel stocks in the next five years and unload investments by 2040 in companies that contribute to global warming.

OPEC+ will meet monthly, says market 'still extremely volatile'

(Bloomberg; Dec. 19) - OPEC+ will react faster and take a more hands-on approach with the oil market, thanks to its accelerated schedule of monthly meetings, said the group's leaders Russia and Saudi Arabia. More frequent OPEC+ conferences mean policy makers in oil-producing countries, not speculators, will drive the market in the coming months, said Saudi Energy Minister Prince Abdulaziz bin Salman. He spoke to reporters after talks Dec. 19 with Russia's Deputy Prime Minister Alexander Novak.

“We are meeting monthly because we believe that the market is still not recovered and is still extremely volatile,” Novak said. “We need to adopt a hands-on approach and be able to react faster.” After a difficult round of talks in early December, the Organization of Petroleum Exporting Countries and its allies agreed to meet every month, an acceleration of their typical bi-annual schedule. The next meeting is Jan. 4, when they will consider whether to add as much as 500,000 barrels a day more to the market.

The ministers from Saudi Arabia and Russia reaffirmed their commitment to the group and its production cuts. Economic ties between the two countries were expanding, with growing bilateral trade and joint investments from their sovereign wealth funds. “We are on the same page in our commitment” to making sure the oil market is stable, said Prince Abdulaziz. The face-to-face talks in Riyadh, which will be followed by another meeting in March, were a step toward a firmer relationship, Novak said.

Saudi energy minister says OPEC+ committed to stable markets

(S&P Global Platts; Dec. 17) - Despite differing views on the pandemic, the OPEC+ alliance will continue to manage the oil market, Saudi Energy Minister Prince Abdulaziz bin Salman said Dec. 17. "We are talking about stable markets, sustainable markets that support investment and development," he said at a forum on Saudi Arabia's 2021 budget. OPEC and its allies, led by Russia, have laid bare their opposing philosophies in 2020 on how to deal with the pandemic in several fractious meetings over production.

Prince Abdulaziz said Saudi Arabia's preference is to remain proactive in cutting supply to stay ahead of any demand slumps, as the pandemic continues to rage in western countries. However, other members, including Russia and the UAE, have been more eager to relax quotas to reclaim market share. At the coalition's last meeting Dec. 3, OPEC+ members agreed to raise collective output by about 500,000 barrels per day from January and to convene monthly to determine subsequent levels. OPEC+ officials say that will enable producers to stay nimble and react quickly to changing conditions.

The OPEC+ alliance will next meet Jan. 4. Saudi Arabia, the world's largest crude exporter, saw its oil revenues plunge 30.7% in 2020 to Riyal 412 billion ($109.81 billion), its finance ministry said Dec. 15 in unveiling the budget, which slashed spending by about 7% from 2019 levels to try and reduce its deficit. Analysts with Riyadh-based Al-Rajhi Capital said the revenue assumption in the budget appears "reasonable based on a Brent price of $48 per barrel."

FERC approves reworking of Kenai terminal for LNG imports

(S&P Global Platts; Dec. 17) - The Federal Energy Regulatory Commission approved a proposal to bring the dormant Kenai LNG plant in Alaska back online as a limited-use import facility. The plant in Nikiski was once the only LNG export terminal in the U.S., but has not exported LNG since fall 2015. The liquefaction portion of the Kenai plant would not return to active status, according to a March 2019 import project application filed by the developer, Marathon Petroleum's subsidiary Trans-Foreland Pipeline.

FERC approval Dec. 17 will allow Trans-Foreland to make modifications to reactivate portions of the plant by importing one or more cargoes of LNG and filling existing storage tanks. The project to bring the plant out of "warm idle" would also enable the transfer of gas across the highway to a refinery owned by another Marathon affiliate.

FERC voted 2-1 to approve the project, with Democratic Commissioner Richard Glick dissenting. Newly seated Commissioner Allison Clements, who is also a Democrat, abstained from voting during her first open meeting, citing a need for more time to review FERC dockets as her office continues to add personnel. Glick cited concerns that the commission failed to consider project impacts on climate change, as he has routinely done in dissents to FERC orders approving new pipeline and LNG projects.

Marathon did not respond for comment, but a spokesperson said in 2019 the company wanted to use the plant to "optimize its refinery operations." Energy is a major expense for the refinery. Marathon took over the refinery after its $23.3 billion acquisition of Andeavor in 2018. It bought the LNG plant from ConocoPhillips that same year. The terminal started exports in 1969, sending the bulk of more than 1,300 cargoes to Japan before Conoco shut down the plant. Liquefaction capacity was 1.6 million tonnes per year — substantial at its opening but now dwarfed by much larger projects worldwide.

North Dakota's CARES Act spending to cap unused wells questioned

(KFYR TV; Bismarck, ND; Dec. 18) - North Dakota has spent about two-thirds of the $1.25 billion it received from the CARES Act. As agencies work the next two weeks making expenditures before the deadline, critics are speaking out against some of that money being used to help the oil and gas industry. The state's Industrial Commission was one of the largest recipients of CARES Act funds with $66 million allocated for projects that included confiscating and capping unused oil wells.

While the commission said it is helping one of the state's largest industries, there are those who say the money shouldn't have gone there. To assist the state's oil industry through the economic slowdown, the state has spent millions of dollars on projects it says preserves vital infrastructure and creates jobs. But some see it another way. In a letter to state leaders, a representative for the Dakota Resource Council and North Dakotans for Public Integrity call the subsidies "gifts," saying the state lacks "statutory authority to give these types of gifts to oil and gas operators.'

The plan is also a legally risky use of CARES Act funds because it appears unlikely that these funds "are necessary expenditures incurred due to the public health emergency" as required by the CARES Act. “I reject vehemently that these were gifts. If these were gifts, then I think there might’ve been $4 trillion in gifts given out by the federal government, including to health care, education, small business, retailers, hospitality, etc. It seems to be it’s an attack on one industry,” said Gov. Doug Burgum.

[Spot LNG prices in Asia spike to highest since 2014]

(Bloomberg; Dec. 18) - Liquefied natural gas has made a dramatic rebound from a pandemic-induced demand collapse, and the price rally could extend into next year. The onset of colder weather in key importing nations, outages at major production hubs and congestion along shipping routes have combined to push spot prices in Asia this week to the highest level since 2014, a more than sixfold jump from a record low in April.

“It’s going to take three to four weeks before the cavalry arrives with enough supply from Qatar, Nigeria, and the U.S., so if you’re a buyer with immediate needs it’s going to be costly,” said Ira Joseph, head of gas and power analytics at S&P Global Platts. The Japan-Korea Marker benchmark for spot deals in Asia rose Dec. 15 to $12.40 per million Btu. Prices are up 81% in the past month and 564% since bottoming out in April.

Some utilities may favor cheaper options such as coal in the short term, especially in South and Southeast Asia, where environmental policies are more lax, said Peter Lee, a senior oil and gas analyst at Fitch Solutions. Pain from rising costs won’t be felt evenly across all buyers because most LNG is still sold on long-term contracts linked to oil, said Fauziah Marzuki, a BloombergNEF analyst.

Most exposed would be companies that recently signed multi-cargo deals for winter, based on the Japan-Korea benchmark. That’s what happened to China Petroleum & Chemical Corp. (Sinopec), which in September bought at least nine cargoes for delivery between November and March at prices indexed to the marker. At the time, the benchmark was $4.55. The high prices, however, aren’t expected to last past the winter. Warming temperatures will soften demand, supply outages will eventually be resolved and tightness in shipping availability should ease before the end of the first quarter.

[High winter prices force Asian LNG buyers to scale back]

(Reuters; Dec. 17) - Surging spot prices for liquefied natural gas are exacerbating a gas supply crunch in fast-growing emerging markets in Asia just as a cold spell in other parts of the region boosts demand for the fuel. Companies from Pakistan to China have cancelled a flurry of LNG tenders this week, several sources said, as lofty prices risk pushing up costs for industries, which also could make energy more expensive for consumers. The Japan-Korea Marker rose Dec. 15 to $12.40 per million Btu.

Asia spot LNG prices have soared sevenfold since May to six-year highs, driven by production losses in Australia, Malaysia, Norway, and Qatar, combined with accelerating use in China, India, and elsewhere. “Buyers with no alternatives are now paying top-dollar for prompt cargoes in January,” said Chong Zhi Xin, a director at consultancy IHS Markit. The state buyer for Pakistan did not award an emergency tender seeking three cargoes for delivery in January after it received high prices, according to sources.

Power plants may opt to burn dirtier but cheaper fuel oil instead, sources said, but are also facing rising prices in that market. In India, Gujarat State Petroleum and Indian Oil did not award tenders seeking cargoes for January to February delivery, sources said. In Bangladesh, gas shortages are already apparent. “We don’t have gas for cooking until (the) afternoon during the winter season. There is hardly any gas. I can’t even boil water, let alone cook food,” said Sumi Akter, a mother of two in the capital, Dhaka.

Louisiana LNG project developer faces deadline with investor

(S&P Global Platts; Dec. 16) - With a Dec. 31 target approaching, it is uncertain whether Tellurian will be able to firm up an agreement with India's Petronet to invest up to $2.5 billion in the U.S. developer's proposed Driftwood LNG export project in Louisiana. The talks have been complicated by challenges: Executives can’t meet face to face due to the coronavirus pandemic, commodity prices are volatile, and the global market is awash in LNG supplies that are available without new long-term commitments.

A Tellurian spokeswoman declined to comment on the talks. Petronet officials did not respond. Tellurian, which has federal authorization to build the project, still needs commercial support before it commits to the endeavor, which is estimated in two phases at $27 billion to produce to 27.6 million tonnes of LNG per year.

During an investor call Nov. 12, Petronet executives said there had been little progress in the talks and suggested they were in no hurry to make a firm deal. "If you look at the market now, LNG is readily available without any investment," Petronet CFO Rakesh Chawla said. The company said that the 2019 preliminary agreement with Tellurian was "only for exploring the possibility" of a deal. To date, only France's Total has made a firm commitment to support the project — a $500 million investment signed in 2019. But Total can back out if Tellurian does not take a final investment decision by June 2021.

[Russia will help Pakistan build pipeline to boost LNG import capacity]

(Bloomberg; Dec. 16) - Pakistan will start building a 684-mile pipeline in July with Russia that will allow the South Asian nation to operate more liquefied natural gas import terminals. Pakistan will have a majority share of 51% to 74% in the project, while Russia will own the remainder, Nadeem Babar, petroleum adviser to the prime minister, said Dec. 14. Pakistan's gas distribution companies Sui Southern Gas and Sui Northern Gas Pipelines, which have started acquiring land for the pipeline, will be a part of the project, while a Russian consortium will lead construction.

Pakistan has become one of the top emerging markets for LNG as domestic gas production has plateaued, forcing more imports. Pakistan imported its first cargo five years ago and now has two LNG terminals. It's running both at capacity to meet peak winter demand with 12 cargoes for December and 11 for January, Babar said. Two more terminals are expected to open in the next few years. The new pipeline will ease bottlenecks in moving gas out of the terminals and increase the distribution area.

[Terminal construction underway at Russia's next Arctic LNG project]

(The Barents Observer; Norway; Dec. 16) - It is mid-December and shipping along the Russian Arctic coast has almost come to a full halt. With one exception: In the Gulf of Ob, ship traffic continues at a high pace. Among the key ship destinations in the area is Novatek's Utrenneye terminal, a major piece of infrastructure under construction on the eastern shore of the shallow bay to serve a multibillion-dollar gas project. In the second week of December, there were 12 ships in the area, eight of them cargo ships.

Ice conditions are getting increasingly difficult, and two icebreakers, among them the nuclear-powered Yamal, are keeping the waters open. According to ice maps from the Russian Arctic and Antarctic Research Institute, the ice sheet in parts of the Ob Bay is now between 11 and 40 inches thick. The Utrenneye terminal will serve the Arctic LNG-2 project, which is a top priority for Russian government officials and gas producer Novatek. Arctic LNG-2 is under construction, with start-up planned in 2022-2023. At full output, the terminal is planned for 19.8 million tonnes per year of LNG.

A key share of the new infrastructure is being financed by federal funds, and state nuclear power company Rosatom has the top responsibility. In the course of summer and fall this year, more than 32 million tons of sea bottom was removed as part of opening a bigger shipping channel in the shallow bay.

BP buys controlling stake in forestry-based carbon-offset company

(The Wall Street Journal; Dec. 16) - BP has bought a controlling stake in the largest U.S. producer of carbon offsets, taking further risk on a bet that preserving forests will be key to companies meeting their carbon-reduction goals. The oil giant in late 2019 made a $5 million venture investment in Pennsylvania's Finite Carbon, which helps landowners sell their forests as carbon sinks. Now with majority ownership of Finite, BP plans to take global the business of paying landowners not to cut down trees.

BP and Finite didn't disclose financial terms of the latest deal but said that the forestry firm was now part of BP's Launchpad, a unit which functions similarly to a private-equity firm by taking big economic stakes in businesses with an eye toward steering them through expansion. BP itself has been one of the world's biggest buyers of forest carbon-offset credits, a type of climate-change currency. The company has spent hundreds of millions of dollars on offsets to comply with California regulations.

California operates a cap-and-trade system that aims to reduce greenhouse gasses by making it more expensive over time for companies operating in the state to pollute. In California's system, preserving forests with century-long conservation pacts is rewarded with credits, each representing a metric ton of carbon sequestered in trees that landowners have been paid not to cut. BP is wagering that cap-and-trade will spread.

Like other forestry consultants, Finite sizes up trees on behalf of landowners and estimates the biomass and how much carbon is being stored. Finite has created and sold offset credits on behalf of landowners. BP's bigger investment will enable Finite to continue adding staff and expand into forests around the world, said Sean Carney, who founded Finite with financial backers in 2009 and will remain chief executive.

Analysts expect fewer energy company bankruptcies in 2021

(Bloomberg; Dec. 18) - Better days may be ahead for energy companies after a year of bankruptcies, with the pandemic culling the weakest borrowers and investors pricing in a sharp economic recovery when vaccines become widely available. About $144 billion of energy bonds were trading at distressed levels in the middle of March, when the pandemic sent oil demand plunging, but that number receded to $37 billion by the end of November. That's because some oil and gas companies have filed for bankruptcy while others have seen their fortunes rebound, according to Bloomberg Intelligence.

Industry watchers say this year's energy distress is unlikely to repeat in 2021. In part, the wave of restructurings left less debt to trip up borrowers. Support may also come from buoyant credit markets and an expectation that economic activity will pick up in the second half as people get vaccinated. That said, it won't be completely smooth sailing. "The pace next year is not going to be the same pace as 2020, but there are still going to be Chapter 11s," said Becky Roof, a Houston-based adviser at AlixPartners.

It's been the second-busiest year for energy restructuring since 2016 — the height of the fallout from $100 oil — with 107 producers, oil field servicers and midstream companies filing for bankruptcy, according to law firm Haynes & Boone. "The weakest have been culled from the herd," said Spencer Cutter, a Bloomberg Intelligence analyst. He sees bankruptcies slowing next year, but mostly as a pause before maturities start to tick up in 2022 and 2023, which could put some companies back into trouble.

Sinopec think-thank sees China's peak oil-products demand by 2025

(Argus Media; Dec. 18) - China's oil-products demand is likely to peak by 2025, the country's biggest refiner state-controlled Sinopec said. It expects crude throughputs to increase over the next five years, mainly driven by rising petrochemical output. The company's Economics and Development Research Institute think-tank said in its annual outlook that it expects refinery capacity to hit almost 20 million barrels per day by 2025, up 20% from 2020, even as diesel and gasoline demand peaks during that period.

"China's oil products will enter a final growth phase before peaking in the next five years," the report said. Product demand is forecast to peak by the end of 2025, in light of the growth of electric vehicles and the lingering impact of COVD-19. During the next several years, new refineries will add to the country's oil-products surplus, potentially adding 30% to China's exports of refined products, putting China's markets under even more pressure to manage their product surpluses, EDRI said.